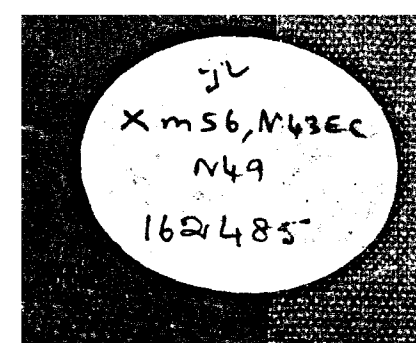




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The Economist

Established 1843

July 2, 1949

One Shilling

29 AUG 1949

LEADING ARTICLES

1952 Is Now - - - - -	1
Inquest on the Press - - - -	3
A Year of Titoism - - - - -	5
More or Less Competition? -	7

NOTES OF THE WEEK - - - 9

Railwaymen Turned Highwaymen; Mr St. Laurent's Victory; Delicacy in China; Conservative Imperial Policy; Shaping Road Transport; Strikes in Australia; Faint Hopes in Indonesia; New Trade Union International; End of the Boundary Commission; Civil Servants and Politics; A Farmer's Warning; A Bad Decision; Bad to Worse in Prague; Doctors and Arbitration; Justices of the Peace; A Concatenation of Orchestras.

LETTERS TO THE EDITOR - 17

BOOKS AND PUBLICATIONS - 19

AMERICAN SURVEY

Science and Welfare - - - 21

The Call for Public Works - 22

Fourth Point by Instalments; Cherries and Clothespeg; Teachers Take the Test; Labour's Half Loaf; Shorter Note.

THE WORLD OVERSEAS

Italy's Precarious Recovery - 26

Ten Year Plan for the Congo—1; Surveying the Amazon; Uno and the Backward Areas.

THE BUSINESS WORLD

European Payments Compromise? 31

Profits—True and Untrue - - 33

BUSINESS NOTES - - - - - 35

The Dollar Crisis; 1947 and Now; The Lords Amend the Steel Bill; "Nationalisation, New Style"; Argentine Trade Agreement Signed; A New Export Effort; FCI's More Active Year; Gas Stock Valuations; New Stock Exchange Chairman; Iran Penalises British Bank; Chinese Banks and the Communists; Second Thoughts in the Capital Market; Bank Advances and New Issues; South Africa's Premium Gold Sales; Redeployment in the Cotton Commission; Fuel for Jet Aircraft; Cargo Insurance Rates Merged; Chocolate Economics; Television and the Film Trade; Shorter Note.

COMPANY MEETINGS - - - 44

INVESTMENT STATISTICS - - 54

STATISTICAL SUMMARY - - - 55

1952 Is Now

THE much advertised difference of opinion between the governments of western Europe which has been creating an atmosphere of crisis in Paris and Brussels and London this week is, on the surface, concerned with the technicalities of the Intra-European Payments Scheme. These technical difficulties (which are discussed in detail in an article on page 31) can undoubtedly be removed—they may indeed have been settled by the time these lines appear—and a compromise can be worked out by which the strict bilateralism of the present arrangements can be relaxed without costing Britain any gold. But the technical details of the dispute are not at the real root of the crisis. The conflict over drawing rights and transferability is a symptom, not a cause, of Britain's present difficulties. Sir Stafford Cripps's insistence that no scheme should threaten Britain's reserves springs from his knowledge that once again those reserves are draining away. The figures for the three months from March to June, to be published next week, will show a sharp fall, and it is this knowledge of a steadily diminishing reserve which accounts both for the Chancellor's rigidity in the discussions on the Payments Scheme and for the violent attack of nerves that has overtaken the London money market.

The truth is that the crisis which the British did not expect until 1952—and hoped to be prepared for by then—is already upon them. It has always been recognised that by 1952 the stream of external assistance—whether by loans or Marshall aid—which has gone on uninterruptedly since 1945, would have come to an end and the British by then would have to live on what they earned in a competitive world. In the long run, nobody owes the British people a living and the point must come when they enjoy only that standard of living for which they are prepared to work. What had not been expected was that Britain's difficulties in paying its way would remain so dire that even with Marshall aid, the books would not be balanced and the eating up of the reserve would continue unchecked, or might even be accelerated. As in the "phony war" of 1939, the belief that time is on our side has again proved a myth. Time, now as then, is on our side only if we use it. And, now as then, time has not been used to sufficient effect. The crisis, staved off two years ago, is returning in a more acute form.

Such is the present prospect. The biggest cause of the sudden transformation has been the change, in the past six months, in the economic climate of the world. Britain's present trading methods do not equip it well for trade in a buyer's market. A large part of its commerce is regulated by tightly-drawn payments agreements in which the sterling earned by sales to Britain may be spent only within the sterling area. British producers thus tend to feel themselves insulated from price changes in the rest of the world economy. The incentive to lower costs is slight. But in a world which will no longer buy anything that is available and in which the price at which goods are offered is again becoming a decisive factor, sterling which can only be spent in the increasingly high-cost sterling area loses its attraction.

Vol. CLVII No. 5523
THE ECONOMIST, 22, Ryder Street, St. James's,
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of newspaper." The largest single ownership lies with Kemsley Newspapers, with 17.18 per cent of the total of general daily and Sunday newspapers. It is true that there was a strong trend, between 1921 and 1929, towards concentration of ownership in provincial newspapers which now appears to have ceased; but in national newspapers there has been a strong trend away from monopoly in the last twenty-five years. The Commission sees no reason to expect the trend to concentration to reappear and it finds that the decrease in the number of daily newspapers "does not yet prejudice the public interest."

In short, it is argued that the appearance of monopoly arises more from mass circulation than from facts of organisation and direction; and in the course of the argument the Report acquits the great newspaper "chains" of the main general charges against them. It accepts the sensible view, which is that the "chain" system can afford to give its provincial papers feature and foreign material, as well as first-hand reports of events of national interest, such as the independent provincial paper can no longer afford and without which it cannot compete for long against the national papers. As for the news agencies, the Commission is satisfied that two providing home and four providing foreign news ensure effective competition and coverage. The Report is, therefore, content with two minor recommendations in this part of its inquiry: that every newspaper belonging to a "chain" should make the fact clear on its front page, and that any cases of real monopoly should be investigated by the Monopolies Commission.

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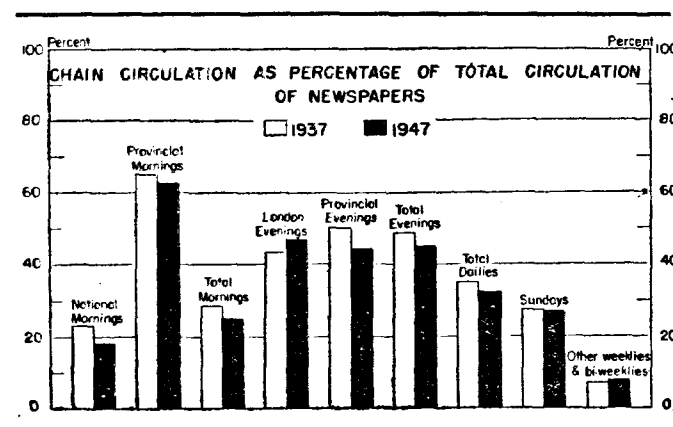
On the charge of inaccuracy in news and unreasonable bias in comment the Commission could, of course, recommend no cure by legislation or prescription. In two excellent chapters entitled the "Performance of the Press" and "Formation of Policy" they describe the chief causes for these obvious faults: competition for circulation—especially between the *Daily Express* and the *Daily Mirror*—the "re-write man," haste and straining after effect, changes between editions, and the influence in the editor's chair and the proprietor's home of powerful personalities with strong opinions. The examples they give are fair and salutary, ranging from the brutal candour of the editor of the *Sunday Express*—"the plain fact is—and we all know it to be true—that whenever we see a story in a newspaper concerning something we know about, it is more often wrong than right"—to the winning frankness of Lord Beaverbrook who, when his editors disagreed on matters of Empire, "talked them out of it." In fact the root of the trouble lies in the journalists themselves and the conditions of their work—not in facets of organisation, "commercialism," or malevolent influences. To quote one of the most sweeping expressions of a judgment that often recurs in the report:

The public can therefore dismiss from its mind any misgiving that the press of this country is mysteriously financed and controlled by hidden influences, and that it is open to the exercise of corrupt pressure from self-seeking outside sources.

*

It should be made clear, however, that the Commission describe and severely condemn individual cases of distortion and untruth which have been proven; what they avoid is the reckless, critical generalisations about the press as a

whole which led to its appointment. Indeed, some of the most remarkable examples of inaccuracy exposed in the Report are not drawn from the newspapers at all but from the evidence of that little band of MPs, journalists by profession and socialists by conviction, whose allegations stirred up



the agitation of 1946 and led to the appointment of the Commission. With the help of their research staff and by the confronting of witnesses the Commission were able to show how fallible is the human memory, how often a case is ruined by exaggeration. The allegations about "black lists," about pressure from advertisers, about film critics being victimised by film companies have been much deflated by inquiry. This is the conclusion of the Commission on the performance of these critics:

We called before us several of the journalists who spoke in favour of the motion demanding the appointment of the Commission, but neither they nor the National Union of Journalists produced much positive evidence in support of their criticisms, and some of what was produced did not stand up to examination. The Memorandum submitted to us by the union was not a survey of the press as a whole but rather an attack on the right-wing portion of it.

In short, this little group of politicians—the Fifth Column of the Fourth Estate—allowed their political ambitions and prejudices to blind them. There is a delicious irony in the fact that the net effect of their initiative is to provide an impressive demonstration that the capitalist owners of the press have a much better sense of accuracy and fairness than at least the Socialist partisans among their employees. Those who remember the succession of events in 1946 will find it difficult not to believe that a certain element of vindictiveness against their critics also inspired the Cabinet, or some of its members, in deciding to set up the Commission. They also have been hoist with their own petard. Mr Aneurin Bevan is not mentioned in the Report; but his severest enemy could not wish to have the irresponsibility of his references to "the most prostituted press in the world" more completely exposed and discredited.

What, then, do the Commission recommend? Is all well with the press? Certainly, that would be going much too far. Apart from many detailed comments and criticisms, the Report makes one general point of great force. The British press, it says,

provides for a sufficient variety of political opinion but not for a sufficient variety of intellectual levels. . . . There is a lack of newspapers more serious and better balanced than the popular papers but more varied and easier to read than the quality.

It is also apparent that the Commission is not at all happy—as who can be—about the intellectual level of much that is offered to the mass of the public, and that its unhappiness remains even after it has made the point that "a newspaper

cannot raise its standard far above that of its public." The tendency to lower standards in order to seek competitive advantage, it says,

is not always resisted as firmly as the public interest requires. The press does not do all it might to encourage its public to accept or demand material of higher quality.

This week's headlines saying "British Press Is Vindicated" therefore fall below the standard of accuracy that the Commission enjoins. But where the Report is quite flat-footed is in saying that the causes of the shortcomings of the press "do not lie in any particular form of ownership." Capitalistic ownership of the press, so far from being poisonous, is essential.

Free enterprise is a prerequisite of a free press, and free enterprise in the case of newspapers of any considerable circulation will generally mean commercially profitable enterprise.

The Commission see no need for legislation, for public action, for a purge of Fleet Street. They have found that they cannot draw up an indictment against a whole industry, an entire profession. But they do recommend most emphatically an effort to recruit and train better journalists. They find the methods of recruitment—especially in the provinces—haphazard; the arrangements for training are judged crude, save in the Kemsley group. The Report draws a clear distinction between learning to be a journalist and acquiring the degree of general education which it is necessary for a journalist to have. It insists, quite rightly, that the cure for many evils lies here, and it was worth having a Royal Commission just to say this.

*

When we come to the main—in fact the only considerable—recommendation of the Report approval must wait on further explanation and definition. It is proposed that a General Council of the press, with a paid chairman from outside the profession, should be constituted by the press itself. It would have 25 members, representing proprietors, editors, and other journalists, and one fifth of their number would be "lay members." (Two journalists on the Commission disagree with the proposal for "lay members" and point out that no other professional organisation has found

A Year of Titoism

DURING the year which has followed the famous resolution of the Cominform expelling Yugoslavia from its membership, Titoism has become an international phenomenon. With the single exception of Czechoslovakia, all the east European Communist parties have undergone purges of "nationalists." Their first victim was the Rumanian Patrashcanu, whose disgrace actually preceded that of Tito. Later in 1948 came the turn of the Pole, Gomulka, and the Albanian, Koci Xoxe, of whom the first has so far escaped lightly with the loss of his important state and party functions, while the second was executed a month ago. In 1949 Bolshevik vigilance has unmasked the Bulgarian vice-premier Kostov, the Greek rebel leader Markos Vafiades and the former Minister of the Interior in Hungary, Rajk. The last-named has even been accused of espionage on behalf of the imperialists, and thousands of spontaneous telegrams have already poured in from the toiling masses demanding "a rope for the traitor."

Each case has brought further confirmation of the fact, long pointed out in *The Economist*, that Titoism consists not in any mistake of social or economic policy, or party

their presence necessary.) The Council would represent the press as a whole and "safeguard its freedom"; it would encourage the sense of public responsibility and service in the profession; it would improve education and training. It would also—and here comes the difficulty—build up a professional code by "censuring undesirable types of journalistic conduct," by receiving complaints about the press, and by dealing with these "in whatever manner may seem to it practicable and appropriate."

The question at once arises whether such a Council could do anything that cannot already be done by proprietors, editors and journalists through their existing organisations. The great majority of those who know the trade will answer no. Such an organisation tends to be staffed by those who have the time to serve on it—which, in a busy trade, means the less successful and the less imaginative. It would concern itself much with formalities and trivialities, and if it did take up something important, how could it enforce its judgments and its code? The answer is that it could not, without statutory authority; and this the Commission rule out. The only argument for the proposed Council that is likely to carry any weight at all in Fleet Street is that the press should regard it as a necessary part of its public relations and that it would play a useful part in reassuring those sections of public opinion that have been much disturbed by reckless allegations. But the Report itself is likely to be the strongest counter to this. In any case, the Royal Commission make it clear that their proposal is no more than a recommendation to the press. For the essence of their report is that the press, having been acquitted of general charges, should be trusted to set its own house in order and abolish or restrain those practices that have brought some newspapers into disrepute. In fact the Royal Commission have handed over to Fleet Street the problem over which they have spent two years—not, it is true, without reducing its proportions and clarifying its nature. The result could have been foreseen, and it is to be hoped that more sober counsels will be contributed to discussion of the proposed Council than were contributed to the campaign of 1946, which led to this illuminating but inconclusive inquiry.

tactics, but in insufficient adulation of the majestic figure of Stalin, "leader of the world proletariat," and of those men whom, in his infinite wisdom, he has appointed to give instructions to the young and inexperienced Communist parties of the "liberated" countries. The crime of Kostov, as described in an article in the organ of the Cominform by a former Secretary of the Comintern, the Bulgarian Vasil Kolarov, was that he failed to realise that "secrets and commercialism do not figure in Soviet-Bulgarian relations." Kostov "systematically withheld from Soviet trade representatives the price at which Bulgaria sells certain goods to capitalist states." The great George Dimitrov himself declared Kostov guilty of "the shameful assumption that the Soviet Union might injure the state interests of Bulgaria." Thus, any Communist who considers his country an independent state when dealing with a representative of the USSR is guilty of the impious offence of "nationalism." The most eminent criminals have been publicly denounced, and in each party the lesser offenders are being sought out and rendered harmless.

The purge is unlikely to stop there. The history of Soviet

Communism shows that the suppression of one "deviation" is usually followed by the "unmasking" of its opposite. When the Trotskyists had been liquidated, it was the turn of the Bukharinites. The Soviet press today denounces with equal rage the twin opposite sins of "nationalism" and "cosmopolitanism." Both heresies are, it maintains, weapons of American imperialism for undermining the true faith. It is significant that the campaign against cosmopolitanism in the USSR is specially directed against that group among its citizens whose whole history and character make it most liable to this sin—the Jews. In the recent purge of dramatic critics guilty of cosmopolitanism, the defenders of the true faith took special pleasure in "unmasking" the Jewish names of several sinners who wrote under Russian pseudonyms. Thus the Moscow *Literary Gazette* of March 9th unmasked comrades Zhadanov-Liefschutz, Sanov-Smulson and Martich-Finkelstein. Readers will remember how the *Völkischer Beobachter* used to refer to Litvinov-Finkelstein. There are many Jews among the leaders of the east European Communist parties. The Hungarian party's leaders, Rákosi-Roth, and his colleagues, Berman and Minc in Poland, and Pauker in Rumania, will now presumably make great efforts to avoid the accusation of cosmopolitanism.

★

The grotesque aspects of this purge should not be allowed to obscure the fact that it has attained its main object—to clamp down the Russian vice still tighter on eastern Europe. Just as the wartime phrase "governments friendly to the Soviet Union," accepted at its face value by President Roosevelt, proved in practice to mean quisling regimes of Soviet puppets, so the slogans "socialist comradeship" and "proletarian internationalism" are a rhetorical camouflage for total obedience to the Politburo of the Soviet Communist Party. The Politburo recognises only two categories of human being, whether within or beyond the frontiers of the Soviet Union—enemies and slaves. At present in eastern Europe the first category outnumbers the second. The purge has consolidated the second category; for its increase the Moscow planners rely on time and their well-trying methods of education. When, for a whole generation, all children have been removed from the influence of either priests or liberal teachers, a substantial army of enthusiastic slaves should be available to do the master's work.

Meanwhile, as a result of the spring-cleaning of 1949, the east European Communist parties will be more perfect instruments. Some discontent and bewilderment will have been caused within their ranks, but it is unimportant. There is plenty of hatred of Communism and of Russia in eastern Europe, but it is unorganised and powerless. Communist Party members have to fear the wrath of their hierarchical superiors in Moscow and the wrath of the non-Communist masses of their own peoples. The double fear will keep them to the party line. Perhaps a more serious loss to Moscow will be dismay among Communists beyond the Lübeck-Durazzo line. With the examples of Kostov, Gomulka and Rajk before them, can western Communists maintain that Communism would bring their countries freedom, independence and prosperity? Would it even bring them, personally, the office and the influence of which they dream? But this is, generally speaking, only a reaction of intellectuals. The hard core of French and Italian labour will remain loyal to the party as long as prices are high, food is scarce and unemployment threatens. And it is on the indoctrinated party cadres and the industrial masses that Moscow relies to keep western Europe seething.

The debit side of the balance, for Communists, is Yugoslavia, and the loss is serious. Until Moscow deliberately picked its quarrel with Tito, Yugoslavia was the south-western bastion of the Soviet position in Europe. Through its territory the Soviet Union had access to the Adriatic. Now bitterness and suspicion have reached such a point that Moscow can certainly no longer rely on Tito. Abandonment of support for Yugoslavia's claims against Austria at the Paris Conference last month is only the last of a series of injuries to Yugoslav interests. Though Tito is still far from the subservience to the western powers of which Soviet propaganda accuses him, he is certainly no longer a reliable Soviet vassal. This means that only Albania is left as a lonely outpost of the Soviet empire on the Adriatic. It is true that its ports, Durazzo and Valona, though lacking in modern equipment,



possess great strategic importance, as they dominate the Straits of Otranto. Some, at least, of the Soviet military and civil technicians withdrawn from Yugoslavia are now in Albania. Polish, Soviet and Rumanian ships, passing through the Danish Belts, Gibraltar or the Dardanelles, are bringing materials required for the projected industrialisation of Albania. High among its priorities are the extension and fortification of the ports and the construction of a railway to link them with Albania's eastern frontier. But even if mass labour conscription, police terror and supervision by Soviet engineers could soon accomplish these enormous tasks, the result would be of small value to the Soviet Union as long as the obedient vassal Albania is cut off from the obedient vassal Bulgaria by the Macedonian provinces belonging to Yugoslavia and Greece. Perhaps the most important reason for creating the Dimitrov empire, or "South Slav federation," with its enlarged Macedonian republic gravitating towards Sofia rather than Belgrade, would be to give the Soviet Union direct access to two branches of the Mediterranean, to the Aegean at Salonica and Kavala, and to the Adriatic at Valona and Durazzo. The ghosts of Aehrenthal and Izvolsky might smile to see the revival, in the age of "people's democracies," of the Balkan railway-building imperialism of the turn of the century.

Meanwhile, however, resistance in Yugoslavia and Greece is a fact. Tito is perfectly capable of suppressing any revolt among his Macedonians, and there is not even any evidence that his Macedonians wish to revolt. The hold of the Greek rebels over Greek Macedonia is precarious, and the removal of Markos cannot have improved the morale of those of his followers who believed themselves to be fighting, not for Russian imperialism, but for Greek democracy. Civil war

has not sufficed to destroy Greece, and in Yugoslavia civil war is not a likely prospect. Invasion of Yugoslavia by Bulgarian or Hungarian troops—of which there is no sign—would be repelled: invasion by Soviet forces would involve unpredictable international risks.

Access to the Mediterranean will remain one of the principal objectives of Soviet policy. The Yugoslav and Greek obstacles may cause Moscow to postpone its plans; they will never be abandoned. To keep the Russians back from the Mediterranean should be one of the principal aims of the western powers. It is worth financial effort to strengthen the Greek economy and to hasten the victory of the Greek army over the rebels. If necessary, more funds must be spent,

More or Less Competition?

IT was recently reported in the American magazine *Fortune* that Mr Vincent Tewson, General Secretary of the TUC, on being asked in New York, where he was attending the meetings of the Anglo-American Productivity Council, whether British industry needed more or less competition, replied laconically "less." It is perhaps unreasonable to expect Mr Tewson, as a good trade unionist, to hold any other view, although it might have been hoped that a first-hand inspection of American productivity and American wages would have produced a more constructive reply. No correspondingly succinct comment has been elicited from the representatives of the British employers on the Anglo-American Council, but there is no reason to think that it would have been very much different. Capital and Labour in British industry are formally divided on the issue of "free enterprise" versus "socialism." But except on the point of who shall own industry (which is by no means a vital one to the unions), there is not a great deal of difference between the visions they cherish of what the ideal organisation of industry should be. Both of them accept the notion of a non-competitive industrial order, closed to irritating newcomers and accepting technical advances only at a pace that does not involve either loss of investment or displacement from jobs for those who are committed to older methods. This is what the unions mean by "socialism." And it is also (with a reservation on ownership) what most businessmen mean by "free enterprise."

It is very easy to rail against this general attitude. But the very fact that it is so general suggests that it corresponds to something very real in every contemporary society. If the question is raised in the abstract, then the overwhelming

more experts sent, and more intervention take place in the organisation and personnel of Greek government, provided that Greece is thereby strengthened. It is worth short-term economic loss to help Yugoslavia resist the Cominform boycott, provided that it is reasonably certain that Tito will in fact use such help to increase his power of resistance. It is worth diplomatic effort to bring the Yugoslav and Greek governments to recognise the lesson of both countries' histories: that when threatened by Bulgarian and Albanian tools of a Great Power both must stand together. Success or failure in these tasks by the western powers will decide whether the campaign against Titoism will have served or harmed the Soviet cause.

popular vote, as a recent Gallup Poll has shown, will go in favour of the society that provides maximum security (which is the same thing as maximum protection for established activities) as against one which provides the maximum material income. The intensely competitive American system has produced, according to the claims of its advocates—and some at least of them must be conceded—the highest standard of living, the greatest technical achievements, the most invincible military and naval power, the highest level of athletic excellence, and for that matter the best-looking girls and the finest babies, that the world has ever seen. It is also just as well for the Old World to remember that it provided the where-withal for Lend-Lease and for ERP.

But it has undeniably produced in addition a larger crop of stomach ulcers, psychoses, neuroses, suicides, divorces, and miscellaneous and highly coloured crime than in less competitive countries. So far as the available information goes, all these phenomena of personal instability and unhappiness are more frequent—and some of them much more so—in America than in Britain. To live the whole of one's life at the competitive pace and concentration of a Grand National jockey is good neither for private happiness nor for civic health. Better a dinner of herbs, many Europeans would sincerely hold—better a dinner of herbs supplied by the inadequately aggressive economic system of the Old World, and some measure of peace of mind therewith, than a stalled ox gobbled at the competitive quick-lunch counter. Nor are Europeans the only people to hold this opinion. The Gallup Poll asked the same question, posing the choice between more security and more income, not only in Britain and Sweden, but in the United States, in Canada and in Australia. Every-

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where there were large majorities for security; but it is significant that the majorities were notably higher in the pioneering, risk-taking atmosphere of the New World and the Great Open Spaces. If it is a straight contest, as a matter of abstract principle, between Security and Competitive-Efficiency, then competition is apparently not what people want even in the land where its praises are most loudly sung.

★

But in Britain in 1949, unfortunately, the case is not abstract and academic, it is concrete and pressing. The choice is not between more income and more security but between more efficiency (which almost certainly means less security) and less income. It might be that if the public were asked in a Gallup Poll if they would prefer less income or less security they would still answer less income. But they would not mean it, for they would not understand the implications of the question, and they would certainly be quick to howl down any Government that accepted such a verdict and gave up the fight to maintain the standard of living. The choice of security at the cost of income is acceptable if those who make it are, in fact, prepared to content themselves with a dinner of herbs. But it is evident that they are not. Organised British labour, whose interests Mr Tewson represents, demands nothing less than a stalled ox: roomy and well-equipped houses, good and varied food, secondary education for all, health services on tap, ample spending money, shorter hours, longer holidays, and a substantial "floor" to the economic system for the benefit of all those who fail to make the grade. It demands, in short, all the fruits of the highest productivity, a higher productivity than Great Britain has ever achieved. And in view of the mass of human suffering and frustration, of slums and malnutrition, of ignorance and ill-health, of wasted lives and wasted talents, which is summed up in the word "poverty" and is implicit—at all events in an industrial community—in that innocuous metaphor of the dinner of herbs, they are perfectly right.

Who wills the end, however, must will the means. High standards can only be supported by a highly productive economy—not in the naive sense of maximum quantity at any cost, but in the genuine economic sense of a high return from all the productive resources. It means the use of labour, enterprise, equipment, and raw materials in the place and the manner in which they will count for most. That can never be achieved under any corporative system of self-government in industry, for it presupposes all that the vested interests in industry, who would do the self-governing, would most heartily oppose. It means that the low cost producer—the firm who by an intelligent use of their labour and their skill could sell a better product at a lower price—would attract capital, brains, and labour, while the less efficient, albeit the old and more famous firm, would either follow suit or dwindle into bankruptcy. It means that towns or districts historically associated with a particular process or product would have to face either a radical change of pursuit or insolvency and depopulation. It means that famous names in British industrial history would be replaced by those unknown ten years before.

If the demands that the British people in fact make upon their economy (whatever answers they may give to Gallup Pollsters on abstract issues) are to be met, it is not enough to avoid any further decline in economic efficiency, there must be a sharp increase. The present British standard of living is sustained by free American dollars. To support it without this aid requires a sudden and substantial jump in efficiency—by which is meant (to repeat) not the piling up

of records of production achieved at any cost, but lower real costs of production, the giving of better value for money all round. The total of units produced is now becoming less important than the cost of producing the average unit. It is quite certain that there will be no such jump in efficiency if Mr Tewson gets his way and there is less competition. It is only one whit less certain that it cannot be done without a substantial move back in the direction of real competition.

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This clearly, is what the national interest requires. But nobody should be under any illusion that it will be easy to reverse the trend. The forces in Great Britain arrayed against low cost production through a competitive economy are very great. The whole climate of a mature civilisation militates against the crudities and disturbances of a turbulent economic system—a fact which is reflected in the attitudes of management and labour and of the two great political parties. There is nowadays a very strict limit to the amount of social tension and upset which Englishmen of any class have the nerves to stand. The planners, including the Civil Service generally, would not welcome a dynamic economy, constantly altering its shape and pattern. One of the most interesting aspects of the Government control of industry since 1939 has been the way in which it has accepted the industrial order as it then existed, and by its system of controls has done its best to petrify it. Organised labour views the competitive economy with deepest suspicion. That it would mean a more materially prosperous society does not in the eyes of most trade unionists overcome the disadvantage that it would involve, first, genuine mobility of labour between localities and between industries, and, second, a much greater difference between the earnings of the industrious and the idle.

But possibly the greatest stumbling block to the creation of a fully competitive economy is the social climate which in Great Britain surrounds success in business. So seductive is the way of life which industrial Britain inherited from agrarian Britain that almost every industrialist has sought to make himself, in greater or lesser degree, a country gentleman. This has not been without gain to the community. But such a social system has dangers for a Britain which is confronted with the need to kindle its economic activity into white heat. It leads to the assumption that a man or a family or a business which has gone up in the world cannot possibly go down. A self-made man with a Cotswold manor house and a son at Eton is not likely to venture his fortune on a new technical improvement or to face with equanimity the thought of cutting his losses and starting again. All the fruits of success in England give a man the strongest possible interest in a quiet life. Rather a convenient arrangement with his competitors, an acquiescent attitude to the demands of general labour, and a friendly chat with the Government about a quota or a subsidy. The aristocratic ideal which has helped to make England one of the most intelligent and the most enduring of nations has also contributed towards making it one of the most economically unadventurous.

But if the social climate of the community exerts so strong a pressure towards a course that will clearly be disastrous for the nation, then the task of statesmanship is to plead and argue and act against it, not feebly to acquiesce. Everybody now accepts the abstract statement that the British people must somehow contrive to balance their books before they can decide what to do with any surplus. Everybody would accept such a statement in words. But few people act as if they were prepared to accept the social and economic consequences of transforming Britain into an efficiently productive nation.

NOTES OF THE WEEK

Railwaymen Turned Highwaymen

While the eyes of the world are turned anxiously upon the peripatetic figure of Sir Stafford Cripps to see how far and in what way the crisis of Britain's payments will develop, the British railwaymen and dockers are doing their best to undermine the confidence and prestige of the Government at home. After months of negotiation the National Union of Railwaymen have made it quite clear that the only settlement which will satisfy them is a complete surrender to their terms. Having rejected the Railway Executive's offer to raise the wages of the lower paid men, and having refused to abide by arbitration, the Union is trying one device after another to force the hands of their employers and the Government. The latest weapon taken from their armoury is the threat of introducing "work to rule" from midnight on Sunday unless their demands are met. "Work to rule," the sticking to the letter of an old-fashioned rule book and no overtime, is half-way to a complete strike and will induce a state of lethargic paralysis not only on the actual railway lines but probably among the numerous road haulage undertakings connected with the railways. That this is purely a move in the game and not caused by the spontaneous indignation of underpaid railwaymen is obvious from the fact that the decision was taken at a special delegate conference only six days before the annual conference of the whole union is due to assemble. It is another mark of the intemperate ambition of the union's secretary, Mr J. B. Figgins—a man who is on the way to becoming the best hated figure in Britain both among the union movement whose standards of conduct he is betraying, and among the general public.

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The action of the NUR has placed the Government in an impossible position. The Railway Executive is their administrative agency and the union is one of their most powerful political supporters. By producing this head-on clash the union has exposed the frailty of the whole structure of relationship between Government, industry and labour. But it is hard to see what the Government can do beyond patiently attempting to bring the railwaymen back to the path of reason and arbitration. To concede the claim of the NUR would add about £25 million to the already inflated running cost of the railways. At the same time to apply the strong medicine of running the railways with troops and volunteers would place the Government on uncertain ground unless a full strike was declared, for it would embitter the dispute and strain the loyalty of the rest of the trade union movement. To mobilise road haulage facilities to replace or supplement the railway services would be very costly in imported petrol. But that is what it may have to come to if the railwaymen are to be made to see the impasse in which the tactics of Mr Figgins will get them involved. Until they do realise this, it is impossible to discuss methods of achieving actual friendship among the railwaymen. One lesson stands out very clearly from the action both of the railwaymen and of the London dockers who are pursuing a quixotic strike dispute with the employers about the unloading of Canadian ships—that all the propaganda, the pamphlets, the speeches, and the broadcasts about the national interest go no more than skin deep, and can easily be erased by the fiery words of unscrupulous union leaders.

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Mr St. Laurent's Victory

The victory of the Liberal Party in the Canadian general election has outstripped the wildest hopes of its supporters and the deepest fears of its opponents. Having dissolved with a majority of only 5 seats, they return to office having won 193 out of a total of 262. The Conservative Party, which under its buoyant new leader Colonel George Drew had hopes of

forming a government, was reduced from 67 to 42 members, and the Co-operative Commonwealth Federation, which had hoped to secure the solid votes of organised labour in the industrial areas of Ontario and to emerge as the champion of the workers, had its representation of 28 more than halved. The Liberals secured the largest number of seats in every province except in Alberta, which remained faithful to the Social Credit Party, a peculiar brand of local conservatism. In Ontario, the province of which Colonel Drew has until recently been Prime Minister, 56 out of the 83 seats fell to the Liberals. In Quebec, whose provincial government is in the hands of the anti-Liberal Union Nationale Party of M. Duplessis, there was a strong possibility that the French-Canadians would turn from that constant support of the Liberal Party in federal politics to which Sir Wilfred Laurier had won them at the beginning of the century. Yet the Liberals secured 68 out of Quebec's 73 seats.

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The division of the popular vote shows that this landslide is caused partly by the vagaries of direct representation, as was the Labour landslide in Britain in 1945. In fact, the Liberals secured only just under 50 per cent of the total vote while the decimated Conservatives received 30 per cent. But to receive the confidence of even half the electorate is a remarkable feat for a party which has been fourteen years in office. It is partly attributable to the sluggish movement of the political pendulum in Canada. Out of its 81 years of independent nationhood four Prime Ministers have between them covered a total of 65 years. But the principal cause is undoubtedly the same as that which produced a similar result in the United States last November, that the electorate in a prosperous economy has no reason to alter a government which has created an adequate amount of social security and material abundance. The workers and farmers withheld their support from the CCF, as their neighbours south of the border did from Mr Wallace. Nor was Colonel Drew any more successful than Mr Dewey in scaring the electorate into demanding the policies of the right. The Canadian Liberals could in fact point to a solid record of achievement—particularly in the stabilisation of prices—while the enormous economic problems which confront Canada are beyond the horizon of the ordinary man's understanding. The Conservative programme was thus merely one of factious opposition—it condemned the British wheat contract to the western farmers, and vaguely talked to the Ontario business men of making sterling and dollars convertible. In Quebec they formed an undercover alliance with the Union Nationale which, as it turned out, was their undoing, for the Catholic Church, worried lest the reactionary policies of M. Duplessis might promote the growth of Communism, is beginning to throw its formidable weight against him.

But it is also a personal triumph for Mr St. Laurent, whose integrity and clarity of mind have made as great an impression in Canada as they have abroad. It may be that Canada has found a man who can really unify and lead her, for Mr St. Laurent possesses most of the characteristics which were politically valuable in Mr Mackenzie King, but also qualities of leadership which Mr King never had. The Liberal Party has managed to rejuvenate itself from within and has thus escaped the decay normally associated with a long tenure of power, but probably its greatest test will be in the coming Parliament with virtually no opposition to keep it unified and alert.

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"Delicacy" in China

HMS Amethyst remains a captive under control of Communist guns in the Yangtse, while negotiations for her ransom

are being carried on. According to a spokesman of the Admiralty the situation is still "delicate." The ship is not being directly molested and is permitted to purchase supplies locally for the crew, but the Communists have shown no sign of allowing her to descend the Yangtse until a bargain on terms has been struck. Nobody expects that Britain will ever receive either an apology or a penny of compensation for the attack on the *Amethyst*; on the contrary, Britain has still to pay a price of a kind not yet disclosed for the release of the ship, which is being used as a blackmailing lever for Chinese Communist political purposes.

Having reproved by fresh experience the inability of warships on a river to cope with a powerful land artillery, the British Navy is admittedly unable to obtain the release of the *Amethyst* by direct intervention. Nor is it permitted to exert any indirect counter-pressure, as by a threat of naval blockade of Shanghai, because that would be lacking in "delicacy." Moreover, it would be contrary to British commercial interest, which requires that the port of Shanghai in Communist hands be not merely immune from the effects of any British action to obtain the unconditional release of the *Amethyst*, but also be defended against any measures of blockade applied by the Nationalists. Towards the Nationalists, indeed, no delicacy is needed, and the British lion can roar with all his ancient majesty. It has, however, refrained from roaring until it can observe with what gestures the American eagle flaps its wings.

The United States has now declared its refusal to recognise the legality of the Nationalist Government's order closing Chinese ports in Communist hands, unless the Nationalist Government "declares and maintains an effective blockade." The British Government is expected to give naval protection to British shipping against Nationalist interference, and the *Black Swan*, which was driven back in its attempt to ascend the Yangtse to rescue the *Amethyst* in April, has already been stationed off the mouth of the Yangtse to deter Nationalist warships from barring access to Communist Shanghai.

It is thought that the Nationalists cannot make a naval blockade "effective" in the sense required by traditional international law, and that they will be in any case reluctant to confer belligerent rights on the Communists by declaring a full blockade. On the other hand, if Nationalist aircraft bomb the wharves of Shanghai, foreign shipping may get hit incidentally to the waging of the civil war, and this is perhaps what the Nationalists really have in mind. They could point out that when the RAF bombed German ports, they did not take much thought for the welfare of Swedish ships which might be in their harbours. But the rights assumed by a Great Power at war are not to be recommended to the weak.

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Conservative Imperial Policy

The Conservative Party have in their latest pamphlet on Imperial Policy* produced a more statesmanlike document than the "charters" published hitherto. Their irritating and historically unfounded claim to the spiritual paternity and

* "Imperial Policy." A statement of Conservative Policy for the British Empire and Commonwealth. Conservative Central office. 64 pages. 1s.

guardianship of the British Empire is less in evidence than usual. The pamphlet contains the usual sallies against the colonial policy of the Labour Government, but despite evidence of a carefully controlled distaste for certain new constitutional developments the pamphlet shows evidence of a desire to frame a policy in accordance with the facts as they exist today. Stress is laid on the necessity to repair and renew "the machinery for common action." This would include a Commonwealth Defence Council and Combined Staff; a civil liaison staff to provide a connecting link between frequent meetings of Commonwealth Prime Ministers; machinery for Commonwealth economic consultation on the lines of OEEC; and a Commonwealth Tribunal to take over the functions of the Judicial Committee of the Privy Council (a proposal of considerable value if a tribunal could be constructed with greater appreciation of local conditions than that possessed by the Judicial Committee). These proposals have the merit of being definite, but the tide of opinion in the Commonwealth is still so inimical to the abrogation of any fraction of Dominion sovereignty as to make it unlikely that any Conservative government would have much success with them. Moreover, on the question of defence, the commitments of Britain and the Dominions are now largely regional, and the idea of a Commonwealth defence policy no longer has any real validity except perhaps in the Pacific.

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In matters of international political and economic policy, however, Conservative views of Imperial policy have a good deal more practical importance and their traditional attitude is strongly restated in this pamphlet. The United Nations may be all very well, and so may regional agreements such as that for Western Union; but the Conservative Party will not

permit any such agreement to override or conflict with the political, economic or defence obligations falling on Great Britain as a member of the British Empire and Commonwealth.

The Geneva and Havana agreements on international trade are regarded as snares from which Britain should escape as fast as it can. Imperial preference and the general principle of Imperial discrimination, renamed "Imperial Priority," are the essentials to prosperity.

In any general sense this is economic nonsense. From the purely economic point of view Britain and the Dominions and Colonies would do better in a world-wide economic co-operation, wherein each could buy and sell in the best market, than in the high-cost Commonwealth autarky of an Empire Crusader's dream. Economically the best that can be said for Imperial preference is that to abolish it outright and forthwith would be a greater evil than to maintain it for the time being. Politically, of course, the situation is different. Economic co-operation underlines and underpins political unity. That the constituent parts of the Commonwealth and Empire should do a large proportion of their trading and investment between themselves is conducive to their general cohesion; and that cohesion is of incalculable value to the world. If an economic price has to be paid for it, it may be well worth paying. There is nothing to be gained, however, by pretending that, so far from payment being necessary, higher standards are thrown in as a bonus to political advantage.

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Nor does the value in political terms of a moderate and elastic degree of Imperial preference, or other discrimination, prove that a more discriminatory policy would bring about proportionately closer cohesion and more reliable imperial unity. Already the outlines of a quandary in colonial economic policy are becoming visible. If a colony, like Malaya or West Africa, sells a substantial proportion of its produce outside the Empire, and is therefore exposed to the intemperate climate of a buyer's market, but is constrained by considerations of Imperial (or sterling area) policy to import from the high cost sources inside the Imperial ring-fence, its reaction is more

likely to work for disruptive resentment than for enhanced solidarity.

While it would be a piece of gross irresponsibility to jettison all Imperial obligations in the interests of new international groupings, it is hardly less irresponsible to oppose, in the name of Imperial commitments, a blank *non possumus* to every measure designed to cement European, or western, co-operation. It takes no account of the positive encouragement which the Dominions have given to Britain's participation in Europe, nor of the fact that the political and economic conditions of the 1950s will be very dissimilar from those of the 1930s. If such an attitude were really maintained by a Conservative government in office, the political advantages of Imperial discrimination would be paid for not merely in economic terms but in a lack of political realism more dangerous to the welfare of the Empire than any exposure to the allurements of foreign markets or the winds of foreign competition.

* * *

Shaping Road Transport

There can be little ground for quarrelling with the decision of the Minister of Transport to set up a new Road Passenger Executive under the British Transport Commission. The combination of both passenger and haulage operations under the original Road Transport Executive seemed from the first a somewhat dubious step; the fact that both forms of traffic go by road affords few common economic or technical links between them. The Road Transport Executive now becomes the Road Haulage Executive, and the two separate transport functions will be conducted by two distinct bodies under the general charge of the British Transport Commission.

It is well, nevertheless, that this change has been made at a relatively early stage. It follows, in part, from the acquisition by the Commission of the Tilling and Scottish Motor Traction bus undertakings, which provide the backbone of the Commission's road passenger operations and whose operating structure, at any rate for the time being, is to be unchanged. Until the new Executive has worked out area schemes for the re-organisation of road transport—a task which is likely to be long and delicate, for it involves some tender municipal susceptibilities—its functions are likely to be advisory, rather than operational.

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The other side of the medal is the fast progress which the Commission is making towards the acquisition of road haulage undertakings. According to figures given by the Chairman of the Commission, Sir Cyril Hurcomb, payments for the purchase by agreement of road haulage undertakings will soon reach almost £25 million. This sum will cover many of the largest undertakings in the industry. In addition, nearly 1,300 notices of compulsory acquisition had been served on other road hauliers up to the end of May. Thus Sir Cyril was able to show that the appointed day was approaching, after which independent road haulage operation will be restricted to 25 miles except under permit. He promised the Road Haulage Association last week that permits would be issued "in a manner and in a spirit which will acknowledge the importance of just treatment of the individual haulier and the interests of the trade, as well as the convenience of administration." But when these permits come up for renewal "more difficult decisions" will be involved. These are fair words, but they would still leave the independent road hauliers with what might well be a conditional and a temporary franchise. That, of course, was implicit in the Act from the beginning, but it does not make the position of many road hauliers any more comfortable. Sir Cyril hopes that conflicts between the Commission and the industry will be narrowed and progress towards co-ordination advanced; he intends to be scrupulous in avoiding harsh or arbitrary action, and will not "seek to press the Commission's

competitive activities unnecessarily for the sake of doing so." But the Commission is charged with the duty of paying its way and integrating all forms of inland transport; it may be that by the time it is ready with new charges schemes, economic necessity may compel the Commission to take a tougher line with outside competition than Sir Cyril is at present disposed to suggest.

* * *

Strikes in Australia

It is difficult to imagine a more irresponsible strike than that of the 24,000 coal miners in Australia. Relations between the coal owners and the miners have never been happy, and in the past, the coal owners have been to blame for some at least of the disagreements, but in the present dispute the miners have far exceeded any reasonable claims. They are demanding a 30s. a week increase in wages and a reduction of working hours to 35 hours per week. The miners have refused to submit their claims to the usual arbitration tribunal, and the owners, backed this time by the Government, have refused to give in.

The strike is rapidly paralysing Australian industry. In the States of New South Wales, South Australia and Western Australia there is no coal, gas or electricity available for industries and some 500,000 men have been thrown out of work. Transport services have been drastically reduced, and what little power is available is enough for domestic users in the big cities to cook only one meal a day.

The extravagant demands of the strikers make it seem likely that they were never expected to be met, and that the strikers are activated solely by the desire to make mischief. To judge also from similar strikes in Australia in the past, this strike shows all the signs of Communist inspiration—the motive, presumably, being to embarrass the government at a critical point in its career. If it follows the usual course of former Communist-inspired strikes, it will continue until strike funds run out, and the Federal Government is trying to reduce the strikers' supply of money by making it illegal for any other trade union to lend them financial support.

Mr Chifley is probably right in saying, as he did last Tuesday in Canberra, that punitive legislation aimed directly at the coal miners would be ineffective, and, moreover, might even arouse the sympathy of other workers who at present condemn the strike. But surely some way can be found of restricting this persistent nuisance in the Australian economy? It seems a pity, to say the least, that the Government postponed until the next parliament the private Bill of the Leader of the Opposition, Mr Menzies, who sought to eradicate one evil by enforcing secret voting and supervision of trade union ballots.

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Faint Hopes in Indonesia

This week the Dutch have begun evacuating Jogjakarta, the former capital of the Indonesian Republic, which they captured by a raid from the sky during the police action of last December. When they have left, the Republican leaders, headed by Dr. Soekarno and Mr Hatta, are to come back and establish their government, under the terms of the Van Royen-Rum Statements of May 7th. In return, the Republicans undertake to do their best to enforce a cease-fire among the guerrillas. This apparently satisfactory turn of events, however, has only taken place after several weeks of hard negotiation about the detailed execution of the Statements. Those who have been watching events on the spot are inclined to believe that the fresh hopes raised are already doomed to bitter disappointment.

The fundamental trouble is that, so long as the Republican leaders believe they have the United Nations predominantly behind them, they will never come to an honest agreement with the Dutch, except on their own terms. The main point which has emerged since May 7th is that the Republicans never meant to call a cease-fire, until they had secured Dutch recognition of their unquestioned rule over every bit of territory in Java and Sumatra not already effectively occupied by Dutch troops. And on this the Dutch have been forced to give way. The result is that threats and intransigence have once more been shown to pay. The Indonesian Federalists who had co-operated with the Dutch have had their thunder stolen, and are now frightened; and Asian opinion has had time to form up once more against Dutch "colonialism," thus strengthening the Republican hand—which is what Soekarno and Hatta were playing for in the protracted boundary negotiations after the apparently final Van Royen-Rum statements.

There are only two ways by which there now seems any chance of bringing this dangerous dispute in Indonesia to an end. First, on the Dutch side, it is absolutely essential to regain the confidence of the Federation and of world opinion by launching at the earliest possible date the United States of Indonesia, with or without the Republic. Unfortunately internal politics in the Netherlands look like continuing to prevent this—and the fiddling looks like going on until Rome burns to the ground. Secondly, Washington and London should initiate and lead a hands-off policy, if they really mean to prepare this vital piece of south-east Asia to meet the Communist test. Unfortunately, neither finds it easy to take such a downright stand when so many cross-currents of public opinion are ebbing and flowing around them.

* * *

New Trade Union International

Last week, in the hall in Geneva where Lenin once expounded the principles of Communism, the first welcome steps were taken towards the formation of a democratic—non-Communist—international organisation of trade unions. Since last January when the British, American and Dutch delegates finally gave up the hopeless attempt to co-operate with the Communist majority in the World Federation of Trade Unions, there has been a steady stream of secessions from that body. This new assembly in Geneva brought together delegates of thirty-eight national trade union centres from all over the world, claiming a total affiliated membership of 43 millions. The conference, presided over by Mr Vincent Tewson, devoted two days to a general airing of views. It then appointed a preparatory committee to draw up a draft constitution and programme for the new international, and to make arrangements for a constituent assembly in November.

In the past the inability of the two great American labour organisations, the American Federation of Labour and the Congress of Industrial Organisations, to agree on a common international policy has frustrated the organisation of the democratic trade unions on an international basis; and the

spectacle of delegates of both bodies presenting for the first time a united front at Geneva, was both a heartening sight for the other delegates and a happy augury for the new undertaking.

None the less, the organisation of the new international will cause many headaches. There is, for instance, the old problem of its relationship with the international trade secretariats, whose representatives at Geneva were as jealous of their autonomy as ever in the past. There is also the new problem posed by the inclusion of both American organisations. For, having allowed American labour to be represented by more than one "national centre," it will be difficult to resist the claims of the powerful Catholic trade union organisations existing in many European countries to join as well as their socialist counterparts.

The new international owes its existence first and foremost to the strength of the anti-Communist sentiments of its creators. Indeed, Mr Tewson warned delegates against allowing it to represent nothing more than a negative opposition to the Communists. To outbid the rival WFTU, which opened its second Congress in Milan last Wednesday, they must work actively and effectively to improve the standard of life of workers throughout the world. The conference did in fact show itself fully aware that the struggle between the two rivals will be most fiercely waged in those great areas of Asia, Africa, South America and the Middle East where standards of living are still very low and where trade union organisations are still in its infancy.

* * *

End of the Boundary Commission

Mr Bevan has given the Local Government Boundary Commission a curt notice of dismissal. The Act under which the Commission operates is to be repealed, and the decisions it has made to date, including several provisional orders relating to county boroughs who urgently need land for housing, become null and void. The Minister's main excuse for this step is that local government needs a more drastic re-organisation than the Commission has power to perform. This argument is indeed perfectly true. The Commission itself has pointed this out, has produced a plan, and has suggested how its own powers could be extended to cope with the situation. But the Minister is evidently not prepared to let the Commission reform local government, nor has he passed an opinion on its plan. If this attitude betokened a willingness to take action himself, on the grounds that controversial decisions relating to local authorities needed the full weight of Government authority, the Minister's behaviour would be reasonable. But in the same breath as he accepted the need for a major reform, Mr Bevan made it clear that the Government is not going to undertake it in the foreseeable future. The problem is again shelved—this time indefinitely.

Changes in the boundaries and status of local authorities must from now on be effected in the old way, by the tiresome and costly method of promoting a Private Bill. Many local authorities, however, have an immediate need for boundary extensions or other changes, whatever new system is ultimately introduced. The Commission, within the framework of its present powers, could have attended to their needs expeditiously and achieved other minor reforms.

Why then abolish the Commission, without notice or acknowledgment and without making proper alternative arrangements? It can only be that Mr Bevan wants to rid himself of an embarrassing encumbrance and to dodge a reform which he reckons may interfere with his own central empire. The Commission has been troublesome, because it has put a number of unanswerable points before a Government which would prefer to forget the matter. Therefore it must go. Such rank political opportunism compares strangely with the note of high-minded evangelism with which Mr Bevan regaled

his followers at Blackpool. It is all the worse since the issue at stake is of real importance to the maintenance of an effective democracy.

* * *

Civil Servants and Politics

With the growth of the Civil Service from 335,000 non-industrial and 125,000 industrial staff in 1935 to more than 700,000 and 400,000 respectively today, the existing barriers to political activity have become more and more irksome. The Report of the Committee on Political Activities of Civil Servants* was published and accepted by the Government on Tuesday: its effect is to increase the number of civil servants who will have complete political liberty (including the right to stand for Parliament without being required to resign unless elected) from about 200,000 to 666,000.

The problem before the Committee was to find the right balance between preserving the impartiality of the Civil Service, and freeing as many individuals as possible to join in the activities and responsibilities of citizenship. The civil service unions went so far as to recommend that all the existing prohibitions should be removed. The Committee rightly refused to go so far as this, and drew the new line of demarcation roughly below the "white-collar" line, as is shown in the table following. The distinction is based on the theory that all those who are concerned with policy making; those who serve the policy makers, for example, typists and clerks; or those who deal with members of the public on matters involving even minor decisions concerning such matters as tax assessments, allowances or entitlement to rationed goods should be exempt from all suspicion of political bias. Outside these categories the maximum freedom should be allowed.

*Cmd. 7718. 9d.

THE LINK OF DEMARCATION PROPOSED BY THE COMMITTEE

Grades	Approximate Numbers on Jan. 1, 1949
Administrative (home and foreign).....	4,500
Professional, scientific and technical.....	80,700
Executive.....	61,000
Clerical.....	275,500
Typing.....	32,000
Service departments' constabularies.....	6,500
Post Office supervisory manipulative.....	12,800*
Total above the line.....	470,500
Minor and manipulative grades:—	
(a) Post Office.....	207,700
(b) Other.....	49,750
Industrials:—	
(a) Service departments.....	214,000
(b) Ministry of Supply.....	65,000
(c) Post Office.....	67,000
(d) Others.....	62,500
Total below the line.....	666,950

* The majority of the Committee recommend that these grades be placed above the line.

The effect of these proposals is to free the 666,000 from almost all restrictions subject to their political activities not interfering with their official duties. They will benefit from the existing rule which permits an officer to take up to 12 days special leave with pay for local authority duties: in addition they will now have certain rights of reinstatement if they wish to return to official life after a period in Parliament. Above the line all political activity is barred, except that a limited and qualified approval is given to some participation in local government. The dividing line is a very reasonable one. Unfortunately—and it is a problem which cannot be solved—it is those above the line whose participation in politics would be most valuable, particularly in these days when the demands

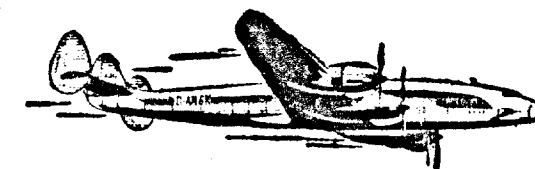


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A Farmer's Warning

It is a rare event indeed for a British farmer to warn his fellows that they are the spoilt darlings of economic conditions which are rapidly changing. Mr Cherrington, the Hampshire farmer who uttered these salubrious words, pointed out that the gap between the guaranteed domestic prices and world prices was widening. Even the price of home-grown meat, a sore point with many British farmers, was shown to be more than twice that of Argentine beef or New Zealand lamb, although the domestic product is admittedly of superior quality. The milk producer in this country, who enjoys a naturally protected market anyhow, has been the most favoured of all by price incentives. The result is that the costs of milk production here are over double their level in North America, Holland or Denmark. The gap in cereal prices is not yet so wide, but it is widening with the re-emergence of world surpluses. Mr Cherrington's recipe is equally salubrious. "Suppose prices were cut 25 per cent tomorrow," he asks, "could you make your farm pay? If not, why not? The time to consider this is now, not in panic once the blow has fallen."

British agriculture, which once suffered from a grievous instability, is now exhibiting the opposite evil of too much security. This fact is not only to be seen in the steady upward curve of the guaranteed price schedule, which faithfully covers the costs of the less efficient farmers and lulls the remainder into a sense of easy-going assurance; it can also be observed in the excessive security of tenure conferred by the Agriculture Act, which is reducing mobility within the industry and giving a new lease to the indifferent farmer who is not so grossly inefficient as to merit dispossession. In quantity of production, British agriculture has much to its credit over the last ten years—although recent results, in view of the large incentives offered, have been disappointing. It is the costs of production that have been so persistently disregarded, until a high and rigid structure of costs has come to be taken for granted. Agriculture is not, of course, alone in the malaise which is common to the whole British economy. But the Government has at least warned the export industries of the grave urgency of cost reduction, whereas the Ministry of Agriculture has consistently lulled the farmers into believing that production is all that really counts. Agriculture may suffer an especially cruel awakening, since the full blast of world competition may well be felt there before it smites industry, and with a force which no government, however loyal to the farmers, could withstand.

* * *

A Bad Decision

Last week Mr Bevin announced the Government's decision not to make any further contribution to the United Nations International Children's Emergency Fund. This decision is so inexplicable and short-sighted that it is hardly surprising that Mr Bevin's defence of it was entirely unconvincing.

It should not be forgotten that the Fund is not just a charitable organisation created to meet a sudden emergency. It is also a great co-operative international enterprise through which permanent foundations for improved child welfare services have been laid in many of the countries in which it operates. Every dollar contributed to it (in whatever currency) not only provides seventy glasses of milk, or eight anti-tuberculosis vaccinations, or three hundred doses of cod-liver oil, but also stimulates Governments to do what they can to help themselves. All UNICEF supplies are distributed on the written understanding that they are supplementary to, and not a substitute for, the participating Government's own efforts to

provide for its children. In addition, all these Governments make whatever contribution they can to the common pool. Poland, for instance, has provided sugar-beet, Finland the paper for millions of BCG vaccination record forms, and France facilities for training in child welfare. It is estimated that by such means every individual contribution to the Fund is more than doubled in value by the time it reaches the mother or child.

*

Moreover, the United States Congress has appropriated \$75 million, which is being released to the Fund in the ratio of \$2.57 for every dollar equivalent contributed by other Governments. Unfortunately by the beginning of April these other government contributions were only sufficient to allow the release of less than \$55 million of the American appropriation. Therefore at least \$20 million of American funds alone will be lost to UNICEF unless some Governments make a more determined effort than they have in the past to match American generosity. And since the Fund's activities have used up its other resources—\$32 million from Unrra and \$10 million from the Appeal for Children—it looks as if it will have to give up at the end of the year with its work only half done.

The British Government appears to consider that UNICEF's financial straits provide an excellent excuse for withdrawing support from it. Moreover, it puts the blame for the Fund's predicament on all the other rats who are deserting the sinking ship when it is, in fact, itself by far the most important rat of all. For its support of the Fund has all along been distinguished only by its half-heartedness and inadequacy. It is sufficient to point out that while the Australian Government has contributed the equivalent of over \$7,000,000, and the Swiss Government \$1,000,000, the British Government has contributed just over \$400,000. Its offer to contribute a further £100,000 for the relief of Arab refugees only serves to awaken grave suspicions that the Government is most inadequately informed of the extent of UNICEF's activities. If it feels that the Arab children have first claim on its charity, why does it not send the money to UNICEF? There it will not only release over \$1,000,000 from the United States, but will also help the \$6,411,000 programme which UNICEF has already undertaken among refugee Arab and Jewish children.

* * *

Bad to Worse in Prague

In 1937, the Catholic hierarchy of Germany, deprived of the power of communicating freely with their flock, their papers controlled or abolished, their telephones tapped, managed to startle the Nazi tyranny to its roots by reading out in all the pulpits of Germany the secretly delivered papal condemnation of the regime, *Mit Brennender Sorge*. Last Sunday, under totalitarian repression, daily increasing in its resemblance to Nazism, the Catholic clergy of Czechoslovakia succeeded in reading from the pulpits their Bishops' pastoral letter. This in moderate language, without threats or complaints, set forth their grievances against the regime—which include arrests, kidnapping, total censorship—and their reasons for refusing to come to an agreement with a state which not only refuses normal guarantees to Catholic worship and education, but deprives priest and layman alike of their ordinary civil rights.

The Czech Government responded immediately by banning all pastoral letters and all clerical meetings under pain of punishment and by ordering the fining and imprisonment of the priests who read the pastoral letter in their churches. The next step will undoubtedly be the final arrest of Archbishop Beran and there is no reason to suppose that the other bishops will be spared. In Rumania, all eleven Catholic bishops have now disappeared to prison, and all clergy who will not purchase immunity by complete subservience face sooner or later the same fate. In the short run, this intensified persecution may not shake the foundations of Communist power. In the long run, Stalin may find that *qui mange du pape, en meurt*.

Doctors and Arbitration

As was to be expected, this year's representative meeting of the British Medical Association was for the most part an occasion for the ventilation of grievances about the national health service. Of these, most prominence was given to the alleged refusal of the Ministry of Health to fulfil its promise that the medical profession should have the right to resort to compulsory arbitration if disputes could not be resolved by the normal Whitley machinery. Dr Dain, the chairman of the council, went so far as to say that unless doctors are given complete freedom to take their case to arbitration, they will be compelled to leave the service. Why, Sir Lionel Whitby, the retiring President of the association, had previously asked, should a profession be denied the right to compulsory arbitration that is enjoyed by large sections of workers in trade and industry?

The answer presumably is that compulsory arbitration is not a normal part of industrial conciliation procedure. It was introduced in wartime as a necessary counterpart to the prohibition of strikes and lockouts, and it remains in force now only by virtue of the Supplies and Services (Transitional Powers) Act, which, *pace* Mr Morrison, is due to expire in 1950. After that date, the Minister of Labour will have no power to compel either party to a dispute to go to arbitration; he can refer it to arbitration only if both parties agree.

Doctors, of course, cannot strike to achieve their demands. They have, therefore, a case for asking that the right to resort to arbitration should be stronger in disputes over the health service than in normal times in industry. The employer is in this case the Government, and the doctors argue that the Minister of Labour, because he is on the same side as the Minister of Health—and the Chancellor of the Exchequer—may refuse to refer a dispute to arbitration. But this possibility might just as well be true of the civil service; yet there is a civil service arbitration tribunal to which the Minister of Labour automatically refers disputes, provided they are within the scope of the arbitration agreement made between the staff side and the departmental side. For instance, disputes about pay in the higher salary ranges are not referred to arbitration, but there is no reason to suppose that any agreement for setting up arbitration machinery in the health service would not cover all practitioners.

In the second reading of the National Health Service (Amendment) Bill, the Government spokesman said that it was intended to set up an arbitration tribunal for the health service on the lines of the civil service tribunal. It is difficult, therefore, not to feel that the British Medical Association is beating the air. It is to be hoped that the Minister of Health will take the opportunity of setting doctors' minds at rest when the relevant clause of the Bill is discussed in committee.

* * *

Justices of the Peace

The Justices of the Peace Bill, now introduced into the House of Lords, is a measure well in keeping with the English tradition that the speed of any reform in the legal machine or profession should never exceed the speed of the slowest current of opinion. The Bill is based in the main on the Majority Report of the Royal Commission and it institutes a system which, over a period of five years, will impose an effective age limit, 75 years, beyond which magistrates will not sit on the bench in open court. It provides machinery by which, in process of time, the areas covered by the various commissions of the peace will be regrouped. It establishes magistrates' courts committees which can, also in process of time, revise the boundaries of petty sessional divisions in each county. In addition the Home Secretary will be equipped with one or two additional spurs. The Bill lays down more definite rules governing the appointment and conditions of service of magistrates' clerks and of stipendiary magistrates, but without upsetting any magistrates' clerk now in office. It introduces

for the first time into the system of an unpaid magistracy the principle that magistrates should be paid travelling expenses and a lodging allowance when their duties require them to travel, and it includes in that proposal members of probation committees and case committees. All these are desirable, if not startling, reforms.

On the other hand, the Bill does not propose to end the anomaly that certain elected local government councillors become magistrates *ex officio*, nor does it in any way make it more likely that more stipendiary magistrates will be appointed to serve in those areas where their presence and experience will improve the quality of the justice locally available. In short, the Bill can be criticised for what it does not do, hardly for what it does propose.

* * *

A Concatenation of Orchestras

That Sir Thomas Beecham should crack a whip against the excessive exuberance of orchestra promoters has a piquancy which all who have followed his career will relish. Speaking at the Hastings Musical Festival he roundly condemned the policy of the Arts Council on the grounds that it was supporting more orchestras than the country can afford. Since Sir Thomas has played a leading part in the creation of two out of the five principal London orchestras, his rebuke takes on the shape of a boomerang rather than of an arrow.

There has, indeed, been quite a flurry of excitement over the alleged decline in concert-going. There is no doubt that with less money around and more alternative attractions, some ebb from the high tides of wartime concert-going was bound to occur, but it is likely that demand will remain at a higher level than ten years ago. The trouble is more among the concert givers than among the concert goers. Not only have

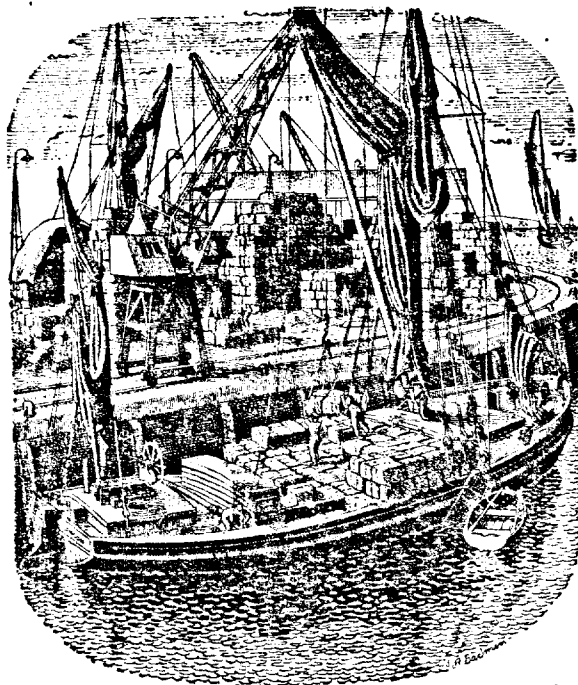
The Peers, the Citizens and the Jews

On Tuesday the Peers rejected the Bill [admitting the Jews to sit in Parliament] . . . by a majority of 95 to 70. On Wednesday Baron Rothschild accepted the Chiltern Hundreds, and a new writ was issued for the City of London. On Thursday his address to the Citizens was published in the morning journals, offering his services again to the Citizens, distinctly stating that "the contest is now between the House of Lords and yourselves. . ."

. . . According to modern opinions, it is scarcely justified, except in very particular cases, to impose any restriction whatever on the rights of the electors to choose whom they please. . . . The progress of opinion . . . is even against a property qualification. The electors will very rarely elect persons who are not at once opulent and respectable; and it seems to be generally supposed that the constituencies should be left, consistently with the principle of representation, to choose freely, without any restrictions, who shall be their representative. But both the general opinion and the general progress are still more strongly directed against any limitations on the score of religion. They have been gradually got rid of. To prohibit any class of Christians to select whom they please, on account of the faith of the candidate, is insulting to their Christianity. To prohibit the most enlightened mercantile community in the kingdom from electing one of the greatest merchants in the kingdom as their representative . . . is to impose on them an unbearable as well as an insulting restriction. We regret that the question has been brought to this issue; but, since it is forced on the electors of London, they have no alternative but to stand up for their own rights, and convince their lordships, by a calm and constitutional display of their power, that justice must be done to them.

The Economist

June 30, 1949



Home grown for exports

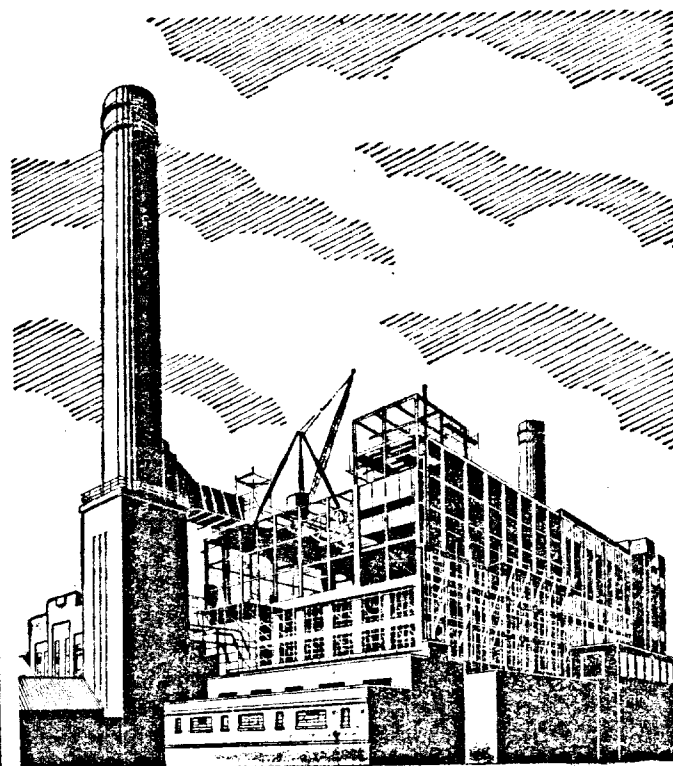
From the farms of Britain comes the straw needed by Bowaters for the manufacture of strawpaper at their Sittingbourne Mills. The straw is cut to short lengths by mechanical means before being cooked in caustic soda solution. After washing, giant machines beat and refine the straw with other pulps and convert them to strawpaper—vital material in the fibreboard packing case and box manufacturing trades. British industry relies upon the efficiency of British-made containers for the safe transit of a thousand commodities on their journeys inland and overseas. Units of the Bowater Organisation are engaged in the processing of bags, corrugated cases and fibre drums from tough kraft materials and from strawpaper—helping the exports of Britain on their way. The Bowater Paper Corporation controls a vast, self-contained organisation, planned and equipped to give an unrivalled service for the supply of paper, board and allied products to their customers in any country in the world.

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a number of the prewar music societies now been revived but the wartime growth of British orchestras has not diminished, and this season has seen an influx of foreign orchestras from Amsterdam, Berlin and Philadelphia. The Philadelphia Orchestra played twenty-eight times in twenty-nine days; even if all its concerts were not full, an audience of some 60,000 people in a month cannot be ranked as a failure. With such a volume of playing the market is well satisfied, and if those who promote concerts lose money they cannot complain.

The orchestras who play for such engagements have little cause for complaint since the promoter guarantees their fees

Letters to the Editor

A Liberal Revival?

SIR,—In *The Economist* of June 25th, Mr L. A. Jackson invites the Liberal Party to do what, grievously hampered by want of the money which its rivals can obtain by sectional appeals, it has been doing unintermittently for thirty years. The hospitality of your columns could hardly be generous enough for a statement of our policy, and for an examination of the question how far it satisfies Mr Jackson's requirements. But his letter demands some reply on broader issues.

We have remained an independent party, and we have never lost seats for want of a policy. Indeed, it is notorious that Liberal policies and programmes have been a quarry in which both the other parties, but particularly the Labour Party, have worked. And, as you, sir, have recently pointed out, we have at least the virtue of sincerity, and of belief in our own policies; we have that natural affection for the children of our own brains which can never be inspired in the same measure by adopted children. The average sensual voter, to give the sense of your own words, smiles with amused cynicism when Socialists present themselves as champions of the liberty of the individual, or Conservatives advertise a crusade against monopoly and restriction.

We suffer from another handicap almost as frustrating as the want of money—the attitude of millions of people in this country who say that “they are Liberals, but...” If they will delete their qualifying clause and work for Liberalism they will in measurable time “scotch the prevailing view that a Liberal vote is a vote wasted.” So long as we have an electoral system which can only by the most mathematically improbable of accidents produce fair results when more than two parties seek the votes of the electorate, votes will be wasted. The anti-Labour vote is split by Conservatives as well as Liberals; the anti-Tory vote is split by Socialists as well as Liberals. These are votes against and not for a cause; the vote for Liberal measures can only be split by Liberals who either lack the courage of their convictions, or are foolish enough to believe that a Conservative victory, or even a series of Conservative victories, could ensure political or social stability. That belief can only be called, in the words which Dr Johnson applied to a second marriage after an unhappy first one, “the triumph of hope over experience.”—Yours faithfully,

ANDREW MACFADYEAN,
President, Liberal Party Organisation

Hongkong

SIR,—Please let a mere parson say “thank you” to Mr Walter Fletcher, MP, for his letter on Hongkong, as reprinted from your columns in our local press this week.

Chinese divide foods into two classes: yeet=“heating” and leung=“cooling” (the pronunciation is Cantonese).

After far too much “yeet” in the English press and in the House of Commons, we have benefited greatly from the “leung” which has come to us from Mr Alexander's personal

and shoulders the losses. The orchestras who suffer are those like the London Philharmonic Orchestra, the Hallé or the Liverpool Philharmonic, who run their own concerts and therefore take the brunt of any losses. These orchestras receive subsidies, as non-profit-making concerns, from the Arts Council, but their costs have risen sharply with the rise in the union rates. As a result it is now as difficult to have sufficient rehearsals or to reduce the number of concerts in the interests of better performances as it was two years ago, when the grants were smaller. This position is particularly grievous to those who wish to lead rather than follow the public's taste in music.

demeanour and quiet, homely words; and now from Mr Fletcher's “cooling” letter.

May I, through you, beg all those who care about Hongkong and the Far East to remember that in the present state of the patient only food that is “leung” should be given to us? More of the “yeet” variety might well prove fatal.—Yours faithfully,

R. O. HALL, Bishop of Hongkong
Bishops House, Hongkong

The Danger Line

SIR,—Your article, “The Danger Line,” in the issue of May 21st, is a very interesting contribution to the understanding of the social trends in our days. But does Sir Hartley Shawcross, and do you, really believe the difference between the two branches of Socialism to be so large? I, for one, and as an international lawyer, with experiences in practically all of the following regimes, have so far not been able to establish any essential difference between Communism, Socialism, Fascism and Militarism, once this latterism has assumed political power. Regimentation of body and soul varies only by degree; and the standard of living, not to talk of the cultural standard, invariably goes down, just because the most productive energies are wasted on the administration of what cannot be administered, namely, nature.—Yours faithfully,

J. RUSER
La Berzosilla, Torrelodones, Spain

India and Mauritius

SIR,—In your note “India and Mauritius” in *The Economist* of June 18th, the Indian official communiqué you mentioned invited “all sections of the population to manifest enthusiasm” on the “historic occasion” of the visit of the Indian cruiser HMIS *Delhi* to Mauritius because “a large section of the population of the colony look upon India as the champion of peace and freedom as well as the symbol of their own aspirations.” This communiqué, though it is perhaps an extreme example, illustrates fairly well the present Indian agitation in Mauritius.

It may seem to the 267,000 Indo-Mauritians that their numerical superiority in the colony is reason enough for them to aspire that Britain should be replaced by India—the “champion of peace and freedom”—as the mother-country. I would simply like to stress here that, to at least the 10,000 Europeans settled in Mauritius, there does indeed seem to be, as your article rightly suggests, absolutely no justification for India's interest in Mauritius becoming in the future more than “friendly.”

It is to be hoped that, whatever form India's “active interest” in Mauritius may take, it will prove safe for a colony to be British.—Yours faithfully,

ADRIENNE LINCOLN
73 York Mansions, London, S.W.11

The Demand for Spectacles

SIR,—I would like to comment on a few of the points made in your review of the report of the Select Committee on Estimates published in your issue of June 18th.

The mistake of the Ministry of Health was in trying to estimate the demand for spectacles under the National Health Service by comparing it with the conditions existing previously under the National Health Insurance Acts. Prior to July 5th only persons in employment were entitled to ophthalmic benefit, and the majority of women workers found that their approved societies did not give ophthalmic benefit, so only a very small proportion of the population were covered. The next point to realise is that the majority of approved societies only gave about 15s. towards the cost of spectacles, and so there was a substantial contribution by the patient in most cases. The range of appliances was very restricted, and in view of the fact that the grant was so small, the majority of patients preferred to dispense with the restrictions and form-filling, etc., and obtained their spectacles privately.

The cost of a pair of spectacles under National Health Insurance was about 45s. per pair, including sight-testing; but opticians would have found it impossible to make a reasonable living if the majority of their practice had been National Health Insurance work. In actual fact, in most instances, this work constituted less than 15 per cent of the total. With the introduction of the National Health Service Act, and the probability that over 90 per cent of patients would use the scheme, opticians had to demand a more equitable scale of remuneration, and the average of £3 5s. 6d. per pair of spectacles, including testing, which exists at the moment, is still considerably below the ordinary private practice charges, prior to July 5th. A special sub-committee is to investigate these economic aspects, and we are confident that their report will show that the fees being paid to ophthalmic opticians are not excessive.

Lastly, may I point out that only about 30 per cent of patients are supplied with two pairs of spectacles, and it is an unfortunate fact that many millions of people do require two pairs of spectacles, one for distance and one for close work. In fact, many people require an intermediate pair as well, if they are to be able to see comfortably in all circumstances. Many patients who have their eyes examined are not prescribed glasses, and in some areas the proportion is as high as 10 per cent.

The cost of the ophthalmic service is very high, and if the country cannot afford it, other financial arrangements should be made. For instance, the patients might be asked to contribute towards the cost of each pair of spectacles, but I deprecate attempts to denigrate the great contribution towards the health and efficiency of the community which is being made by the ophthalmic services.—Yours faithfully, S. BLACK,

Director, Information Bureau,
Association of Optical Practitioners

65 Brook Street, W.1



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Working Party for Tin

SIR,—The succinct review of the tin position contained in your issue of June 25th was impressive.

The present growing surplus of tin is *not* due to the price. It is due (a) to excessive production of the metal, and (b) to the existence of US Government consumer controls which hamper industry and deliberately stimulate recourse to substitutes for tin. In normal times the general level of industrial activity, rather than the tin price, has fixed the demand for the metal. The fact that the proportion of tin in most manufactured articles that use it is small makes the demand for tin unusually inflexible to alterations in the price.

Your argument that a low price would benefit the consumer is, therefore, debatable. It is, in any case, much to the consumer's advantage to have a prosperous and reliable tin mining industry over a period of years.

Your desire to encourage low-cost production is incompatible with the wish to abolish inefficient mining. Low-cost production is itself inefficient. No efficient industry can be anything but a high-cost one in these days of over-worked minefields, rehabilitation losses and increased charges all round.

"A lower price for tin," you say, "would undoubtedly mean some domestic readjustments to the economies of the tin producing countries." I venture to suggest that a lower price, while doing nothing to reduce the current US Government-made surplus of tin, would ultimately lead to the economies of the main producing countries to the verge of bankruptcy.—

Yours faithfully, ALDRIDGE CALDWELL, Editor
"Tin," 25 Charles Street, London, S.W.1

[A letter which flatly states that "low cost production is in itself inefficient" is presumably not to be taken too seriously. The notion that the price of tin has no effect on demand or supply is a familiar doctrine of the industry. But it is difficult to believe that tin defies ordinary economic rules. If the "growing surplus of tin is not due to the price," what is it that is causing "excessive production of the metal?"—Editor.]

Colonial Terms of Trade

SIR,—I regret that through an unfortunate error Jamaican balance of trade index figures were inserted in my letter appearing in your issue of June 18th. The correct price indices, upon which my comments were based, are as follows:—

	Imports	Exports
1938	100	100
1945	228	220
1946	279	260
1947	324	299
1948	326	319

Yours faithfully, R. L. M. KIRKWOOD
Legislative Council, Jamaica. (By cable)

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Books and Publications

The Future of Education

"Secondary Education for All." By H. C. Dent. Routledge and Kegan Paul. 224 pages. 8s. 6d.

"The Modern School." By C. G. Stillman and R. Castle Cleary. The Architectural Press. 151 pages. 21s.

THESE two books, one on the intellectual and the other on the physical plane, represent two valuable advances in educational ideas in this country. They are in no sense comparable, but they are complementary. The ideas which lie behind educational reform must govern the kinds of buildings in which it is carried out.

Mr Dent's thesis is that the 1944 Education Act changed the whole basis of secondary education, but that no one has really thought out the implications or understood the magnitude of the change. Secondary education for all is a new conception and in spite of a succession of highly competent consultative committees such as the Hadow, Spens and Norwood, no precise definition of secondary education has yet been made. A grammar school education for a highly select group of intellectual children is an entirely different conception from a secondary school education for all types of children. Since the whole range of possibilities from secondary education is so inadequately apprehended it is not surprising that confusion and controversy surround the various proposals for implementing the Act by means of comprehensive or multilateral schools and the types of education suited to the unintellectual type of child who is now entitled to a secondary education.

Mr Dent has no easy solutions; he believes the provision of universal secondary education "to be a matter of truly formidable difficulty," and not least for the reason that all thought about secondary education is impregnated by the conceptions of the grammar school tradition. To escape from the processes of thought that this entails means a degree of effort and detachment that few are willing to attempt. Mr Dent says some hard things about the muddle-headedness of the Ministry of Education in thinking out their educational policy. The Hadow Report in 1926 advocated two types of secondary education—grammar and modern; the Spens Committee in 1938 extended it to three, adding a technical element; the Norwood Report in 1943 turned the tripartism of grammar, technical and modern types of education from a proposal into a doctrine and justified it on historical grounds. They rejected, however, any fundamental justification of their views.

Whether such groupings are distinct on strictly psychological grounds, whether they represent different types of mind, whether the differences are in kind or in degree, these are questions it is not necessary to pursue.

In spite of the rejection of the three Norwood "types" of mind by authoritative psychological opinion the Ministry of Education swallowed the proposals whole; and since then has been fighting a diffused and confused battle with the local authorities over their development plans. While there are strong arguments in favour of the Ministry's stand against a rapid expansion of the very large schools, which combine all three types of education on one site, with perhaps 1,250 to 2,000 pupils, the Ministry's case for tripartite education remains very weak. Fortunately there is no danger of any set type of secondary school developing. The plans of local authorities contain every variety of permutation and combination even if the content of the education within the different plans of physical organisation remains extremely vague. Very few people yet know what they are aiming at in the modern and technical schools, and Mr Dent has many interesting things to say about their objectives.

Taken as a whole this book is the clearest and most constructive book about education which has been written for many

years, and it has the outstanding merit that it neither meanders loosely over theories of education nor curtails itself with discussion of only the tangible questions of educational administration, but marries the two sanely and constructively. These two types of approach are seldom met with in one man.

Mr Stillman is the County Architect to the Middlesex County Council. Mr Castle Cleary is an architect in the Ministry of Education. Their book is one both for the architect and the layman concerned with school building. But it is not the dry subject this description would suggest. Both these technicians look at their work as educationists—an attitude all too rare among school architects—and they have some hard things to say about the ideas lying behind school building in the past. The kernel of their argument is that educational ideas by their nature are always changing. What seemed "advanced" in 1938 is out of date by 1948. Therefore schools must be built on a flexible pattern, with space and a structure which lends itself to alterations and additions. And they put forward a number of suggestions for building on these lines. This is a lesson which the local authorities could take very much to heart. Even if the educationists could clarify their ideas, as Mr Dent urges, they should not let their architects assume that present educational theory is perfect.

The Plight of the Bourgeois

"The English Middle Classes." By Roy Lewis and Angus Maude. Phoenix Press. 289 pages. 15s.

It would certainly be an exaggeration to assert that the "condition-of-the-middle-classes problem" is replacing the "condition-of-the-people problem" as a prime topic of sociological and economic interest, but it is at least increasingly recognised that such a problem exists. But of the medieval growth of trade and differentiation of professions, out of the Puritan revolution in social attitudes to wealth, out of the crumbling of feudalism, out of the catch-as-catch-can technical and commercial progress of the nineteenth century, out of the aspirations of the thrifty worker and the needs of younger sons, there has evolved something hardly homogeneous enough to be called a class, certainly not homogeneous enough to conduct a class war; including, sometimes dubiously, small shopkeepers, industrial magnates, ladies in circumstances reduced below a farmworker's pay, bureaucrats, artists, bank managers and their clerks and so forth in a profusion which (if the Gallup Poll's account of subjective estimates is to be trusted) amounts to nearly half the total population. Partly as a direct result of its income-getting activities, partly by indirection, it has played a part in national and human development which, for all its imperfections, is essential; it has provided leadership, ingenuity, enterprise, stability, a decent standard of social conduct, and a medium (in the bacteriological sense) for the development of the arts and the sciences. It has done these things imperfectly, and there are black marks on its record; but it has done them. Now the economic conditions which made its achievement possible are disappearing, mostly as the result of deliberate expropriation; and there arises, among other questions, the question of who in the future is going to perform its functions.

The comprehensive and generously-planned book that Mr Lewis and Mr Maude have written is at once a history, an acute sociological analysis, and an honest (and good humoured) piece of special pleading. The historical section, occupying roughly the first third of the book, follows the development and fortunes of the middle class from medieval times to 1948; the analytical section discusses (to quote the blurb) the functions and problems of "the five

main groups of middle-class avocation; public servants, business men and managers, the professions, farmers, and trades and shop keepers"; what one may call the diagnostic section deals with the painful subject of the middle-class standard of living and particular manifestations (e.g. in leisure and in child-rearing) of its decline; and a brief final section looks doubtfully but still hopefully forward. The whole thing is quite excellent, in structure and detail, matter and manner; well-informed, shapely, tolerant, and enlivened by a very pretty wit. Of few books could it be said, as it can of this, that it could be equally appropriately placed on the desk of a professional sociologist or on the bedside table of the vanishing middle-class spare room.

The First World War

"The Coming of the First World War." A Study in the European Balance, 1878-1914. By Nicholas Mansergh. Longmans. 257 pages. 15s.

MR MANSERGH'S book is a competent and sensible outline of the course of international relations between the Congress of Berlin and the outbreak of the First World War. It is going too far to call the book a "reinterpretation"; practically everything in it either in the way of fact or comment could have been found in print before 1939, and there were signs even earlier of a reaction against the naive schools of British and American historical writers who had swallowed uncritically volume after volume of German propagandist literature on the war-guilt question. Moreover it is perhaps a little misleading at the present time to talk about "reinterpreting" the diplomatic history of the years 1878-1914. The greater part of the German military, naval, and diplomatic archives for this period are now in American or British hands, and there is at last a chance of filling the huge gaps deliberately left by the editors of *Die Grosse Politik*. Only after this work has been done will it be possible, if at all, to talk, in a strictly historical sense, of "reinterpretation."

If, however, Mr Mansergh's book is a résumé of known facts and opinions rather than a new contribution to historical criticism, it can be read with interest and profit. The narrative is clear and well-balanced; most of the judgments on people and things are sound. It might be argued that William II was slightly less silly after 1909 than in his earlier years, and that, all in all, Francis Joseph was more of a curse to Europe, but these are matters of opinion; anyhow Mr Mansergh is fortunately free from sentimentality about the house of Habsburg and pre-1914 Vienna.

A book dealing with nearly forty years of international relations in the short space of 250 pages cannot be expected to give an account of the internal regimes of the countries concerned. Nevertheless it would have been worth while to have said a little more about the importance of these regimes from the point of view of parliamentary control, or lack of control, of foreign policy. Thus Mr Mansergh might have explained how and why the German General Staff were able to commit the Reich to the grave political decision—the violation of Belgian neutrality—involved in the Schlieffen plan. Mr Mansergh might also have given more consideration to this plan in discussing the much-debated question whether a clearer British attitude in July, 1914, could have prevented war. His arguments are in themselves convincing, yet it is worth noticing that on strictly military calculations the German General Staff was not vitally concerned over British intervention. Obviously they did not want it; on the other hand they did not regard the B.E.F. as likely to turn the scale on the western front. They expected to defeat France in a few weeks and Russia soon afterwards, i.e., they would have been in occupation of the Channel ports long before a British blockade could have become effective. Once the Schlieffen plan had failed, the position changed, and the fact of British intervention was all important, but the German High Command did not expect their plan to fail.

Anti-Keynes

"The Economics of Illusion." By L. Albert Hahn. Squires Publishing Company. 273 pages. 54s.

THIS root-and-branch onslaught on the whole Keynesian structure of economic thought is the work of a repentant easy-money man who can claim to have anticipated, as early as 1920, "all that is wrong and exaggerated in Keynes." The "illusion" of the title is that on which Keynes based his theory of the behaviour of real wages, the preference of labour for the shadow of an inviolable money wage rate over the substance of unimpaired real purchasing power; but it applies also to the state of mind of those who envisage the problem of depression or recurrent slumps predominantly in terms of demand while neglecting the implications of cost. "The Economics of Illusion" is a collection of papers and essays published, some in America and some in Europe, over the last half-dozen years; not all are directly aimed at Keynes and Keynesianism, but all are relevant. Some of Professor Hahn's criticisms are demonstrably valid. Others are not. Accusing Keynes of neglecting costs as an element determining the volume of investment, he disregards Keynes's own definition of the marginal efficiency of capital, which takes costs fully into account. Claiming that the Keynesian analysis of the stimulating effect of price increases rests entirely on the unreliable "illusion" of wage-earners, he overlooks the arguments by which Keynes demonstrated the solid foundation of the "illusion"—that is labour's inability, whatever its power in particular cases, to control the general level of real wages. His attempt to prove that thrift can never generate depression rests unconvincingly on a supposed limitation to special cases of Keynes's "psychological law" of the relation of savings to income. On the other hand, his warning to the light-hearted supporters of continuous deficit finance, and his comments on the "god-given" passivity of the balance of payments of some countries, would strongly recommend themselves to so good a Keynesian as Mr R. F. Harrod, while his demonstration of the lopsidedness of the "General Theory," its comparative neglect of the problems of any but the depressed or depression-threatened economy, provides a valuable corrective to the "modernist stuff . . . gone sour and silly" which Keynes himself condemned. The application of remedies appropriate to general unemployment in a situation where men are unemployed because of gross particular maladjustments is a disastrous—and only too probable—mistake. If Professor Hahn raises a few salutary doubts the excesses of his attack will matter little.

Studying the USSR

"Soviet Studies." A Quarterly Review Edited by J. Miller and R. A. J. Schlesinger and published for the University of Glasgow by Blackwell, Oxford. 7s. 6d.

"Bulletins on Soviet Economic Development." Editor A. Baykov, University of Birmingham. Subscription to Four Bulletins 51s.

THE two publications reviewed here are intended to give readers with academic interests information on contemporary developments in the U.S.S.R. Of the two ventures "Soviet Studies" is the more ambitious one. The first issue covers a wide range of topics, from Mr E. H. Carr's instructive, balanced analysis of Soviet policy in 1938-39, in the light of recently published documents and Mr M. H. Dobb's scholarly, although not quite convincing, essay on Soviet economic statistics to a number of informative reviews—not all of equal value—on recent Soviet publications. A very useful feature of the publication is its extensive summaries and translations of important or characteristic documents such as the late Zhdanov's speech to the Soviet philosophers (which is analysed with greater didactic solemnity than the subject deserves), an interesting review of Vyshinsky's *magnum opus* on Soviet law, an analytical survey of the Journal of the Moscow Patriarchy, providing glimpses into the present relations between State and Church; and so on. Mr Baykov's "Bulletins" are concerned with economic matters only. The first "Bulletin" gives an informative and detailed summary of industrial development in the USSR, although it contains little original analysis.

AMERICAN SURVEY

Science and Welfare

(From Our American Staff)

THE extent to which the ideal of the welfare state has captured men's imaginations may be measured by Mr Truman's reference at Little Rock to those millions in under-developed areas "who for centuries have known nothing but exploitation and poverty, and whose economic life is still primitive." He did not mean the voters in Arkansas. Ostensibly he was explaining Point Four to the furthest reaches of the Middle West. By implication, at least, he was declaring the American intention to court for the democratic way the underprivileged in foreign lands for whom the Soviet has shown such profitable concern.

In American thinking, however, the underprivileged are to be succoured not so much by a new division of the world's goods, according to the Marxian doctrine or the Socialist gospel of equal shares, as by their multiplication. The American sees no inescapable reason why the increase in the total of goods and services available for all, which has been brought about in the short history of his own nation, should not be repeated throughout the world, with corresponding increases in the size both of the common pie and of each share of it, not excluding his own.

This view may seem naïve to older nations, but its effect on American thinking can hardly be over-estimated. It accounts for the increasing American impatience with European assumptions that the common lot can best be improved by securing for one's own country a larger share of the too-small European pie. It explains the horror with which Americans regard the nightmare of a depression, with its apparent denial of further possibilities of expansion, its implication of the closed frontier and the end of opportunity, ideas which to Americans seem to have prevailed in Europe.

Asked how they would go about exorcising old fears and producing new miracles, Americans usually answer in terms of industrial production and technological "know-how," with a bow toward removal of trade barriers. Behind these stands the primary tool of which they are less conscious—their customary dependence on the scientific method in almost all fields of endeavour. The importance of this tool to society in the middle of the twentieth century has been obscured on the one hand by the abstruse and symbolic language which its specialists use, and on the other by awkward if well-meant attempts to make it understandable to the common man. The latter have created a mixture of faith and scepticism, but, far from making science understandable, have distorted it in the minds of many people into a kind of alchemist's circus, free from the laws that ordinary men obey and able to produce fantastic wonders.

Atomic fission is, of course, the biggest of these and the most fearful. Its destructive possibilities have been emphasised, but what is less appreciated abroad is that it also holds potentialities of enormous good when properly applied to modern problems. Americans are dimly aware of this, and it accounts for their willingness to contemplate what seems to other nations an unmitigated terror. The

American's willingness to scare himself half to death with horror stories is equalled only by his sense of pride and accomplishment at being able to survive and master the horror. The essential element in the adventures of that significant character of the "comic strips," Superman, is not only that he continues to confront an endless series of atom bombs, death rays and other fiendish devices, but that, whether the peril takes human form or mechanical, it is Superman who triumphs in the end.

To the United States, atomic fission means not only the bomb with its proven powers of extermination, but also the beneficence of allied discoveries—of radio-active isotopes in medicine, the harnessing of atomic energy to the cheaper running of machines and heating of houses, and so on. This is not to say that many Americans know what atomic fission is, but, what is perhaps more important, they have a tenacious if blind confidence in its ability to do what they want done. It is at the moment the great genie, with its potentiality for good or evil only half explored, but promising, or so Americans believe, a net good in the long run.

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This faith in science, this skill with its methods, is responsible for much that America achieves at home and hopes to achieve abroad. The scientific method, rather than philosophic reasoning or logical analysis, is the tool on which Americans tend to rely whether they be physicists, biologists or plumbers. "Assuming a basic and pervasive orderliness, the method combines hypothesis and formulation of theory with the observation, classification, and use of facts so as to develop techniques which are altering both man and his environment." It is at once the greatest contributor to the practical realisation of the welfare state, and the best hope for the future. It is the prime factor in that making of the even larger pie, with larger pieces for everyone, which must be produced if the hopes of free enterprise, socialism or communism are to be achieved.

The table below shows the increase in spending on scientific research from 1930 to 1947, and the vast expansion on the part of the Federal government during the war.

US RESEARCH AND DEVELOPMENT EXPENDITURES*
(millions of dollars)

	Total	Fed. Govt.	Industry	Universities	Other
1930	166	23	116	20	7
1932	191	39	120	25	7
1934	172	21	124	19	8
1936	218	33	152	25	8
1938	254	48	177	28	11
1940	345	67	234	31	15
1941-45†	600	500	80	10	10
1947 budgeted ..	1,160	625	450	45	40

* Excluding atomic energy. † Average budgeted.

Of the \$1.16 billion spent in 1947, \$1.05 billion was for applied research and development, and \$110 million for basic research.

Thus far, the scientific method has made its greatest progress in the physical domain, but it appears to hold possibilities which are equally great in other fields. Its uses to society can be grouped under four headings, each of which serves the others. First, it has increased man's productive years. Throughout most of recorded time, and despite the Psalmist's optimism, man's life expectancy at birth has been hardly more than 40 years. In the latter part of the nineteenth century it began to rise, and in the United States it has now almost doubled. An American child at birth may expect to live for 70 years; most of the extra 30 have been added to the original 40 by science in this country.

Secondly, it is increasing the life, utility and productivity of those plants and animals which the earth provides and mankind uses. Details of the story of larger crops per acre, added nutritive values, better fabrics and materials, the speeding up of life processes among plants and animals and their better adaptation to man's needs have been given from time to time in these pages. The gains have only begun.

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Third, advances in the knowledge of chemistry and physics have made it possible to bring into play an increasing amount of useful energy which will do man's work and provide him with pleasure. A century ago the physical work in the United States was done principally by men and animals—men doing 22 per cent of it and animals 51 per cent. The other 27 per cent was done by mechanical devices. In 1900, men were doing only 15 per cent of it, animals 33 per cent and mechanical devices 48 per cent. By 1948, men in the United States did only 4 per cent of the physical work required, animals did only 2 per cent and all the rest—94 per cent—was done by those mechanical devices which man had invented, manufactured, and harnessed to his needs. Nor was this all. The shift brought with it more than a five-fold increase in the output of goods per man hour worked, not to mention improvements in quality and utility.

Fourth, with more years in which to work, better food to keep him in better health, more energy to be applied to what he wants to do, man is bringing into use materials hitherto useless or neglected. More metals, more earths, more gases are adapted to his wants. The artificial fibres and rubbers, synthetic drugs and medicines, the plastics, and the new metallic substances are only a few of these, and every week the technical literature lists additions promised or achieved.

The significance of all this for the individual and for society is something which the layman has hardly been expected, or been able, to grasp. Yet for the sake of his own future he must have enough understanding of it to give his support. His world is increasingly shaped by the findings of science. Were they to cease, he would slip back to an older and vastly poorer world. He has already forgotten how he lived there.

(Other aspects of work in these four fields and their potentialities for a richer world will be examined in later articles.)

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

The Call for Public Works

WITH a steadily downward trend in production, incomes and employment, both Congress and the Administration face a rising clamour for the development of a public works programme. In working out a compensatory tax policy there is room for wide disagreement on the need for plant expansion, investment abroad, for subsidy payments to marginal consumers (or for the benefit of farmers), or for the broader adjustment of income and excise taxes at the expense of budgetary stability. The government will meet with no lack of advice, and that advice will be given by people with exceptional intellectual powers and with unusual degrees of courage and integrity. But they will still be politicians, reflecting in their judgment the response of pressure groups to conditions of adversity. Between their proposals, the government can have no easy choice.

The development of a public works programme, however, is all too frequently assumed to be the perfect path to stabilisation, administratively easy, and one which offers ample scope for flexibility. And for this reason, the clamour for public works assumes the insistence of a cuckoo-call as the setback develops, and the complexities of budgetary policy become more fully apparent. The President and the Council of Economic Advisers apparently are not convinced that the time has come for a revival of the Public Works Administration, and for a positive era of "deficit finance"—as distinct from the gap which will accrue automatically as revenues fall away, while government commitments stand fast. But a PWA (or something very similar) appeared in both the Spence and Murray Bills, known more formally as the Economic Stabilisation, and Economic Expansion, Bills of 1949, and influential Republican Congressmen have this year given a formal blessing to public works, should depression develop. The Council of Economic Advisers itself holds divergent views on the need for that Federal control and direction of investment which figure in the proposals of Mr Spence and Senator Murray. But the longer-term goal, both for the President and the Council, is stability via the Employment Act of 1946. Leaving aside the plans for a general expansion of governmental power, the disagreement on public works covers only the timing of such a programme, and not its desirability, or inevitability, at some later stage.

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The area of agreement is in turn confined to "worth-while" expenditures and does not apply to "leaf-raking" (to use the epithet reserved for many of the projects financed by the New Deal's Work Progress Administration), since it is assumed, rationally enough, that conditions, which demand the creation of incomes irrespective of the merits of the work involved, would also demand something more than relief payments under the guise of public works. But, even on this basis, it is too often assumed that flexibility in scope and timing demands no more than advance preparation of a "shelf" of projects—work on which Congress has so far shown little disposition to engage.

How valid is this assumption, and how far can public works save the economy from a major setback? These questions were posed recently by Mr Sherman J. Maisel,* in the light of work undertaken from 1933-38, and the conclusions drawn are by no means as optimistic as many economists, and many more politicians, would like.

* Timing and Flexibility of a Public Works Programme, *Review of Economics*, May, 1949.

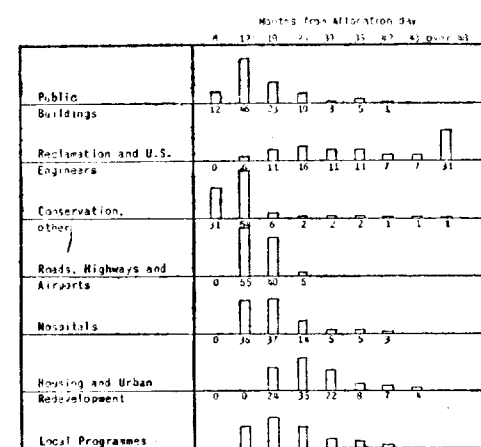
The local authority which must "fertilise" Federal loans, or grants-in-aid, may prove a barrier difficult to surmount. And Congress traditionally approves such grants, not on the basis of local needs, in terms of employment and income, but on the rough-and-ready yardsticks provided by a casual examination of the vital statistics. For housing and urban development legal methods are slow. Prior acquisition (of land) is difficult, and expensive if it requires that land remain unused for a period. Opinion holds that, if government is to receive value for money, the time-consuming method of advertising for bids and public awards must be followed. "Each new job means that the contractor must form an organisation almost *de novo*. A speed-up (with greatly increased costs) is often not possible because of physical factors, or limits created by equipment and supervisory personnel."

What actually happened in the prewar era of public works finance? Says Mr Maisel: "At the end of 1938, over eighteen months after the Act (establishing the US Housing Authority) was passed, less than one-third of the authorised units had been approved. It took more than three years before two-thirds were authorised. For the normal programme slightly over a year elapsed between presidential approval and contract award. For (later) defence projects, this time was cut to eight months. Construction for normal units took fifteen months to complete, and for defence projects, fourteen months. The average period of time to complete construction for a unit under USHA was four and a-half years from the passage of the law. Two and a-half years were used in setting up the agency and local authorities, and for surveys and negotiations."

New techniques may be established, continues Mr Maisel. But these figures are significant in the light of the importance attached to housing plans in public works. "If there is a housing programme, it will probably look exceedingly like USHA. A fair estimate would be that, on the average, in the first year after it was decided to inaugurate a housing programme, no money would be spent."

Expenditure patterns for all other components of a public works programme are shown in the accompanying table. Here, as Mr Maisel observes, the speed of expenditure "varies tremendously with the type of project." In the light of these considerations, it is necessary to revise many of the political theories concerning the immediate value and flexibility of public works. The Federal Works Agency, moreover, recently stated that the "shelf" of such projects available for immediate development was not more than \$4 billion. Mr Maisel has shown that timing and flexibility are not governed solely by failure to plan. But planning failures from 1949 onwards will increase delays. Unless that flexibility is to be attained by drastic government controls (which is, to say the least, unlikely), other weapons must

PERCENTAGE OF FUNDS EXPENDED IN EACH SIX-MONTH PERIOD BY VARIOUS PROGRAMMES



assume greater importance in the initial phases of a real depression.

American Notes

Fourth Point by Instalments

The President has at last asked Congress to endorse with legislation the Fourth Point in his inaugural address, the plan for raising the standard of living of peoples in economically under-developed areas of the world, for the benefit of those areas themselves, of the United States, of Europe and of world peace. Large as is the scope of this scheme, Mr Truman's request for the first year's appropriation is even more modest than had been forecast—\$45 million, which includes both \$10 million already requested for activities of this type and the American contribution to similar programmes under the auspices of the United Nations. The money will be used to provide the "technical, scientific and managerial knowledge" needed not only for improving educational, health and other services in backward regions, but also for planning long-range development schemes which would promote world trade and stability. Latin America is expected to get the largest share of this assistance, followed by Asia and the Far East; then come Africa and the Near East, with Europe and its dependencies at the bottom of the list. Every country receiving aid will be expected itself to bear a substantial proportion of the cost. There are many existing agencies, public and private, American and international, which have experience in providing "show-how" of this kind and for this reason the President asks that he should be left free to delegate the administration of the programme to such government officers as he thinks suitable, rather than that a special agency should be set up.

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This technical assistance will prepare the ground for productive investments. Mr Truman considers that these must come chiefly from private sources, but that government encouragement will be needed. The State Department is believed to have wanted a special fund for guaranteeing such investments, but the Treasury felt that the existence of a fund pledged to this purpose would make it more difficult to negotiate the investment treaties with participating countries, which are an integral part of the plan. Mr Truman has therefore asked that the Export-Import Bank, which has nearly \$1 billion available in unallocated funds, should be authorised to guarantee private American capital, invested abroad in enterprises which contribute to the economic development of backward areas, against the risks peculiar to such investments—chiefly currency inconvertibility, expropriation and damage by war. These guarantees are to be experimental to begin with, and it may prove that something bolder is needed than the slow and cautious methods which the Bank has followed, in accordance with sound financial principles, when dealing with the more orthodox requests which have come to it in the past. Mr Truman recognised that novel devices might be necessary if private investment was to achieve the objectives of the Fourth Point.

Congress will certainly hear a great deal about the threat to freedom of enterprise presented by these investment guarantees, on which opinion in business circles is sharply divided. This is the most controversial part of the programme, but the present request is only the first instalment of, in Mr Truman's words, "a venture which extends far into the future." In its present tired and penurious mood, Congress certainly does not feel inclined to explore such a long road, even though the initial cost will be small and the expedition may, therefore, not be seriously considered before the New Year.

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Cherries and Clothespegs

The chief symptom of the economic illness, that is developing in Europe in spite of the Marshall medicine, is the

decline in the dollar value of European exports to the United States, which has followed the fall in both American prices and in American demand. Mr Hoffman maintains that American imports from Europe must be doubled if the Marshall plan is to succeed, yet the Reciprocal Trade Agreements Act, which makes tariff reductions possible, has been allowed to expire by the Senate. In itself this is not serious, since it means only that no new tariff negotiations may be completed, not that existing agreements lapse, and the Act is almost certain to be renewed before Congress adjourns.

But the Administration wants to renew the Act without the "peril point" clause added by the Republicans last year, under which the President must account to Congress for any reduction of duty below the point at which, in the opinion of the Tariff Commission, American producers would suffer injury. The effect of this was to transfer the responsibility for tariff reductions from the Administration to the Commission, which is more solicitous for the interests of domestic producers than is the State Department. In February the House made no difficulty about leaving the peril points unguarded, but the Senate's delay has allowed time for breaches to appear in the walls of America's prosperity. These breaches, in the opinion of the constituents whom the Senators will soon be meeting face to face, are caused by foreign storming of American markets and should be closed with a new tariff wall.

The cherry growers of Oregon, the watchmakers of Massachusetts, the oil producers of Texas, the textile manufacturers of New England and many others are all feeling the need of shelter. Their efforts to obtain extra protection through the European Recovery programme seem doomed to failure, for this year at least, but many Senators are unwilling to take away the existing protection of the peril point. This unwillingness will grow with every week's delay and with every rumour that Britain is to reduce imports from the dollar area. Already Senator Johnson, the Democrat from Colorado, a state dominated by wool and mining interests which always look favourably on tariff protection, has announced that he will "go with" his Republican colleague, Senator Milliken, who leads the forces fighting for the retention of peril points.

But even without the peril point, the effectiveness of the Trade Agreements Act could be undermined by the "escape clause," introduced by the Administration some time ago to reassure Senator Vandenberg, but only just invoked for the first time. This clause allows manufacturers to demand an increase in a duty, if its reduction under the Act has seriously injured them. Such an increase has been requested by the Clothespin Manufacturers of America, who claim that the lower duty imposed on their product under the trade agreement with Mexico has enabled clothes-pegs to be dumped on the American market by Swedish producers who benefited from the Mexican agreement under most-favoured-nation policy. Producers of wool berets and rattan reeds have similar claims pending before the Tariff Commission and, if these are successful, a stream of such petitions is expected to follow.

Teachers Take the Test

The end of this academic year has presented teachers and administrators, like their students, with a test. The question is whether members of the Communist party should be able to wrap round them the mantle of academic freedom, in defence of their right to teach. A commission of the National Education Association, which included General Eisenhower of Columbia and President Conant of Harvard, recently concluded that party members have given up that freedom of thought which is essential to good teaching in a democracy and that they should be excluded. The report urged, however, that no teacher should be carelessly branded as a Communist, and Communist doctrines should continue to be studied and dissected in the schools.

The University of Nebraska did not wait for this authoritative ruling to bar Communist teachers and textbooks; it has

been followed by the University of California, the third largest in the country, which now requires the 4,000 teachers and administrative workers on its eight campuses to take a more rigorous loyalty oath. Earlier, New York had passed the Feinberg Act to root out Communists and their fellow-travellers; in Illinois private institutions which do not conform are threatened with the loss of their tax exemption. The American Association of University Professors has before it a record number of allegations of unjust dismissal, including eight complaints of teachers who say they were discharged for aiding Mr Wallace's campaign.

The House Committee on Un-American Activities, which has recently seemed to be beached high and dry, could not be expected to resist the temptation to set out after this promising shoal of academic red herrings; its chairman requested 107 colleges to send in their reading-lists, prompted by the anxieties of the Sons of the American Revolution, who seem



Herblock in the Washington Post.

even more nervous than their sisters. This ramshackle fishing expedition has been disowned by the Republican committee members who had no share in its launching, but it lends some plausibility to arguments that the need for federal aid to education is outweighed by the danger of such interference. It has evoked so much ridicule and resentment, however, that it may mark the turning of the tide. Phi Beta Kappa, the national scholastic roll-of-honour society, has denounced academic loyalty oaths as likely to intimidate teachers and disillusion students. Yale, while it will employ no Communists, steadfastly opposes the loyalty oath. Harvard, an even older citadel of academic freedom, has refused to bow to the threat of a graduate to withdraw his contributions—sorely needed though they are—unless it discharges Dr Shapley, the organiser of the Waldorf conference of fellow-travelling intellectuals and another professor. The demand was lodged by a Mr Ober, who might have overlooked Dr Shapley, but was tried beyond endurance when he discovered that meetings to oppose the anti-subversive law he was sponsoring in Maryland were being graced by a professor of his old university. Harvard, however, has declared that it is "not afraid of freedom," a timely reminder to other Americans that the torch in the hand

of the Statue of Liberty is not to be confused with a red conflagration.

Labour's Half Loaf

The labour unions found a chillier welcome than usual awaiting them last week when they knocked on management's door for wage increases and other benefits. The steelworkers were told that their contract did not provide for bargaining on pensions at this time and they may have to defer their hope of securing retirement benefits such as those Mr Lewis has won for the miners. The automobile workers at the Ford Company were also told that their pension request cannot be granted without a substantial increase in the price of cars, and were urged, instead, to accept an 18-month wage freeze. The General Electric Corporation has also turned down a request for a \$500 a year "wage package."

Mr John L. Lewis alone has come up with an idea which finds immediate favour among the operators: a proposal for a three-day week in the bituminous mines to prevent overproduction and price cutting. The enthusiasm of the mine-owners is tempered, however, by a fear of the anti-trust laws and uncertainty whether Congress, which more than a decade ago passed the now defunct Guffey Act, would once more make an exception of an industry which shows signs of relapsing onto the sick-bed from which it was rescued by the war.

The unions have also suffered a not-unexpected setback in the Senate debate on the repeal of the Taft-Hartley Act. Mr Truman's lieutenants had been set a tight-rope walking exercise: to retain enough of the Taft-Hartley Act to win over waverers from the right without losing labour votes in the Senate and labour support outside it. Four concessions were passed without difficulty. Union leaders will have to sign anti-Communist affidavits and submit financial reports, but so will employers; a limited degree of free speech for employers is continued, and also the requirement that unions as well as

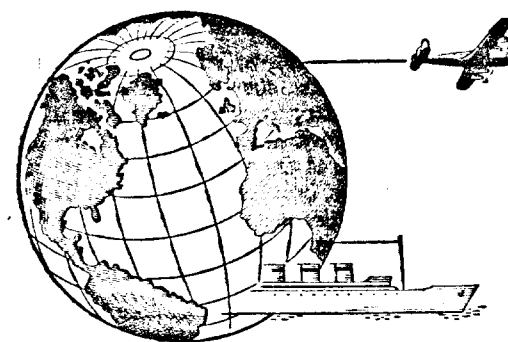
managements bargain in good faith. The hope, however, has been frustrated that the new labour law might emerge innocent of any reference to the use of the injunction in disputes involving the national health and safety.

The Administration's original Bill relied entirely on the President's "inherent powers" to restrain such strikes; when it became clear that this would not satisfy the Senate, the power to seize an industry was put forward as an alternative to the injunction which would be more palatable to labour. This compromise, as well as several others, was opposed by a coalition of those who thought it went too far and those who thought it did not go far enough, and in the end the Senate passed, by 50 to 40, Senator Taft's amendment authorising the President to use either the injunction or the power of seizure. For Senator Taft, this is a retreat from his original position, prompted, perhaps, by a recognition of the part labour may play when he comes up for re-election next year. The President and his labour advisers will now have to decide whether to accept this half-loaf. The veto of the original Taft-Hartley Act paid Mr Truman handsome political dividends, but a second veto of a more moderate measure might be subject to the law of diminishing returns—particularly if Mr Lewis should celebrate it with another strike.

Shorter Note

The House of Representatives, forgetting the economy campaign in the interests of a Congressional junket, recently sent five of its members to the Moral Rearmament Assembly at Caux in Switzerland, in a specially chartered plane at a cost of \$5,000. Neither the House nor its envoys had a clear idea of where they were going or for what purpose, but fortunately they found justification for their trip in Caux, since MRA is now concentrating on anti-Communist propaganda and has the approval of General MacArthur, who permitted a Japanese delegation to attend.

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THE WORLD OVERSEAS

Italy's Precarious Recovery

THE strike of the Indian farmworkers which, after considerable unrest, was settled on June 23rd, was caused by genuine grievances. The labourers (*braccianti*) on Italian farms are the worst paid of all workers—their average monthly wage (about £9) is half the average in industry—and in most areas they are exposed to long periods of unemployment. In Emilia, for instance, a working year of 165 days is not uncommon. The demand of the *braccianti* for better pay and more family assistance had a good deal of public sympathy behind it. The problem is how, in an economy as restricted and hemmed in as that of Italy, to secure a genuine increase in their share of the national income.

In many ways, the Italian economy has been well managed in the last eighteen months. The deflationary policy introduced in the autumn of 1947 has been followed, as the tables below illustrate, by a long spell of steady prices, steady wages and a steady cost of living index. The budgetary deficit has been drastically reduced, the value of the lira has remained constant and confidence in the country's money, which was vanishing in 1947, has been restored.

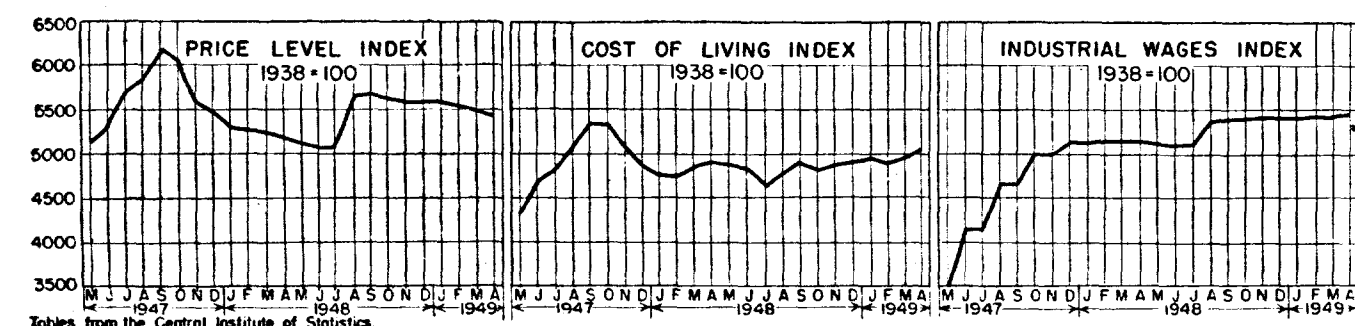
During the same period, production in industry has reached approximately the level of 1938 and agriculture does not lag far behind. In 1948 a really remarkable effort was made in the field of foreign trade, Italian exports registering an increase of 40 per cent in the year. The following table shows the scale of the achievement:

ITALY'S FOREIGN TRADE (COMPARISONS BASED ON 1938 PRICES)

	IMPORTS			EXPORTS		
	Food	Raw Materials	Total	Foodstuffs	Finished Goods	Total
1938	100	100	100	100	100	100
1947	213.9	114.5	120.5	42.9	113.6	74.7
1948	225.0	91.6	110.9	71.3	158.6	117.8

The result was an improvement in Italy's balance of trade from a passive balance of \$788 million in 1947 to a passive balance of only \$272.2 million last year.

In spite of these genuine achievements, the Italian economy remains in a precarious state. To produce at all, it must import. If the recent oil strike in Northern Italy proves genuine, it may ameliorate one of its great natural disadvantages—the absence of indigenous raw materials—but all other basic materials are absent. Imports in turn depend upon Italy's continued capacity to export and it is doubtful whether 1948's performance can be repeated in 1949. In the first three months of 1949, the high level of exports was maintained at 47 per cent above the corresponding quarter of 1948, but in April both imports and exports began to fall.



The nature of Italy's exports increases the vulnerability. Europe's present tendency is to cut the imports of inessentials. Cheese, fruit, flowers, wine are among the first to suffer and they are all typical Italian products. The tremendous expansion in Italian exports of finished goods, particularly the products of mechanical industry, was made possible partly by the postwar shortages of these goods, partly by the disappearance of German and Japanese competition. The restoration of western Germany may restore to some extent Italy's old exports to Germany of fruit and nuts and dairy products, but German exports may close some markets to Italian industrial exports. Difficulties have arisen in Italian trade with the sterling area. At present, the Italians have a sterling balance of 40 million lire. They blame this unbalance upon the "over-valuation" of sterling, which, last November, was fixed at 2,317.25 lire to the pound sterling in order to keep sterling in line with the dollar. But some Italians are also inclined to blame the severely restricted import policy pursued by Italy.

Above all, Italian exports in 1948 gained by Argentina's trading difficulties with both the United States and Britain. In 1948, Argentina sprang ahead to become Italy's largest market. After April this year, however, trade with Argentina began to shrink and recently, Argentina has announced large import restrictions.

Too Little Re-equipment

Italian industry cannot immediately offset any decline in exports by satisfying mass demand at home. There is no large internal market in Italy. In 1948, most consumer goods were selling at levels well below those of 1938 (60-75 per cent for textiles, 65 per cent for footwear, 60 per cent for soap, 50 per cent for new furniture, and in spite of idle capacity in the textile industry and unemployment among building labourers, virtually no programmes for cheap textiles or cheap houses have been undertaken since the two Unrra-sponsored projects, *Unrra Tessile* and *Unrra Casas*, introduced three years ago. The picture is not much better for some production goods. In 1948 domestic purchases of tractors and machine tools were far below what was necessary for better and cheaper production and also below what could in fact have been produced by Italy's war-expanded mechanical industries.

This last shortcoming points to another weakness in the Italian economy, a weakness shared with other European countries, but particularly dangerous in Italy, where it has been fostered by decades of autarky. Productivity in many branches of industry is low, and one of the reasons why the export drive of 1948 was possible was because many goods had priced themselves right out of the domestic market. So far, the modernisation and re-equipment of Italian industry have been undertaken only very patchily; and it is a complaint of the

ECA mission to Italy that in 1946 and 1947 private industry, left to itself, far from renovating or installing plant, devoted a large proportion of its capital to building up speculative inventories.

The improvement of productivity in Italy faces one problem, however, which is absent in other western European communities—the rapid rise in the Italian population. The Italians are expanding at a rate of 400,000 a year and the peninsula has not the means to absorb such an increase. The classic methods of raising productivity—by increased mechanisation and the reduction of direct labour costs—can be used only very circumspectly in an economy overflowing with available manpower who must either be absorbed or go unemployed or find means of emigration.

The problems facing the Italian Government are thus formidable. The prosperity achieved so far is precarious since it has been underpinned by a favourable but probably temporary conjunction of circumstances in the export trade and by Marshall aid. Unfortunately for the Italian Government, the fundamental difficulty—insufficient resources to support too many people—is beyond their control and only a great act of western solidarity in which the United States, the British Commonwealth, Latin America and France agreed to back a programme of regular Italian emigration would put a really sound foundation under the rickety Italian house.

Need for More Investment

Nevertheless, more could undoubtedly be done to increase the size of the internal market in Italy and to improve productivity in both industry and agriculture. The rate of capital accumulation has been insufficient to exploit all the resources of the Italian community. In spite of a great increase in savings—the Minister of the Treasury, Signor Pella, recently put the percentage of savings at 18 per cent of the national income—they do not find their way in sufficient scale into industry or agriculture. The reason is in part the extent of state control. Over 70 per cent of the saving institutions are controlled by government and through direct ownership or through the mammoth holding company, the IRI (*Istituto di Ricostruzione Industriale*), large sectors of all heavy and mechanical industry are state controlled. But ever since the crisis caused by inflation in 1947, all state institutions have fought shy of credit expansion for fear of disturbing Italy's hardly gained monetary stability. The result has been a caution which has aroused Italy's American advisers to protest. A modest reversal of the trend has now been introduced and the long-term estimates for Italian investment have been increased, but this expansion is still inadequate.

Private industry has not taken up the slack left by government. Italian industry, feudal in tradition, largely monopolistic in its higher reaches, protected by decades of fascism and long financed by a series of disastrous war efforts, has missed the revolution essential to genuine "free enterprise"—the revolution of Henry Ford. Save in a few exceptions, the notion of producing cheaply for the many and gaining small profits in a large turnover is not part of the Italian business mentality. Investment remains weak, and the increases forecast in Italy's long-term plan for investment by private business are unlikely to be achieved.

This relative stagnation in Italian big business underlines another weakness in Italian society—the gulf between the small group of industrialists and landed proprietors of great wealth and the poverty of the masses. The visitor sometimes has the impression of living in a country with two almost totally disconnected economies—the small closed circle of the very wealthy and the poor, ingenious, resourceful, intensely active life of the masses. This antiquated social structure has its economic repercussions in limited high cost production and the lack of a large internal market. It has its political repercussions in the alienation of a large part of the working-class and the perpetual undercurrent of political instability. The recent strikes among the farm workers were thus symptoms of a much wider malaise.

Ten Year Plan for the Congo—I

Routes for Strategy and Trade

(FROM OUR BRUSSELS CORRESPONDENT)

No visitor to Belgium in recent years can have failed to be impressed by the nation's Congo-consciousness. The feeling is opportune, because the almost unwanted baby of 1908 has become a promising and important stripling, whose further growth and relations with his neighbours are calling for a close overhaul of parental policy. The Congo, with the trustee territory of Ruanda Urundi, straddles the equator over an area almost as large as continental Europe, stretching from the Atlantic to Lake Tanganyika. Both now and potentially, it is a source of great wealth, animal, vegetable and mineral. Through it runs the strategic traffic artery which links the Atlantic with the upper waters of the Nile and—usable though not yet complete—the first main motor highway between the Mediterranean and the Cape. Through it, too, are destined to run the two arteries linking the Atlantic with the Indian Ocean. The closing of the Mediterranean in the second world war showed the need for strengthening west-east communications across Africa. Bearing in mind the Congo's desert frontier in the north and the important mineral deposits further south, the strategic importance of the territory needs no emphasis. At the same time its internal communications have as much to carry as they can bear, and an important part of the colony's produce already leaves by other routes. Belgium can thus reverse with equanimity the traditional policy of favouring the use of the *routes nationales* and allow Congo communications to be integrated with the trans-African traffic routes.

There are three main routes into the Congo interior, all radiating from Leopoldville. From Leopoldville all traffic proceeds by steamer, the Great Lakes system following the main curve of the river as far as Kabalo—a matter of 1,500 miles—whence a rail connection links it with Lake Tanganyika at Albertville. This system is somewhat slow of operation, especially since navigation difficulties necessitate trans-shipment from steamer to rail at Stanleyville and again at Kindu. Northbound traffic links at Bumba with the strategic Royal Road to Juba and the Nile or, turning up the Itimbiri as far as Aketi, with the narrow gauge rail connection to Boma in the north and through Paulis to the Mungere terminus in the north-east. The southern route uses the Congo's left-bank tributary Kasai to the railhead at Port Francqui, where the traffic is trans-shipped onto the Katanga railway system running to Elisabethville and the principal mining districts.

Trans-African Route Inadequate

The Katanga system, by a branch-line from Tenke, links with Portuguese Angola, and provides an alternative seaward outlet through Lobito, which is used by much of the Kasai diamond traffic. It also links with the Rhodesian system, across the frontier at Sakania, and much of the Katanga copper traffic uses this route in the returning wagons sent up from the Wankie collieries. It finds its outlet to the sea, also in Portuguese territory, at Beira. There is thus, between Beira and Lobito a rather roundabout trans-African connection which, with the traffic growing in strategic and economic importance, may soon prove inadequate.

The Katanga system passes within about 250 miles of the Great Lakes system, but the two do not connect. The policy which has maintained this anomalous gap has now been reconsidered; and part of the Ten Year Plan, which the Belgian Minister for the Colonies has lately submitted to the Cabinet, is a firm project for a railway from Kamina to Kabalo. This will link both Lobito-Tenke and Matadi-Port Francqui with Dar-es-

Salaam. Unfortunately, the two Congo systems are of different gauge and, logically enough it is that between Kabalo and Albertville which is to be altered. This will necessitate a similar change over the 1,350 miles of track in Tanganyika before the link can be fully completed by the train-ferry across the lake to Nigoma, the passage involving in the meantime trans-shipment on either shore.

A further shortening of the route, by direct rail connection between Matadi and either Port Francqui or Luluabourg, does not appear for the moment to be practical. In any case, the usefulness of the connection between Lobito and Dar-es-Salaam limited by the port facilities at either end. Much may be done, in time, by expansion at the Tanganyika end; but it is clear that a second trans-African route, with an alternative seaward outlet in the east, may soon become a necessity. Little has lately been heard of the projected railway, mentioned in the Hailey report, linking Stanleyville with Kasenyi on Lake Albert and thus connecting with the Nile. This link is, however, supplied by an arterial motor road which crosses the north-south road by which Lake Kivu and Costermansville are connected with the Cape to Cairo road at Watsa and the Royal Road at Faradje. There has, nevertheless, been pressure from the British side for action which would direct traffic to Mombasa by a link with the Uganda railhead at Kampala. For this purpose the project considered has been a railway from Stanleyville to Goma, on Lake Kivu. This has been abandoned for the time being, but it is understood that a first-class motor road from Stanleyville to Goma will be provided for in the Plan. How this will link with Kampala and Mombasa will be a matter for decision on the British side. Stanleyville, however, will thus lie at the intersection of the Matadi-Mombasa system with the Cape to Cairo road, thus justifying its proverbial status as the turntable of central Africa.

Export Surplus for Belgium

The Congo is still at an early stage of its development which, nevertheless, has been rapid and was greatly stimulated by the war. In 1948 its exports were valued at some £60 million, half of which was in mineral products, almost as much in crops (including vegetable oil) and with ivory and hides as the chief remaining items. Its imports amounted to some £47½ million, of which nearly £22 million was accounted for by machinery, metal goods, ships, vehicles and parts, which can properly be charged to capital account. Almost the whole of the export surplus was sent to Belgium, the accounts with the rest of the world being in approximate balance; but they included a £10 million deficit with the United States and a credit of the order of £6,000,000 with the sterling area. This, however, does not fully state the contribution of the Congo to the economy of the Belgian franc area. In particular, it incompletely reflects the revenue from the sale of radioactive minerals; and it takes no account of the export trades which Belgium has built on a basis of Congo-produced materials, notably cotton, copper and zinc.

Development of the Congo is conditioned partly by the character of the country and partly by the distribution of the

mineral resources. In broad terms, the intractable and almost undeveloped central basin, lying at an elevation of about 1,000 feet and bounded by the Congo, Kasai, Sankuru and Lomami rivers, is surrounded by hilly country with a great number of tributary streams. In such country communications are difficult, and this partly accounts for the scattered nature of much of the mining enterprise. The most valuable resources—copper, cobalt, manganese and uranium—are indeed centralised on Elisabethville, its northern neighbour Jadotville and the expanding radium community of Shinkolobwe. These workings are close to—in the case of copper abutting on—the extreme edge of the

upper Congo at the North Rhodesian frontier, and they are well served by railways. Gold workings, however, are very dispersed, the chief developments being in the far north-east, but other concessions being as far apart as Leopoldville, Luluabourg and Costermansville. Tin workings are on both sides of Lualaba (the upper Congo) beginning 150 miles north of Jadotville, near Bukama, extending northwards to the boundary of Stanleyville province and thence eastwards into

Ruanda-Urundi. The chief diamond country is in the upper Kasai (Tschikapa), though there are workings 300 miles further east, and others in the extreme north-east between Wamba and Irumu.

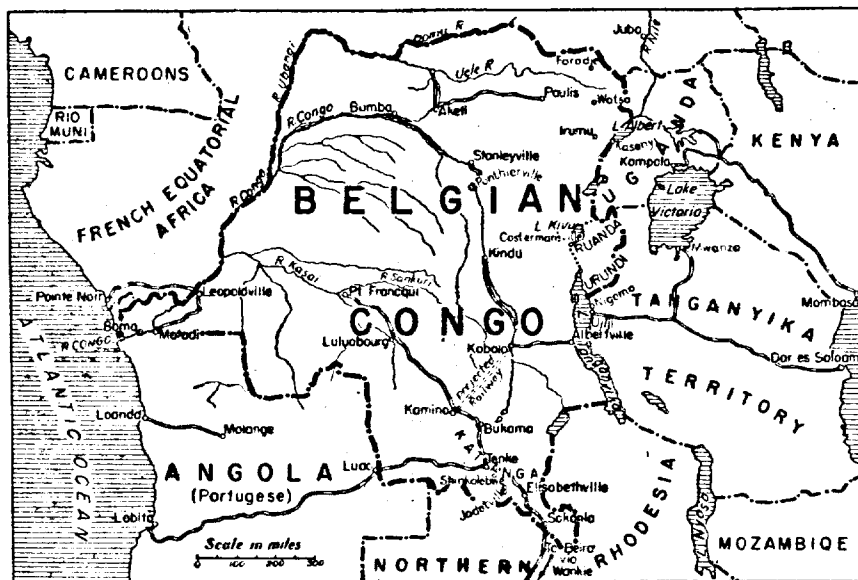
(To be continued)

Surveying the Amazon

[FROM OUR CORRESPONDENT IN RIO DE JANEIRO]

THE International Institute of the Hylean Amazon has probably suffered more than most of Unesco's projects from misrepresentation. In the Amazonian countries themselves (which include six of South America's ten republics) extravagant hopes that an international brains trust would make the "wet desert" blossom like the rose doubtless owed much to the wishful thinking of Latin American spokesmen. Such hopes were bound to wane, and it seemed inevitable that the cynicism they had already evoked in the outside world should eventually supplant them in Brazil, the country most closely concerned. A prominent Brazilian scientist who is experimenting, with mixed success, with jute and rubber in the lower Amazon is openly sceptical about the usefulness of Unesco in this region, and in Rio de Janeiro little or no mention of its scheme now appears in the newspapers.

Against this crossfire from the disappointed and the sceptical—those who feel that Unesco should do much more and those who believe it can do no practical good—the International Institute of the Hylean Amazon is, in fact, advancing slowly. A beginning has been made with the field work that is part of its essential task of tropical research. In the Gurupá region of the lower Amazon a scientific party from Columbia University, accompanied by Brazilian scientists, has been studying social anthropology; and an international team of geographers, botanists, anthropologists and geologists recently spent four months exploring the Rio Huallaga, a Peruvian tributary of the Amazon. These "pilot surveys," as they were described to your correspondent by Mr E. J. Corvêr, the English scientist who is supervising the Institute's preliminary work, are only a



beginning, but expeditions of this sort are at least likely to throw light on the possibilities of a vast region little known even to scientists.

Manaos, Brazil's deep-water port 900 miles up the Amazon, has been chosen as the Institute's headquarters. The town's prosperity of the rubber boom years that culminated in 1912 has never been recaptured, and few of its citizens expect a return of that hectic era, when the wealth per head of the Amazonian capital was said to be higher than in any other city in the Americas. In those days, its only link with the outside world was the British steamship line which still plies regularly between Europe and the Amazon—at certain seasons of the year as far as Iquitos, on the river's Peruvian headwaters. Britain's long record of trade and exploration in the Amazon has not been forgotten in Manaos, whose traffic once followed the British custom of keeping to the left, and whose wealthiest families until the war made a point of educating their sons in England. In Manaos, as throughout north-eastern Brazil, British prestige still stands very high, and Unesco's initiative has been welcomed as a sign of renewed outside interest in a difficult hinterland. Here, more clearly than anywhere else, the scheme is seen in its true perspective. The local authorities accept it as modest but promising, and in his trips into the surrounding country Mr Corner has been given a great deal of practical help from the *caboclos*, native labourers who are unlettered but wise in the ways of the jungle. The Commercial Association of Amazonas is also co-operating actively in his work. The Federal Government has shown itself warmly sympathetic towards the whole scheme.

Lessons of a Laboratory

The use to which the Institute's findings can eventually be put in developing the resources of the Amazonian countries seems to depend largely on the initiative and interest of these countries themselves, and principally Brazil. Two thirds of

its immense territory—an area twice as large as Argentina—were drained by the Amazon. What can be done to improve public health has already been shown by the Americans, who, to protect their wartime garrisons on the strategic Brazilian bulge, made it safe to sleep in the Amazonian port of Belém without a mosquito net. The experts mobilised by Unesco may be able to show that crops could be raised where none had been grown before; where—or even how—communications might be improved to harvest and market much of the region's untapped wealth. But it is no part of their job to build such communications, to raise crops commercially, or to obtain capital for these ventures. Theirs is essentially laboratory work, and the use of Amazonia as an international laboratory offers an obvious approach to diverse tropical problems not only in South America but in other continents.

In Brazil itself Unesco's work might even indicate new investment channels to Mr Nelson Rockefeller's International Basic Economy Corporation (IBEC). This organisation offers a commercial approach to Brazil's great problem of feeding its population adequately, and is already a going concern in both Venezuela and Brazil. An agreement has just been signed between the Brazilian State of Minas Geraes and IBEC's affiliate, the American International Association, which will set up a "Commission for Rural Credit and Technical Assistance," and IBEC's own land-clearance schemes (none of them in Amazonia) are making impressive changes in some of Brazil's agricultural zones. In Brazil today there is obviously room for both the Unesco and the IBEC ventures as part of the gigantic and slow-moving pattern of Brazilian progress. Each in its own sphere is no more than a pioneering effort, and only the future can tell what benefits each will bring.

Trials of Modern Exploration

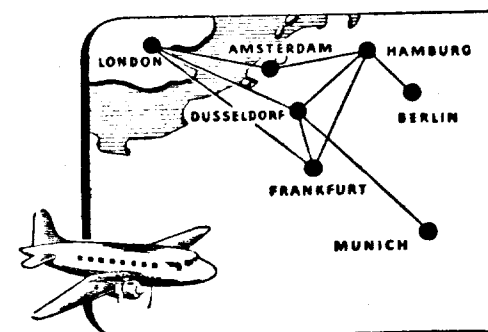
Meanwhile, the International Institute of the Hylean Amazon faces administrative problems of a kind spared to the free-lance explorers of pre-Uno times. Space has to be found to

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house not only visiting scientists but also the secretariat of what has come to be one department of an international Civil Service; and Manaus has a housing shortage. Funds have also to be found to pay salaries. But the 17 Latin American governments which together constitute a powerful voting bloc in Unesco's councils, meet only 3½ per cent of the parent body's expenses. A more encouraging attitude has been adopted by Brazil towards the Hylean Amazon scheme. To maintain its secretariat during 1949 \$72,000 are required, and the Brazilian Chamber of Deputies has voted half of this sum. The remainder falls to be paid by the other Amazonian countries, and by Great Britain, France and Holland, which are represented because of their colonies in the Guianas.

If budget limitations help to restrain the bureaucratic side of the Institute's activities without cramping the work of the scientists, this new experiment in international co-operation may yet prove to have more practical worth than its critics expect. Amazonian exploration was never easy, as any reader who has shed sympathetic sweat over Mr H. M. Tomlinson's "The Sea and the Jungle" will readily understand. It is unlikely to be easier simply because it is carried out under international auspices. But under any auspices the real work of discovery must go on if the Amazon is ever to play a fuller part in the economy of Brazil and the world.

Uno and the Backward Areas

(By a Correspondent)

THE move of the US Government towards putting the economic work of the United Nations on the map by associating its Economic and Social Council with President Truman's "bold new programme" for the economic development of backward areas is now bearing fruit. The sub-commission on economic development, a body of Uno experts, published a report on April 12th, and the Secretary-General has just issued the Uno plan of "Technical Assistance for Economic Development." This it is hoped, will receive the approbation of the Economic and Social Council at Geneva next month and—more important perhaps—provoke the announcement of some form of financial support by the US delegates at that meeting.

It is an article of faith at Lake Success that political differences cease to be troublesome when international economic discussions are "kept on the technical level." By means of a bewildering hierarchy of committees, the discussions of the experts on economic development were in fact very comfortably insulated and protected against the upheavals which regularly afflict the political bodies. A great deal was consequently expected of their recommendations, which, it was generally assumed, would provide the opening salvo in the Uno campaign for a leading place in the bold new programme. But something seems to have gone wrong with the insulation. The plain fact is that the observations of the experts are distinguished by a startling mediocrity where they are correct and by incredible ineptitude where they are not.

The Secretary-General's report on the Uno plan for Technical Assistance is a considerably more impressive contribution to the subject. It need hardly be said that the plan involves substantial expenditure, or that the budgets, given below, are stated for the purpose of convenience in terms of US dollars:

	First Year	Second Year
United Nations	5.9	9.3
International Labour Organisation	4.7	6.8
Food and Agricultural Organisation	9.4	11.4
Unesco	6.2	10.7
International Civil Aviation Organisation	0.5	1.0
World Health Organisation	9.2	11.0
TOTALS	35.9	50.2

These seemingly modest amounts are to be spent in sending expert missions to the undeveloped countries; training students; financing scientific and industrial research and

related publications; supplying seed, medical and technical equipment, and in other ways spreading a knowledge of modern technique throughout the backward areas. The aim is unexceptionable and the law of averages will undoubtedly see to it that some of these admirable intentions bear fruit. But the grounds for some disquiet are apparent even at this early stage.

Dangers of Duplication

In the first place, as the Secretary-General explains in his introductory note, it was not possible to prepare a combined budget covering the United Nations and the specialised agencies as well. This will mystify the general public which not unreasonably fails to make any distinction between Uno and the specialised agencies. Secondly, as the budgets are separate and distinct, so are the plans. At first sight this seems not unexpected, and perhaps not undesirable, since each agency has its own field of interest and special expertise. Unfortunately, however, these fields almost exhaust the entire territory of economic development, leaving only insignificant scraps to the headquarters at Lake Success. Thus the fact that the plans of the International Bank envisage technical assistance in "industrial, power and transportation projects," while the plans of Uno involve technical assistance in the "unassigned fields" of "manufacturing industries," "mechanical power" and "road, rail and water transport" will not surprise experienced civil servants familiar with the strategy of bureaucratic empire-building as practised in London or Washington. But it may well seem incomprehensible to the general public. It is a pity that jurisdictional disputes among the Uno organs could not have been set aside on a matter of this importance.

In the absence of any generally agreed definition of economic development or any generally agreed method for developing backward areas, the plans for technical assistance are necessarily tentative, tenuous and varied in the extreme. The joint malaria control project of the Food and Agricultural Organisation, and the World Health Organisation, and the International Labour Organisation advisory services on social security are readily understandable; the Unesco quarterly bulletin on the social implications of science are somewhat less so, and the Uno pamphlets on the methods of power generation from windmills seem distinctly in the class of contributions by harassed officials anxious to make constructive suggestions in time for the next air mail. The possibility of getting action on these programmes is probably greatest for the agencies, already experienced in the business, particularly the ILO and FAO. Beginners such as Uno itself may well find the clients coy and the administrative details troublesome.

Lack of Experts

The effective spending of the budgeted \$85 million in two years is highly unlikely, if only because the competent experts simply do not exist in the numbers required. It is significant in this connection that the International Bank and the International Monetary Fund, whose importance for economic development is fairly obvious and whose staffs are ample, have contributed—almost with an air of pained surprise—only the sketchiest plans to the report and have explicitly refrained from asking for money.

It is safe to assume that the national authorities of the richer countries, who will have to make the decisions in this matter, are themselves familiar with the peculiar conventions of budgeting by public organisations. Certainly, in the case of the US State Department, which is pressing Congress for \$30 million to begin with, there will be a disposition to pay less attention to the plans than to the calibre of the experts and the international officials responsible for spending the money and to the prospect of full and frequent reports on progress. The whole scheme could be an expression of venturesome international co-operation at its best. The national authorities concerned would do well to insist that such co-operation should begin amongst the international organisations themselves.

THE BUSINESS WORLD

European Payments Compromise?

THE past week has seen the climax of the controversy on the Intra-European Payments Scheme. It has been a long argument, waged mostly by "backroom boys" in Paris, with occasional changes of venue to London, Brussels and Basle. But it is only lately that the matters in dispute, having far transcended the technical plane and entered into realms of high policy, have had to be taken up at correspondingly high Ministerial levels. Only at that moment of transition did the general public become even half aware that Britain was confronted by yet another financial crisis. Though every factor in the situation has been plainly visible for the past two months at least, it is only in the last fortnight that gilt-edged have taken their steep dive, that talk of the inevitability of dollar import cuts has emerged, and that an atmosphere all too reminiscent of that of the summer of 1947 has returned. It would be a mistake, however, to suppose that the amounts at stake in the dispute at Paris have brought on a major financial crisis. It is rather that the knowledge that a crisis is brewing in the whole of Britain's financial relations with the world has contributed to the intensity of the arguments over the payments scheme.

At the risk of some repetition, but as a help to getting the issues into reasonably clear focus, it may be well to traverse again the grounds of the dispute. In the first year of Marshall aid, which expired on Thursday of this week, the European recipient nations agreed to make available to their debtors certain rights to draw on their own currency, as set out in an agreed schedule. Britain and Belgium were the largest providers of these "drawing rights." As against a total of dollars receivable of \$1,316 million, Britain undertook to make available to other European countries a net total of £72½ million (that is, equal to \$290 million) in sterling. An amount of dollars equivalent to these drawing rights was labelled "conditional aid"—that is, the grant of it by the Americans was, in theory at least, conditional upon the giving of the drawing rights. These drawing rights, however, were not transferable. That is, if France could not use all the sterling allocated to it (as has in fact been the case), that sterling could not be transferred to any other country.

Of this original Intra-European Payments Scheme (IEPS) the following criticisms and approbations, as summarised by the faithful agent for its operation, the Bank for International Settlements, may be given:

There have been a number of criticisms of the payments scheme: e.g., that it is backed exclusively by American aid; that it is too bilateral in character; that it does little to assist in the building-up of central bank reserves, etc. There is some truth in these strictures but a number of answers suggest themselves. . . . When ERP aid first came into effect there was hardly any other choice than to build on what existed, i.e., the bilateral payments agreements in Europe.

On that basis a scheme was prepared which has shown itself capable of practical application and which has helped to sustain the volume of intra-European trade. . . . It can never equal in effectiveness the traditional multilateral settlements which worked so smoothly in the past. Before they can be resumed, however, it is necessary that fundamental

equilibrium should be restored within the various economies in a measure not yet attained and that sufficient monetary reserves should be available to cope with normally recurring fluctuations and to strengthen the feeling of confidence. While the restoration of freedom to European payments is thus dependent upon progress towards a solution of the major problem of European equilibrium, there are, of course, technical improvements which can be introduced into the current scheme with a view to rendering payments more flexible and providing more suitable incentives. Thus the payments scheme which has taken its place as part of the present European effort to achieve a greater degree of collaboration and unity may, through the experience gathered and the practical machinery which is being developed, lay the foundation for a more satisfactory monetary order in the future.

The variety of suggestions for the improvement of the scheme in the second year, beginning on July 1st, has displayed a wealth of ingenuity which could usefully have been applied to more important and constructive spheres of economic endeavour. But for the present purpose it is only necessary to give a brief outline of the Belgian proposal (backed by the United States), of the British counter-proposal and of the "compromise" suggested by the French Government.

The Belgian and ECA proposals, which went hand in hand, were intended to give the revised payments scheme the flexibility which it obviously lacked in its first version. At the same time, they were meant to use IEPS as the lever to restore the price mechanism and to provide the spur of effective competition within Europe. The intention was to remove the tendencies towards strictly bilateral trade and the consequent disregard of price equilibrium which evolved and was even encouraged by the first version of the scheme. This reform was to be achieved by expressing the contributions and drawing rights for each participant in the IEPS in global terms, instead of splitting them up into their strictly separated bilateral components—in other words the drawing rights were to be made completely transferable among the participants in the scheme. Thus, if France found itself with too much sterling it could, in effect, use it to pay for, say, more Italian goods than it could otherwise afford to import. The Americans, for their part, carried the proposal still further: the drawing rights were to be not merely transferable within the OEEC group, but also convertible into dollars; if drawing rights were transferred, some at least of the 'conditional aid' behind them should also be transferred. In this way, those European countries which showed a favourable balance in their trade with other European countries would be awarded a dollar bonus at the expense of the deficit countries.

Several modifications to these original proposals then appeared. It was suggested, for example, in a later edition of the Belgian proposal, that only 50 per cent of the drawing rights should be freely transferable, and that the balance should be used on strictly bilateral lines. Under the French compromise, which was suggested at last week's meeting of Ministers in Brussels, the proportions were whittled down

to 40:60, i.e., 40 per cent of the drawing rights to be transferable and 60 per cent to carry a bilateral earmark. At approximately this stage in the discussions the ECA suggestion for convertibility of drawing rights into dollars was dropped, a move which has made progress towards subsequent agreement a great deal easier. Although convertibility and transferability are two quite separate concepts, they have, in British eyes, tended to merge into one single objectionable category because both would cost dollars and gold. The free transferability of drawing rights would cost Britain gold if sterling contributions were in effect expended not in Britain but in Belgium or Switzerland, thus raising those countries' sterling holdings above the present gold ceilings and calling for the payment by Britain of an equivalent amount of gold.

The British attitude towards these proposals has been dominated by the desire to defend the gold and dollar reserve. The reserve is now below the danger level and its fall is causing the greatest difficulty in maintaining the voluntary discipline of sterling area countries. Therefore everything should be done to prevent further losses of gold. The British negotiators have expressed a willingness to increase the flexibility of IEPS but to go no further than "controlled transferability." This is a euphemism for saying that Britain will agree to transferability provided that any country with which the sterling area is running a deficit is excluded from it. This basic objection has been pleaded with all the unyielding logic which the Chancellor of the Exchequer has at his command. He has pointed out that the British reserve of gold, which must now be well below £450 million, serves the needs of a large area which in fact constitutes the only wide region within which the principles of free transferability of currency (though admittedly not "currencies") and multilateral trade have any real application. The British have argued that they have a grave responsibility for the defence of this reserve, and that this responsibility extends well beyond the defence of strictly British interests. They have pointed out that it would be a major tragedy to the cause of multilateral trade which the United States and most European countries have at heart if this mechanism ensuring free movement of goods and payments within the sterling area were to be seriously weakened, as it would be by further encroachment on the central reserve.

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From this basic though inevitably short-run analysis of the situation, the British case has proceeded to a number of intricate rationalisations of objections to transferability and convertibility. In particular it has been argued that the introduction of the dollar sign into European trade would tend to contract that trade. The possession of a credit balance in intra-European trade might connote superior economic efficiency, which ought no doubt to be rewarded; but it might also be the result merely of greater ruthlessness in cutting down imports, which ought to be avoided. If all European trade were in the ultimate balance to be reduced to a dollar basis, the same discriminations between essential and less essential imports would have to be introduced into it as are perforce applied to imports from dollar countries. The British have also argued that to open Europe to American competition would at present be most "untimely" and would reduce the effective aid received from the United States. Since the total amount of goods that can be bought from America by Europe as a whole is a finite quantity, any increase in imports by the commercially stronger Europeans—and such an increase would inevitably occur in less essential categories—would mean a reduction in the purchase of essentials by other countries. Moreover, Britain would be singled out as the chief sufferer,

not because she is economically the weakest country in Europe, but because she grants the most drawing rights.

Most of these objections, it will be found, are based on the assumption that European prices in general, and sterling prices in particular, are out of line with dollar prices and that there can, therefore, be no question at present of meeting American competition on anything like equal terms. Between every line of the Belgian, French and ECA suggestions there may be read an unwritten sermon on the need for Europe to loosen its economy and to re-establish some semblance of price equilibrium with North America, if need be by the appropriate adjustment of exchange parities. Similarly, between every line of the British objections to these schemes can be read the Chancellor's firm resolve to hold to the present exchange rates at any cost.

On the theoretical plane, this is one of those awkward controversies in which there is a great deal to be said for either side. The practical issue, however, is one of finding means whereby some greater degree of elasticity can be brought into European payments while still giving the maximum protection to the British gold reserve. In the course of discussions, other European countries, and Belgium in particular, have shown an appreciation of the dangers that would be involved by any further substantial encroachment on British gold reserves. At a comparatively early stage in the discussions on the amendment of IEPS, the Belgian representatives

INTRA EUROPEAN PAYMENTS SCHEME
Local Currencies converted to \$ mil.

	Scheme for 9 mos. to June '49			Results for 8 mos. to May '49		
	Grants	Drawing Rights	Net	Grants Made	Drawing Rights Exercised	Net
United Kingdom	320.0	30.0	Cr. 290.0	180.0	30.0	Cr. 150.0
Belgium & Luxembourg	218.5	11.0	Cr. 207.5	202.3	8.9	Cr. 193.4
Sweden	34.8	9.8	Cr. 25.0	27.2	7.7	Cr. 19.5
Italy	47.3	27.0	Cr. 20.3	33.0	Nil	Cr. 33.0
Turkey	28.5	16.6	Cr. 11.9	9.9	12.9	Dr. 3.0
Germany (Trizone)	123.6	14.2	Cr. 9.4	83.5	39.8	Cr. 43.7
France	9.7	333.0	Dr. 323.3	9.5	220.0	Dr. 210.5
Netherlands	11.3	83.0	Dr. 71.7	7.1	82.5	Dr. 75.4
Greece	Nil	66.8	Dr. 66.8	Nil	39.2	Dr. 39.2
Austria	3.1	66.5	Dr. 63.5	0.5	57.4	Dr. 56.9
Norway	16.5	48.3	Dr. 31.8	2.1	47.4	Dr. 45.3
Denmark	5.1	11.9	Dr. 6.8	1.5	11.1	Dr. 9.6

came forward with suggestions for a long-term loan by Belgium to Britain which would in fact consolidate the advances made under the existing monetary agreement and would be tantamount to a substantial raising of the present ceiling on Belgium's sterling holding. If this proposal were accepted, Britain's gold reserve might even be increased. The maximum loss of gold under the transferable drawing rights scheme, as successively amended, might not be more than £10 million or £15 million, or £20 million at the most, whereas the current loss of gold to Belgium under the existing Payments Agreement, which a Belgian credit would presumably stop, is running at the rate of some £30 million a year. The British refusal to consider a credit from Belgium is one of the aspects of the matter that American and Continental observers find most inexplicable. If it is based on considerations of prestige it is, of course, wholly wrong. But if the refusal is due to Belgian insistence that the loan and the interest on it should be repaid in gold, then there is rather more logic in a British refusal to be content with a mere deferment of the gold loss.

That British attitude has not, however, been wholly negative. At the second meeting of the Consultative Group of Ministers of OEEC countries which took place in Paris at the beginning of June, Sir Stafford Cripps made some constructive proposals for dismantling part of the quantitative

restrictions which now hamper the flow of intra-European trade. These proposals took the form of a scheme for the granting of open general licences in a wide range of commodities. The general intention of this proposal was to expand the volume of intra-European trade, but it was specifically provided that no such expansion should take place if it involved the danger of further gold losses.

Nevertheless, this has been widely recognised as a hopeful and significant contribution. The difficulty about it, however, is that it conflicts sharply with the doctrine of non-discrimination laid down in the Anglo-American Loan Agreement. Relaxations of import quotas, if they are to be non-discriminatory, must be made equally all round; they must not exclude hard currency countries. If the Havana Charter were in force, a plan such as the British propose could be operated among "war-shattered economies," which might cover most of western Europe, but might not cover Britain itself and would certainly not cover those countries of the sterling area which could not be excluded from any such scheme proposed by Britain. And in any case the Havana Charter has not yet been ratified by Congress. So that there would be justification in a British complaint that while one American theory, that of convertibility, threatened to make Britain lose its reserves, another American theory, that of

Depreciation Allowances Reconsidered—II

Profits—True and Untrue

INDUSTRIALISTS are beginning to realise that the concession made by the Chancellor in the last Budget, when he doubled the so-called "initial allowance" on plant and machinery, represents not an abatement, but merely a deferment of tax liabilities—it is, in effect, an interest-free loan to industry from the Exchequer. An article in last week's issue examined the nature of this loan, and reached the rather surprising conclusion that its aggregate amount could, on certain assumptions, eventually reach about £2 billion—of which roughly one-third would be attributable to the recent increase in the initial allowance and the remainder to earlier concessions. The assumptions were that the average life of industrial plant is twenty-eight years, that throughout such a period in future industry's aggregate expenditure on new plant continues each year at its present estimated annual rate, and that rates of tax and of allowances remain unchanged. On these assumptions, the aggregate interest-free loan outstanding would rise each year, reaching a maximum at the end of twenty-eight years. Thereafter, the rate of annual repayments (in the form of collection of earlier deferments of tax) would rise to the level of new "lendings"; but, provided only that industry maintained its rate of new outlay, the aggregate outstanding loan would not decline.

At first glance, the prospect of a loan for so large a sum as £2 billion, which would not only be free of interest but would continue indefinitely so long as present policy and practice are unchanged, offers an impressive contribution to industry's capital problem. Closer examination, however, leads to a different conclusion. The value of these concessions may be tested first by comparing the amount of the "loan" with the extent of capital dissipation involved for industry in the difference between the replacement cost and the original cost of its present capital equipment. Unfortunately, no reliable estimates of these aggregate costs are available, but some idea of the magnitudes involved can be formed by considering the rates of replacement outlay. The Chancellor's estimates, as

non-discrimination, prevented Britain from proposing a real liberation of trade.

The British suggestions found increasing favour and support at this week's Paris meetings of the Council of OEEC. As *The Economist* goes to press a compromise based on proposals made by Mr Spaak representing Belgium is being hammered out. It should ensure some transferability of drawing rights and therefore greater flexibility for the IEPS, including some overdue regard for the virtues of price competition in intra European trade. At the same time Britain's desire to protect its gold reserve has been duly recognised—at least so far as any additional drain due to the operation of IEPS is concerned. The British Open General Licence proposal will be given a trial run. The United States demand for partial convertibility of drawing rights into dollars has been dropped for the time being. It is along such lines that the second version of IEPS is being fashioned. It will compare favourably with the first. But it would be raising altogether false hopes to suggest that the new scheme, whether in this or in any other form, could provide even a partial cure for the renewed strain on the British gold reserve. That springs from far more fundamental factors than the particular technique of Europe's payment mechanism.

noted in last week's article, apparently envisage an aggregate expenditure on new plant and machinery of £750 million during the first full year in which the increased initial allowance operates. Evidently, this is a larger rate of expenditure than would have been required annually to maintain industry's plant and machinery intact. A fairer estimate of the annual requirement would perhaps be £500 million; but even on this basis, and with the average life of plant taken at no more than twenty years, the aggregate value of industrial plant and machinery would, at present prices, be no less than £10 billion. If the cost of this plant is assumed to have doubled over the past twenty years—surely a conservative assumption—the difference between original cost and replacement cost would still amount to £5 billion. Beside this large sum, which takes no account of the similar losses on floating capital and on fixed capital other than plant and machinery, the "loan" of an eventual £2 billion looks relatively small.

Moreover, even if a loan of this amount continued almost indefinitely as a part of the floating capitalisation of industry considered as a whole, there would be no such continuity or permanence in the fraction of it which accrued to any particular industrial undertaking. Even if there were an assurance that Government policy would not be changed, each concern could count upon the continuance of its own proportion only if it was sure that it would need and would be able to continue, year after year, to replace its plant at the present rate. Hardly any industrialists dare work on such an hypothesis. Even on the most favourable assumptions, therefore, the individual business would have to be prepared to repay in the future, and perhaps in particularly inconvenient circumstances, the loans which the Exchequer is now making to it. In practice, moreover, the actual experience might be a good deal less favourable than this. In view of the widespread attention which is now being given to the whole question of reform of industrial taxation, it would be un-

reasonable to assume that the precepts which guide Revenue policy now will remain unchanged for the next twenty years or more. The committee just appointed to inquire into the method of computing taxable profits can hardly fail to draw attention to the anomalies which result from the divergences between the fiscal and the accountancy concepts of depreciation. If a recognition of these anomalies were to lead the Revenue to revert to the strict accountancy concept (which is still the basis of its doctrine of original cost), the initial allowance would have to be withdrawn (together with the one-fourth "additions" which are now made to the "appropriate" annual allowances). Such a change would be tantamount to a demand for the immediate repayment of all outstanding loans. So harsh a decision is perhaps unlikely to be taken except as part of a far-reaching change in policy which would in fact soften the impact. But no prudent accountant or finance director of industry ought to take so sympathetic an attitude for granted when framing his present practice and policy.*

It is clear that there will be no solution of the problem posed by inflated replacement costs unless and until industry is allowed—definitively and not merely by way of "loan"—a depreciation charge based on the replacement cost of existing assets, whether by a permanent substitution of "current value" for original cost, or by a once-for-all adjustment for a period of inflation. In principle the need cannot be met by allowances (and still less by loans) related to new assets, for the installation of new assets (as distinct from the provision for capital wastage which has already occurred) is quite adventitious; and, if they are installed, they will in any case be amortised at rates determined by their cost (or current value, if the basis were changed). The efforts of the Revenue in the past sixteen years to ease the burden, by concessions which are more apparent than real, have confused an issue which was already badly blurred. These concessions would be of real, though temporary, value only if industry's main embarrassment now was an inability to command sufficient cash resources for plant replacement. That particular difficulty may increase, but at present the chief embarrassment, in this context, is the actual erosion of the capital itself. Expedients of the "loan" variety, welcome though they may be as a sign of good intentions, do nothing at all to arrest this drain. Indeed, there is even a danger that they may increase the dissipation of capital, through misunderstandings of the effects of the concessions upon industrial profits.

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It rests with industry, and particularly with its financial and accounting advisers, to ensure that this does not happen. Whilst there is a growing realisation among industrialists that the excess of the capital allowances over normal depreciation leads to a temporary remission of taxation which in effect constitutes a loan, not all businesses would appear to draw the appropriate conclusions in their accounts. Many of the larger companies are fully alive to the problem and transfer the amount of tax deferred to suspense accounts of one kind or another. For example, in its latest accounts, the English Steel Corporation specifically states that its provision for depreciation includes "£138,116 the equivalent of initial tax allowances on capital expenditure of the year," whilst W. T. Henley has transferred to a revenue reserve £39,018 described as "relief from United Kingdom Taxation in respect of Initial Allowances." But many other companies do not appear to have taken any comparable steps, with the result that the "loan" has merged with the net profits which can be distributed at will. While profits are buoyant and dividend limitation remains, the remissions of tax are probably mostly

retained, but it may be doubted if prudence would prevail in many cases if the maintenance of dividends was at stake.

By accepted practice, profits before tax are "true and fair" if (*inter alia*) appropriate provision is made for depreciation. Similarly, profits after tax are "true and fair" if the liability arising from the assessments on those profits is set aside. But the fact that these assessments have been made after capital allowances which are often greatly in excess of the normal depreciation provisions is ignored. The official view of the Institute of Chartered Accountants is that it is sufficient to maintain normal methods of depreciation, thus avoiding any distortion of profits before taxation, and to indicate the effect, if material, of initial allowances on the amount provided for taxation. The Council of the Institute "is further of the opinion that the desirability or otherwise of transferring to reserve and spreading over a period of years the taxation benefit resulting from initial allowances is a matter of financial policy." In other words, anything set aside is a free reserve. In a joint memorandum prepared by the accountancy bodies and issued recently by the Share and Loan Department of the Stock Exchange, rather more emphasis is laid on the matter. This memorandum, which deals with published prospectuses, provides that the statement of adjustments made to profits must compare the depreciation provisions made in the accounts with the capital allowances granted for taxation purposes.

The extraordinary distortion of ostensibly "retainable" profits which results from failure to set aside the tax deferred by capital allowances can best be shown by an example in which profits are compared before and after taxation. The following table gives such a comparison for a company which is assumed to earn exactly the same amount of profit before tax for each of five years and to have incurred in the first year capital expenditure of £100,000 on plant having a life of five years and a residual value of £10,000. The point is made most clearly by taking a "straight-line" basis for depreciation:

PROFITS DISTORTION ILLUSTRATED						
	Gross Profits	Normal Depn. (Straight-Line Basis)	Net Profits before Tax (a-b)	Tax Capital Allowances	Taxable Profits (a-d)	Tax at 10/-
Year	(a)	(b)	(c)	(d)	(e)	(f)
1	100,000	18,000	82,000	T.A. 40,000* A.A. 22,500†	37,500	18,750
2	100,000	18,000	82,000	62,500	77,500	38,750
3	100,000	18,000	82,000	22,500	85,000	42,500
4	100,000	18,000	82,000	15,000‡	100,000	50,000
5	100,000	18,000	82,000	nil	110,000	55,000
	500,000	90,000	410,000	90,000	410,000	205,000

† Initial Allowance—40 per cent. of cost. ‡ Annual Allowance—four fifths of £18,000 (straight line basis). § Balance. * Balancing Charge to increase residual value to £10,000.

It will surprise many people to know that in the eyes of the law and in the opinion of many boards of directors and of the official representatives of the accountancy profession, the net profits in each year as set out in column (g) can be said to give a true and fair view of the profit of the year. It would certainly astonish shareholders who knew that the trading experience had been exactly similar in each year if they received, as they well might, a tax free dividend of £63,250 in year one, but one of only £27,000 in year five. This is of course an extreme example. Normally, there are further additions to plant year by year, and the initial allowances granted thereon hide the effects of the lower annual allowances on plant provided in earlier years. Many industrialists therefore may not appreciate what is happening until a year comes in which there are no additions, or until the law is amended to repeal the initial allowances.

What general conclusions can be drawn? In the first place it is evident that the true character of the capital allowances needs to be understood. They are not allowances for depreciation in its strict sense of capital "used up" by wear and tear. They are in fact a combination of depreciation and loan, and the loan must be repaid. Secondly, net retainable profits will be distorted unless appropriate adjustments are made in the accounts. Before this is possible the hands of the accountancy profession must be strengthened. The necessary adjustments cannot properly be made by transfers to free reserve, for they would then be merely matters of financial policy, and the resources would still be freely available. They are, on the contrary, provisions to meet accruing liabilities which must be made if true profits are to be ascertained. Thirdly, this particular aspect of the whole problem deserves close scrutiny by the Chancellor's new committee. Fourthly, it is desirable that the official view of the Treasury on the degree of permanence of the initial allowances should be ascertained. If they are merely a temporary expedient to meet the needs of an inflationary situation—until the day of reckoning, when repayment of the old loans must continue

Business Notes

The Dollar Crisis

In one immediate respect the atmosphere of crisis has lifted somewhat this week. A growing prospect has emerged (though it had not taken final shape when this issue went to press) that the difficulties which had arisen about the revision of the Intra-European Payments Agreement, and which indeed produced deadlock ten days ago at Brussels, might now be solved to the reasonable satisfaction of both sides. The differences of view, and this week's developments which have gone so far towards solving them, are described in a leading article on page 31. If the Payments Scheme had been the only factor affecting the markets, of course, there would have been every prospect of a resounding technical recovery, for the gilt-edged market can rarely have been more vulnerable to the appearance of a little good news. But this week's events elsewhere have put the question of the Payments Scheme into its proper technical context; its importance lies not in the problems of technique but in the fundamental clash of views which suggested that the problems themselves (complicated in detail but simple in essence) would not be solved.

Now the market's fears have been transmitted to these more fundamental issues. Much play has been made with unofficial estimates of the extent of gold losses during the second quarter; whether these guesses (some of which suggest that the reserve may have fallen close to £400 million, compared with the "irreducible minimum" of £500 million which was postulated a year ago) will be found to have any validity must remain unknown until the official figures are published early next week. What is important, however, is not whether the reserves have fallen by £x million or £y million, but that the fall—whatever the figure may be—is too serious to be allowed to run much further. The Government's measures to protect the reserves are plainly not working and all the signs of falling exports from the sterling area to the dollar area suggest that a further and rapid deterioration is inevitable unless speedy corrective measures are taken. The question which the market then asks itself is whether time and the remaining reserves will avail to hold the position.

It has not found a welcome answer. The meetings of the Commonwealth Finance Ministers which are to be held in London in the middle of this month have as their purpose the co-ordination of Commonwealth action to stem the depletion of the sterling area gold and dollar reserves. The arrival of the British Ambassador from Washington, closely followed by the Secretary of the United States Treasury, has inevitably sug-

gested the possibility of action with regard to the pound—and to some, at any rate, the possibility of a new American initiative to rid the western world of its financial fears, and in particular its fears about sterling. As if this were not quite sufficient for a tender market to take, this week has also produced the fell news of a go-slow campaign by the National Union of Railwaymen in pursuit of their wage claims.

In any case, while the system endures, it is desirable that the initial allowances—and also the one-fourth "additions"—should be divorced from the "appropriate" annual allowances in some way which would emphasise that they are not allowances for depreciation but deferments of tax liabilities which will ultimately have to be met. One means of achieving this end would be to charge taxation on profits arrived at after deducting only appropriate allowances for depreciation and then to defer the collection of tax equivalent to the relief given by the initial allowance and the additional one-fourth annual allowances. Such deferment would bring the realities home to directors, shareholders and accountants. The amount deferred would be set aside out of the profits of the year. Indeed, to put the position beyond doubt, post-dated demand notes might be issued, rather like inverted post-war credit certificates. They might suitably be known as post-inflation debits. But perhaps that might encourage rash hopes that the notes, like so many of the certificates, would prove a mirage.

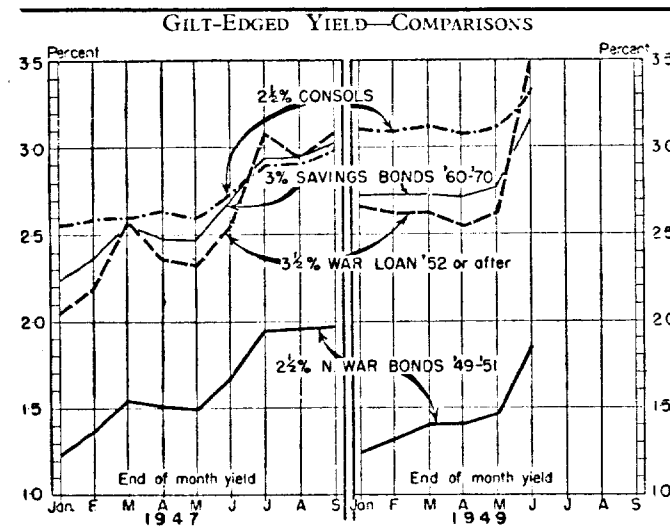
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1947 and Now

This week, then, has been spiritually akin to those weeks in August, 1947, when convertibility was being put to the test and dramatically failed. Monday was a particularly bad day, for the week-end press had not attempted to conceal its anxiety about the critical drain on the reserves, and selling persisted throughout the day. At the close of business, Consols were down 1½ to 74½, Treasury 3's by 2½ to 92, and Gas Stock 2½ to 94½. The *Financial Times* industrial ordinary share index dropped from 101.4 to 100.1, a fall in which the "blue chips" and steel shares were just as prominent as shares of lesser quality. Tuesday produced something of a rally, in which the promptness of bear covering was particularly evident, but the recovery came after a poor opening, and the biggest gains were no higher than ½ in Old Consols and Transport Stock. Leading industrials, now as sensitive as any speculative issues, shared in the recovery, which put the *Financial Times* index up to 100.9. On Wednesday, too, these conditions were roughly repeated—an opening fall, followed by some net recovery in the afternoon. Gold shares have recovered moderately well, and oil shares were better. But the market remains—with every reason—in a highly jumpy state.

To push the comparison with August, 1947, too close would ignore the fact that gilt-edged stocks, at that time, were distinctly more vulnerable than now because they still suffered from the artificial inflation of the cheap money drive. Today the question which presents itself to investors in the funds is whether the unchecked and unsupported slide of prices marks a decision of official policy to acquiesce in a general scaling up of interest rates. The yield comparisons shown in the accompanying chart do not give a final answer, for argument by analogy is never at its strongest in investment matters. But the roughly parallel course of the yield curves during the second and third quarters of 1947 and during the first two quarters of this year are enough at least to support the

hypothesis that a change of policy may be taking place. While the market remains uncertain how far the yield peg may be lifted, it is hardly to be blamed for refusing to commit itself.



All the signs suggest that it is in for a distinctly uneasy summer, even though it may be technically ripe, at this moment, for a rebound on any lifting of bad news.

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The Lords Amend the Steel Bill

In assessing the results of the committee proceedings on the Steel Bill in the House of Lords, it is necessary to remember that a withdrawal by agreement may prove to have more effect on the final structure of the Bill than a Government defeat. That the Government should oppose, and be defeated on, the series of amendments designed to postpone until October 1950 the date of coming into force of the Bill, had become inevitable. Lord Salisbury explained that the proposed change would be a "thoroughly democratic course"; it would give the Government time to produce convincing economic arguments for what it was doing, and would enable it to make certain whether it had the support of the people for the measure.

Lord Samuel, who supported his arguments, added that there was "no real mandate based upon a clear expression of the popular will" in favour of the Steel Bill. It was not to be supposed that the Government would accept these arguments, and Lord Addison declared that the Government, having taken up the position that the House of Lords had no right to demand a second mandate at this stage in the life of a Parliament, stood unalterably upon it. So the first of the amendments were passed—and the remainder designed to secure the postponement will also, no doubt, have been passed by the time the committee stage ends—with the Government irrevocably committed to overturn them when the Bill goes back to the Commons. Their results are, therefore, to be sought in the electoral field rather than in any possible effects on the structure of the Bill. On this issue Lord Addison was clear and forcible; for most of the debate the Government spokesmen, seeming ill at ease and less familiar with the subject-matter of the Bill than their opponents, did not make a decided impression. Their attitude leaves in some uncertainty the probable decisions of the Government on some of the other amendments.

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"Nationalisation, New Style"

Some amendments were withdrawn on an assurance that the Government would discuss their content with the Opposition. In the Commons this would mean a substantial concession; but it is uncertain sometimes whether a withdrawal by the Government light artillery in the Lords means as much.

A good deal of interest will attach to the outcome of the amendment (which was withdrawn in those circumstances) to give the publicly-owned companies a right of appeal to the Minister of Supply in the event of the Iron and Steel Corporation requiring them to do something to which their directors are, for technical or commercial reasons, opposed. Lord Swinton, who moved this amendment, described it as an attempt to reconcile the powers and duties of the Corporation with the independence and initiative of the individual companies. Lord Layton, who supported it, held that it raised a major question: the question whether it was possible, even in a nationalised industry, to retain elasticity, independence, initiative, and the internal competition which would keep the industry alive. Although this ("nationalisation, new style") was the Government's view, he thought the Bill showed no sign of it.

It is true that, as the Bill stands, the publicly-owned companies (being owned to the extent of 100 per cent by the holding company, the Board) cannot expect much freedom of action, and that anything done to define and secure their status will probably be to the good. Perhaps in this case the Government will overcome its inhibition against defining anything, which showed as clearly in the Government speeches in the Lords as it had done earlier in the Commons. The Opposition was obliged, for the most part, to seek closer definitions; the Bill is so full of latitude for authority and so empty of safeguards for the private person that this was the natural line of attack. In general, therefore, the Opposition has been applying the same principle to much matters as the selection of members for the Board, or the circumstances in which a member of the Board would lose his job, as to the definition of the powers and duties of the Corporation, or the extension (which was clearly necessary) to the producing companies of obligations laid upon the Corporation itself. It is to be supposed that the Government will insist in its turn on removing some of the innovations made by the Lords. But it is not likely to remove them all, and the Bill cannot fail to have been improved in some ways by the effort which the Lords have expended on it.

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Argentine Trade Agreement Signed

Last Monday saw the successful conclusion of the prolonged trade negotiations of Sir John Balfour and his team with the Argentine authorities in Buenos Aires. On Tuesday, Sir Stafford Cripps gave the House of Commons a preliminary view of the agreement, of which the full text is expected early next week. He gave it as the Government's view that "the agreement is not inconsistent either with our long-term objective of convertibility and multilateral trading or with the obligations which we have assumed in regard to third countries." Even now, the American State Department might have some difficulty in accepting that description, but the fact that the only long-term contract under the agreement is for meat appears to have removed at any rate some of the sharp edge from official American comment.

The agreement came into force yesterday and provides for a balance of payments, on a sterling basis, at the highest possible level. For the first year, exchanges totalling about £125 million each way are envisaged—which would involve rather more than doubling last year's exports, valued at £52½ million. Argentina undertakes to supply in the first year not less than 300,000 long tons of meat (beef, mutton and lamb), and will endeavour to supply 400,000 tons in each of the five years covered by the agreement. For its part, the United Kingdom undertakes to buy up to 600,000 tons of carcass meat and 40,000 tons of canned meat if Argentina can supply them, and to buy additional quantities of pig meat up to 10 per cent of the quantity of beef, mutton and lamb supplied. The average price for all types of carcass meat has been fixed for the first year at £97.536 per long ton (that is, £96 per short ton), and prices in subsequent years will be negotiated annually.

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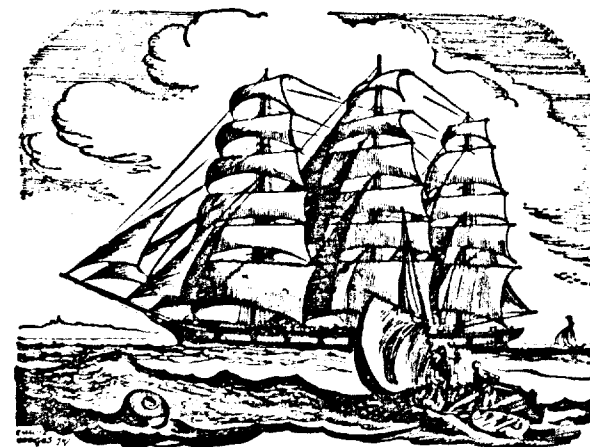
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A New Export Effort

Other major items among Argentine exports to Britain include maize (£20 million), oil cakes and meal (£10 million), edible oils (£9,000,000), seed oils (£10 million), and hides and skins (£11.6 million). Britain has undertaken to supply coal (£8,500,000), iron and steel and manufactures thereof (£7,000,000), transport equipment (£25 million), machinery and tractors (£14 million), cotton piece goods (£4,800,000), woollen and worsted yarns and manufactures (£4,000,000), chemicals (£5,700,000), electrical goods (£4,900,000), pottery and glass (£3,200,000) and cutlery and hardware (£2,400,000). Comparison of these projected figures for exports with the actual values last year, as shown in the accompanying table, illustrates the degree of effort which will be required from British exporters; these are totals which each side has agreed to "facilitate," and their realisation depends upon agreement about prices and qualities, and the successful conduct of trade through normal channels.

ARGENTINE AGREEMENT

	1947		1948	
	Quantities '000 tons	Value £'000's	Quantities '000 tons	Value £'000's
Total exports	...	34,801	...	52,541
of which:—				
Coal	...	...	943	3,755
Pottery, etc.	...	949	...	1,737
Iron and steel and its manufactures	83	3,453	108	5,267
Non-ferrous metals and its manufactures	...	672	...	1,161
Cutlery, hardware	...	973	...	1,772
Electrical goods	...	1,346	...	2,796
Machinery	19	5,310	30	8,949
Cotton yarns and manufactures	...	300	...	409
Woollen and worsted manufactures	...	1,360	...	1,860
Chemicals	...	2,450	...	3,551
Paper, cardboard	59 (a)	583	113 (a)	1,040
Vehicles (including ships, locomotives and aircraft)	...	11,778	...	13,103
Miscellaneous manufactures	...	1,350	...	2,268

(a) In thousand cwt.

The arrangements about oil are of particular importance, in view of the American criticisms of the agreement. In the first year of the agreement, the United Kingdom will do all that it can to ensure that Argentina is supplied with 1,800,000 tons of crude oil, 3,750,000 tons of fuel oil, and 250,000 tons of oil products. These quantities will be furnished by British oil companies and their associated concerns at current prices, but there is no undertaking on the part of the Argentine Government that it will purchase oil to these amounts, and it can, if it desires, purchase oil from other sources.

According to a statement issued by the British Treasury, the agreement includes the normal sterling payments agreement clauses continuing the provisions for the maintenance of the sterling-dollar cross rate and the settlement in sterling of payments between residents of Argentina and the sterling area. A guarantee of Argentine balances is given for sterling acquired during the next twelve months. In all the circumstances, the new agreement is to be welcomed. It means an appreciable increase in the cost of meat which, according to the Chancellor, "will be dealt with as was stated in the Budget, in regard to subsidies"—in other words, will be passed on to the consumer. Secondly, it involves a considerable export effort from British industry, though it is hoped that the United Kingdom's capacity for export to hard currency markets will not be impaired.

Investment and Finance

FCI's More Active Year

The Finance Corporation for Industry has cast its net far wider than the four industries—iron and steel, cotton, railways and coal—which were originally expected to provide its main sphere of activities. Two of these industries have passed to the State, a third is being prepared for a similar fate, and the fourth, so far as is known, has not yet sought assistance from the FCI. The year to March 31, 1949, was the most active

since FCI was formed—at least if measured by the increase in its advances to industry in the form of "loans and participations." These, at £10,969,029, have more than doubled in the course of the year. This description of the advances in the accounts takes the place of the former division into debentures, secured loans, etc., which the chairman, Lord Bruce, considers misleading. The destination of these loans is not known in precise detail. But it may be presumed that advances to the Steel Company of Wales, which formed the greater part of FCI's commitment of £41,275,750 for further loans at March 31, 1948, have accounted for a substantial part of the increase.

In this twilight stage of steel nationalisation, the FCI has been able to fill a particularly difficult gap. Private capital has obviously not been prepared to venture very far with the Iron and Steel Bill overhanging the industry. Clause 14 of the Bill provides an adequate safeguard for the repayment of any capital the FCI may venture in assisting the industry to carry out its postwar development schemes. Its services were in fact accepted towards the end of the year by John Lysaght's Scunthorpe Works and the chairman of the parent company, Guest, Keen and Nettlefolds, has already made it known that on March 30th this year the FCI had agreed to provide some £11 million to finance extensions to the works. At March 31, 1949, the corporation had in fact entered into loan agreements totalling £50,700,000 with companies scheduled to be taken over by the proposed Iron and Steel Corporation, but only £3,187,945 had been taken up by that date. But there have been other avenues of investment. FCI believes that its participation in Petrochemicals has promising possibilities. The report shows a net profit of £65,082 compared with a loss of £3,408 in 1947-48. No heavy losses have had to be written off in the past year, whereas £90,000 had to be written off an investment in 1947-48. It is to be noted, however, that it is not the intention to show particular amounts written off investments in future years.

Gas Stock Valuations

The list of 154 prices for "unvalued" gas securities issued this week is chiefly important because it includes securities of companies which availed themselves of the war damage clause of the Gas Act. As the accompanying table shows, in the case of the quoted securities of South Metropolitan Gas and South Suburban Gas, the additional compensation which has been awarded to cover the reduction of earnings—and hence of market values—resulting from war damage is worth having, but it is unfortunate that in the process of waiting it has lost a good deal of its bloom.

It has been argued that a holder who received British Gas Stock 1990-95 at par could, two months ago, have sold his compensation stock above par. All compensation to all holders of

VALUATIONS AND GAS SECURITIES

Stock: and Par Value	Nominal Compensation Stock Allotted	Market Value June 27, 1949	Valuation Less War Damage Element
South Metropolitan Gas:—	£	£	£
8 per cent. pref. (£100)	134	127½	129½
4 per cent. pref. (£100)	102½	98	102½
Ordinary (£100)	118	103½	92½
South Suburban Gas:—			
5 per cent. pref. (£100)	115	112½	114½
4 per cent. pref. (£100)	102½	97½	101½
3½ per cent. red. pref. (£100)	101½	95½	97½
Ordinary (£100)	122½	116½	118½

the securities of the nationalised gas companies whether "valued" or "unvalued" is based on the issue of gas stock at par. But until this week, holders of "unvalued" securities have not known exactly what nominal amounts of Gas Stock they were to receive. And in the meantime, the price—which

touched 1½ premium a few days after the first issue—relapsed at one time this week to 93½ and now stands only a point higher.

It may be argued that, confronted with the delay in fixing the compensation values for these stocks, a potential holder could have covered himself by selling a bear on vesting day corresponding to the size of his holding. But that is not an argument which would count in the case of the many small holders of unvalued gas stocks to whom the Stock Exchange zoo is something of a mystery. Apart from this method there appears to be no way of avoiding the loss of capital involved, for in effect all holders of "unvalued" gas securities since vesting day have been at the mercy of fluctuations in the gilt-edged market. It was particularly unfortunate that for this batch of holders, Gas Stock slumped to a new low level on the day before the announcement of the compensation prices to be paid for their securities.

New Stock Exchange Chairman

The succession of Mr J. B. Braithwaite as the new chairman of the Stock Exchange Council had been generally expected. As senior deputy chairman during Mr Urrling Clark's period of office, Mr Braithwaite has worked most actively in Stock Exchange government during a period of eventful change. His part in the controversy about commission sharing is recent in Stock Exchange memory, and it reflected the new chairman's characteristic qualities of determination and forcefulness. Mr Braithwaite will be served by two highly-esteemed deputies—Mr F. H. Doran, already experienced in his duties, and Mr R. H. Twining, who was newly-elected last Monday. The Stock Exchange will need the best of which the new chairman and his deputies are capable, and it is fortunate that such ability has been assembled in the chairman's room at so difficult a phase in the affairs of the "House."

Iran Penalises British Bank

At the request of the Iranian Government the Imperial Bank of Iran has deleted the word Imperial from its title and renamed itself the British Bank of Iran and the Middle East. This change marks the end of the sixty-year concession which granted the bank numerous trading privileges in Iran. At one time the bank had a monopoly of banking, control of the note issues and freedom from all taxes, but most of these advantages lapsed in the course of years. The termination of the concession reflects a long accumulation of local jealousy of the Imperial Bank. Relations with the Bank Melli Iran, founded in 1932, have at times been very strained. Furthered by official support, the Bank Melli has encroached upon its competitor, and now combines active commercial banking with the sole right to issue notes. Now that the concession has lapsed, the Government has taken the opportunity to impose upon all foreign banks operating in Iran an obligation to maintain with the Bank Melli Iran, without interest, no less than 55 per cent of their public deposits. This is a penal measure of aggressive nationalisation, not a mere device of banking control. In his statement for the annual meeting of the Imperial Bank—which in practice is the only bank affected—Lord Kennet discloses that, to comply with the new requirements, the bank's capital in Iran has had to be increased "substantially." A transfer guarantee has, however, been obtained under which the entire capital can be repatriated on six months' notice, at the rate of exchange at which the additional capital was transferred to Iran.

While the bank leaves no doubt that it means to continue to trade in Iran, it has in recent years curtailed its activities there. Indeed, the number of its branches in other Middle East countries is now almost equal to the reduced number now open in Iran. In particular, the high level of economic activity

on the Persian Gulf has made that region of increasing importance to the bank. In addition to the branches at Kuwait, Bahrain and Dubai, a new branch has been opened at Muscat. It is perhaps revealing of conditions in the Middle East that in 1948-49 banking business in Syria and the Lebanon has improved as the outcome of new local regulations which are at last taking the foreign exchange business from the bazaars back into the banks. Yet trading conditions, and in particular foreign exchange regulations, call for a high degree of vigilance. Local exchange controls, making the free transfer of funds between countries difficult, have increased the reserves which need to be kept in each area.

Chinese Banks and the Communists

Evidence is accumulating that the Communist authorities in China are attempting to extend their economic influence behind the battle lines. Having, with the fall of Shanghai, taken over the head office buildings of the Chinese government banks, the Communist authorities have made a first attempt to dictate to bank branches in Nationalist China. The Communist-controlled former head office of the Bank of China recently sent a "directive" to branches abroad and in unoccupied territory requesting that they should sever all business links with the Kuomintang. But last April the Bank of China, in common with other government banks, had anticipated the fall of Shanghai and had transferred its head office staff, specie and foreign exchange holdings to Canton, the present seat of the Government, establishing a new head office there. The leading government banks (that is, those in which the Government is majority shareholder) are—besides the Bank of China—the Central Bank of China, Farmers' Bank and the Bank of Communications. This is not the first time that these banks have had to move their head offices. Theoretically, all branches are now answerable to the new headquarters, but in practice effective control can be exercised only over branches in unoccupied territory.

The Bank of China—to which alone a Communist directive of this kind has so far been addressed—is the only government bank with a foreign trade charter and branches, nineteen in all, abroad. The offices of this bank in unoccupied territory are ignoring the instruction from Shanghai, and will continue to take their orders from their legal head office, now in Canton. But the position of the foreign branches, at any rate, may become somewhat equivocal when communications between Shanghai, Tientsin and the outside world are properly re-established, enabling more normal trade relations to be resumed.

Recorded and Indexed.....

To record and index the documents and events of the week: this is the function of the records section of RECORDS AND STATISTICS. For example, last week's issue contained the decisions of the Council of Foreign Ministers in Paris, and summaries of the reports of the National Coal Board and of the Royal Commission on Population; in this week's issue is a summary of the report of the Royal Commission on the Press.

The documents, events, and statistics recorded are all entered in the monthly cumulative index.

A specimen copy of Records and Statistics may be obtained from—

R. & S. Dept., The Economist, 22 Ryder Street, S.W.1.

Second Thoughts in the Capital Market

The relapse in the share markets has dealt hardly with several of the recently outlined schemes for raising new capital. Calculations of issue terms have been thrown sadly out of gear for Guest, Keen and Nettlefolds, Babcock and Wilcox and Liebig's Extract. These three companies announced the terms of big new issues at the end of last week, when the industrial share market was deep in the doldrums. A month ago, when the programme to raise £4,500,000 of new capital was first disclosed, Guest, Keen and Nettlefold's £1 ordinary shares were firm at 48s. Admittedly, the heavy borrowing from the Finance Corporation of Industry for extensions to John Lysaghts Scunthorpe Works was a factor which affected the equity of the parent company, but the market setback has taken the price of the shares down to 37s. 6d.—the very price at which shareholders are offered 2,256,630 £1 ordinary shares, at the rate of one in four. Thus any bonus element in the issue has been eliminated, and this is bound to affect its chances of complete success, quite apart from the other uncertainties of trade prospects and nationalisation. The offer of 716,609 new £1 ordinary shares at 57s. 6d. to ordinary stockholders of Babcock and Wilcox has been similarly affected by falling markets. The old shares have fallen to 57s., so that in this case there is the offsetting advantage of merely a part of the stamp and fee to attract shareholders.

Both these companies are concurrently to make new issues, of preference shares. This class of capital has recently had its own particular troubles. In the recently rejected appeal of colliery preference shareholders in the Wilsons & Clyde Coal case, Lord Maugham's overruling of the judgment *In re William Metcalfe & Sons* has prompted many second thoughts on the rights of preference shareholders to surplus assets in a winding up. Again, the rumoured issue of £20 million 4 per cent preference stock by Imperial Tobacco had an immediate adverse effect on all grades of preference shares, particularly high grade issues in which it has been very difficult to deal in the past few weeks. The "Imps" issue has now apparently been shelved for the time being, but its shadow will linger, and it is questionable whether any big revival in preference issues will be possible while it so remains.

The slide in gilt-edged values has imparted weakness to the whole structure of fixed interest yields. It is little wonder that a proportion of three recent issues has been left with the underwriters. Of the issue of 400,000 4½ per cent cumulative £1 preference shares of Associated Fisheries at 21s. a share, some 67 per cent had to be taken up by underwriters. This week 9 per cent of the Trinidad Petroleum issue of 5½ per cent redeemable £1 preference shares and 32 per cent of the 5½ per cent cumulative preference shares of Arthur & Co. was left with the underwriters. These poor results are enough to discourage any immediate revival of new issue activity.

* * *

Bank Advances and New Issues

There is little sign, in the latest quarterly classification of bank advances, that the growing difficulties of securing finance through the new issue market are yet leading to any large increase in demands for accommodation at the banks. Nor do the figures suggest that much bank finance has been needed to provide for the stocks which must be presumed to be accumulating through "frustration" of exports. Total bank advances in Great Britain increased between February and May by £26½ million, which is an appreciably smaller increase than the £44 million experienced in the corresponding quarter of 1948. This difference, however, must have been more than accounted for by the repayments, totalling some £13 million, made early in May by the Gas Council of advances formerly made to the now nationalised gas undertakings. Despite these large repayments, total advances to public utility undertakings declined during the quarter by only £5,500,000, which suggests

that the requirements for electrical development have again been rising steeply.

The largest increase during the quarter has occurred in the food, drink and tobacco group, which has risen by £22 million, probably mainly in consequence of rising demands for financing tobacco stocks. Agricultural needs have expanded seasonally by £7,500,000, while retail trade has absorbed an additional £5,000,000. Advances to retailers now stand at £158 million, which is fully 2½ times their level at the beginning of 1946, the date of the first postwar analysis of advances; they account for 10.6 per cent of the aggregate advances and, apart from the heterogeneous "personal and professional" group, are the largest of the twenty-five categories. Additional demands for personal and professional purposes have this time been rather larger than usual, absorbing £13 million. The only other significant increase is one of nearly £9,000,000 in the "other finance" group—a movement which could and probably does reflect the recent experience in the new issue market. Under most of the other heads, there has been a decline in net demands for accommodation. Local authorities have made net repayments of £10 million, while the engineering group showed its first decline for the full three-year period, dropping by £7,600,000 to £114.8 million; this reduces its proportion to 7 per cent. There has also been a significant contraction in demands in each of the three textile categories

* * *

South Africa's Premium Gold Sales

Despite his earlier differences with the International Monetary Fund, Mr Havenga is plainly determined to push forward energetically with his plans for selling semi-processed or fabricated gold at premium prices. At this week's annual meeting of the Transvaal Chamber of Mines, Mr C. S. McLean, the retiring president, detailed a number of transactions which have been arranged or are under negotiation, involving some 620,000 ounces. The newly-formed South African company, S. A. Goldware (Proprietary) is to be operated by a London firm of bullion dealers which is to set up a factory in the Union to produce gold articles for export. When the factory is ready—which it evidently will not be for some months at least—the Chamber will supply it with gold up to 250,000 fine ounces at 17s. 6d. premium. Another company has been given an option to buy a maximum of 350,000 fine ounces at the same price before February, 1951, while other negotiations are proceeding involving a further 150,000 ounces. In addition, 20,000 ounces of gold articles are to be manufactured experimentally on behalf of gold producers.

To develop fabricating capacity of this extent is no small task, yet, by comparison with South Africa's gold output, the amounts involved are very small. Even if the whole of this processed or fabricated gold could be sold within a year on these terms, the premium would be equivalent to little more than one-half of one per cent of the aggregate value of South Africa's whole output at parity price. Mr McLean declared that South Africa fully approved the objectives of the IMF in its policy towards premium sales; but it seems evident that if the IMF is prepared to countenance these South African expedients, that is chiefly because their amount is small. No matter what safeguards are introduced, and no matter into what form the gold is fabricated, any large-scale traffic would inevitably have exchange consequences at variance with IMF policy.

Industry and Trade

Redeployment in the Cotton Commission

To endure criticism is the lot of public bodies. The Raw Cotton Commission, which has indeed been no exception in this respect, complains in its first annual report that it has been "widely and unjustly blamed for shortcomings wholly outside its control." The shortcomings of cotton supply have

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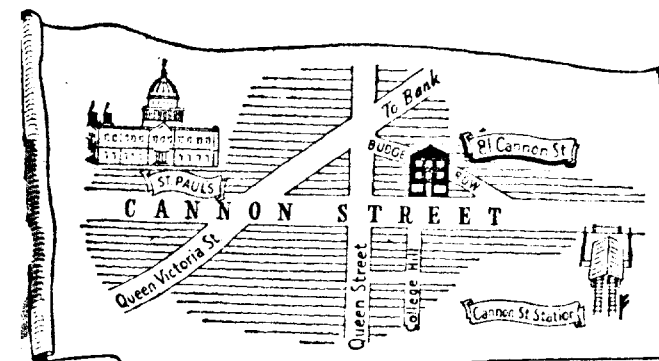
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July

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been flagrant, but it is true that there is a distinction to be made. As the commission in effect points out, the world has lately been a sadly uneconomic place. The shortage of dollars has diverted demand to Egyptian and other non-dollar growths of cotton, causing a rise in their prices out of all proportion to their merits; this reflects "the division of the world into hard and soft currency areas." The commission itself has been forced to engage in the competition for non-dollar growths; at one time in 1948 it was even buying Karnak from Russian holdings which were being offered on the Continent through the satellite countries; and, as it points out, "the sensitive fluctuations of demand in relation to price cannot easily be adjusted to the availability of foreign currencies."

From these distracting and confusing conditions of the world and the British economy it is not easy to disentangle the specific questions which have been generally asked concerning the commission itself. Is it possible for a single national buying agency to operate economically for an industry of this kind, and—if it is possible—is the commission going the right way to do it? It would be idle to look for conclusive evidence in the report, which covers no more than the first seven months of 1948 and which has taken an unconscionable time to prepare and publish. It can, however, be recorded that the commission shows awareness of the drawbacks of the service which it has so far been able to give, and awareness too of the necessity of performing, as soon as it can, a fully economic function. It inherited something of the crude and simple buying methods of the war years, and was aware that these would not serve to keep the cotton textile industry in business. Before attempting a full reorganisation, it took the unconventional step of procuring a report from a firm of industrial consultants on its own structure and methods of work; and it accepted their advice "with only minor modifications."

The report shows a welcome sensitivity on questions of quality. The step of establishing standard types of Egyptian cotton, which are available to spinners and on the basis of which buying in Alexandria is being done, is one example. Another is the effort made—though so far without full success—to create adequate sampling arrangements in Liverpool and Manchester. The provision of a hedge against price fluctuations (such as the Liverpool cotton futures market furnished before the war) is another of the more intractable tasks. The report anticipates this year's proceedings to the extent of saying that negotiations for a new cover scheme for spinners, which is to provide for the reintroduction of "on call" and "delivery" contracts, are now well advanced; and cover arrangements for doublers, manufacturers, and converters are under discussion with the relevant trade organisations. The commission shows a net profit of just over £1,000,000 in its first trading period. But this was earned in a period of steeply rising prices, and the handsome surplus shown by the cover scheme in the first few months can hardly recur.

* * *

Fuel for Jet Aircraft

On Monday Mr Erroll asked the Minister of Supply in the House of Commons why experiments were being carried out to adapt jet aircraft to burn petrol instead of vapourising oil (kerosene, their normal fuel). He also wanted to know if there was any link between the experiments and "the growing shortage of kerosene, which farmers are compelled to use because of the tax on petrol." Mr Strauss's answer was:

These experiments are being made so that our jet aircraft shall not be dependent upon one particular type of fuel.

They were not necessarily, he added, a sign of a kerosene shortage, but "it is obviously desirable to see whether any other fuels can be effectively used." The position is not quite so simple. It is clear that any future air force will consist largely, if not entirely, of jet-engined aircraft, whether bombers, fighters or transports. How can the fuel supplies of such an air

force be assured? When crude oil is refined, the kerosene obtained is at the most 8 per cent of the volume of crude. The strategic argument is clear: there is no immediate prospect of supplying enough kerosene to fuel a military air force in war. Therefore aircraft must be able to use an alternative fuel which can be obtained in larger quantities. In the United States new jet aircraft are being designed to burn petrol only, and most of the existing jet aircraft are being converted to it. The reason is the same; indeed, heavy seasonal demands for kerosene have caused severe shortages. If a similar policy were to be adopted here, aircraft designers would not be easily reconciled to it. Since aviation started, their ideal has been to design an engine to burn a fuel other than petrol and reduce fire hazards. Jet aircraft burning kerosene have been known to crash at 200 m.p.h. without catching fire.

Petrol also introduces its own technical complications. The rapid rate of climb of jet aircraft causes it to boil in the fuel tanks. The tanks must therefore be pressurised to insulate the fuel from atmospheric pressure changes; alternatively, some means must be found to enable the fuel pumps to handle boiling fluid. On the larger aircraft, e.g. bombers, the tanks may have to be pressurised, and the increased weight will reduce either the range or the bomb load. These tanks will have to be moved from the wings to the body of the aircraft. But it is unlikely that fighters can be fitted with similar tanks, and the resultant pumping problems present serious engineering difficulties. Range is also likely to be restricted because the lower calorific value of the petrol makes it necessary to carry a greater volume of fuel. It is calculated that the net effect of petrol burning will be a 15 per cent drop in efficiency.

The question is a technical one which it is not easy for the outside observer fully to assess. But one aspect which strikes him is that petrol taxation, which encourages users of agricultural tractors and others to burn kerosene for purposes for which petrol would be best, is becoming further outmoded by these technological changes. Even in aviation it introduces the anomaly that a piston-engined aircraft burning petrol is paying 9d. a gallon tax on motor spirit, while a jet-engined aircraft burns an untaxed fuel. The distinction which taxes motor spirit and leaves kerosene untaxed must have been based, at one time, on an assumption that the heavier fractions of crude oil were harder to market than motor spirit. With the development of jet aircraft, this assumption no longer holds. It may well be true that there is no prospect of large enough supplies of kerosene to meet all possible military demands. But the demands of civil flying will soon make necessary a new approach to fuel taxation.

* * *

Cargo Insurance Rates Merged

Notice was given some five weeks ago to terminate on June 30th the wartime system of separately quoting "Combined Marine Surcharges" (CMS) over and above basic insurance rates charged on cargo risks. Thus this week the two rates were merged into one rate only. All existing contracts were cancelled but have been automatically reinstated at the same cost, made up from the aggregate of the combined rates. The rates laid down in the CMS schedules, started in 1943, while not strictly binding, have always been carefully adhered to by the marine market. The surcharges were introduced originally to cover underwriters against increased marine risks arising out of the war, but not classifiable as purely war risks compulsorily covered with the Government Cargo War Risks Office. Risks falling under this head have included the cover of cargo losses arising from collisions with wrecks, longer journeys necessitated by wartime detours, extinction of navigation lights—in fact, any proper marine risk increased by war conditions. Not all these risks ceased at the end of the war. To meet the changed requirements of peacetime conditions the CMS schedules have been simplified and lowered several times since the

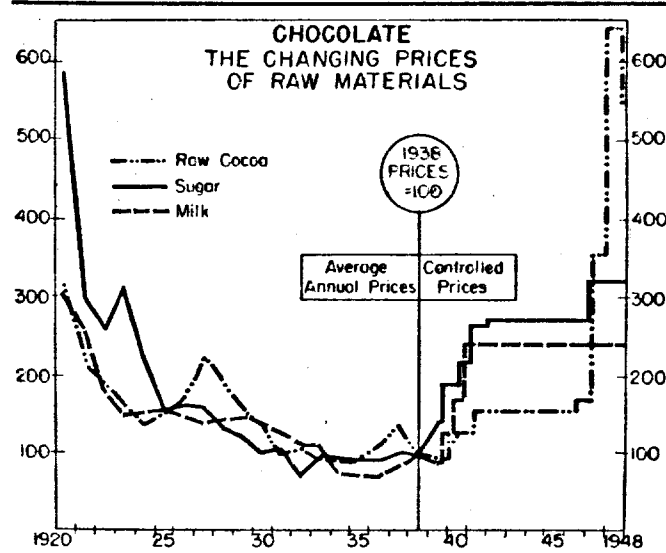
war without, however, invalidating the principle of charging two separate rates.

The uniform adoption of CMS rates since 1940 has not meant that all underwriters have quoted identical rates. The basic rates could always be varied, and it has been quite common for underwriters to charge different basic rates for similar cargo risks. But the basic rate element in the cost of marine insurance has generally been substantially smaller than the portion made up from combined marine surcharges. It remains to be seen whether, now that the two rates are merged, quotations for new insurances affected will fall. Competition among underwriters is sure to become much keener now that they will be able to spread the burden of any cuts made between the combination of two rates rather than by lowering the basic charge only. The market, while anticipating some rate-cutting by underwriters in an effort to increase business, does not, however, expect, any drastic reductions.

* * *

Chocolate Economics

In publishing their consolidated accounts for the first time (briefly analysed on page 54), the British Cocoa and Chocolate Company and Cadbury Brothers Limited have also issued a booklet reviewing their experience of the last ten years. The review goes some way towards explaining the queues at the sweet shops today. It mentions the high prewar consumption per head (between 7 and 7½ ounces a week) in Britain. It emphasises the shrunken supplies of materials and the other obstacles that stand between the manufacturer and his desire to meet the demands of his market. First among these is the "virtual disappearance" of fresh full-cream milk from among the raw materials of the chocolate trade. In 1938 the group's most important single product, by volume of sales, was a two-ounce milk chocolate bar which cost twopence. In 1948 the same bar cost 5½d. to those fortunate enough to catch one on the wing; but these were few, for the group's



consumption of fresh full-cream milk, which was 26 million gallons a year before the war, is now restricted to about 2 million gallons a year even with the new Irish factory, using Irish milk, included.

For lack of milk, the group cannot supply what would be the public's first choice of its products; but the matter does not end there. Dark (i.e. plain) chocolate has to be provided instead, but this introduces complications. Much of the plant is unsuited to making dark chocolate, and has to stand idle while the remaining plant works two or three shifts. This has raised labour costs. Work formerly done by girls on day shift is now done by men on night shift.

Dark chocolate has the further disadvantage that it requires more cocoa beans than milk chocolate. The increase in

the price of cocoa beans since the war has been "staggering"; and supplies have shrunk. The accompanying chart shows the scale of the price movements. To make the best use of the materials available, the makers have had to shift much of their production to "assortments." But this is a more elaborate matter than making simple chocolate bars, and 3½ times more costly in labour: that is, in the time taken by nine workers to make a ton of "assorted" chocolates, 2½ workers could make a ton of chocolate in moulded blocks.

It is clear enough, in the circumstances, that not only raw material costs but also labour costs have gone up very steeply. The review complains further that, under the twin control of the Ministry of Food and the Treasury, the group has had to take the materials allocated to it in fixed quantities, whenever the goods were available, and in whatever quantities were offered. The consequential changes in recipes necessitate "continual changes in employment" which irritate the worker and raise the manufacturer's costs. It follows that production "must continue to fall substantially behind the public's demand for variety as well as quantity."

* * *

Television and the Film Trade

The conflicting interests of the B.B.C. and the film industry in television will not prove easy to reconcile; but a speech by Mr Walter Fuller, general secretary of the Cinematograph Exhibitors' Association, this week suggested that at least some clarification of the issues at stake was on the way. Mr Fuller recalled that the film trade had urged upon the Advisory Committee on Television the desire of the trade to secure a wavelength on which it could transmit films from a studio of its own for large-screen television, to be seen by the public in cinema theatres. The B.B.C. had opposed this, and so far "very little progress" had been made with the request. But the request has not been abandoned, and will be one of the first points put forward by the film trade to the Committee of Enquiry into the renewal of the charter of the B.B.C. Mr Fuller observed that one reason for the opposition which the B.B.C. offered to the proposal was that "the B.B.C. appeared to look to cinemas to take the public service television, which would in time provide it with considerable revenue." In fact, it is fair to assume that the B.B.C. is merely resisting the thin end of the wedge.

On the other hand, the B.B.C. has shown anxiety to get a supply of films for its own transmissions, to be seen by the owners of television sets in their homes. Here the film trade is in a position to do the refusing; but the film trade is handicapped by its own relative disunity, and Mr Fuller dropped a plain hint that if it refused to make any arrangement at all with the B.B.C. it would find that individual interests would compromise and break the "present solidarity." It is worth while to note the kind of arrangement which Mr Fuller has in mind: it is that films of more than a certain age (he mentioned films made before 1939, but indicated that the date might be variable) should be made available to the B.B.C. for an experimental year. If, at the end of that year, the trade had not gained permission to run its own studio for large-screen television, he suggested that the supply of films should be withdrawn. But, in any case, he was not thinking of any supply of new, or recent, films to the B.B.C.; "all sections of the trade are fully determined not to supply films within their own (i.e., the films') commercial life."

Shorter Note

A meeting is being arranged to take place in London later this month between representatives of the Colonial Office, British South Africa Company and Northern Rhodesia to discuss the question of "Chartered's" mineral rights in Northern Rhodesia. The proposal to tax these royalties placed before the Legislative Council of the colony earlier this year has been withdrawn.

MARKS AND SPENCER LIMITED

SUBSTANTIAL INCREASE IN TURNOVER

RISE IN PROFITS

SIGNS OF NEW INFLATIONARY TREND

SIR SIMON MARKS'S REVIEW

The twenty-third ordinary general meeting of Marks and Spencer, Limited, was held on June 23rd at Michael House, Baker Street, London, W.

Sir Simon Marks, D.Sc. (chairman and joint managing director), who presided, said: Ladies and gentlemen,—I hope that, in accordance with our customary practice, the directors' report and accounts, which have been in your hands for the requisite period of 21 days, may be taken as read.

There are changes in their presentation this year, which conform with the requirements of the Companies Act of 1948. There is, in addition, a statement of interests of your company in its wholly owned subsidiaries.

PROFIT AND LOSS ACCOUNT

I am pleased to report the profit for the year, before providing for taxation, amounts to £4,193,000, compared with £3,169,000 last year. Provision for taxation, amounting to £2,350,000, is required, leaving £1,843,000, against £1,319,000.

We recommend the allocation of £50,000 to the staff benevolent and pensions fund. We also recommend a final dividend of 45 per cent. on the ordinary and "A" ordinary shares, making with the interim dividend of 15 per cent. already paid, 60 per cent. for the year. The carry-forward to next year will then amount to £2,594,000—an increase of £1,018,000.

PROPOSED BONUS ISSUE

We are also proposing that an amount of £49,168 10s be capitalised out of the general reserve of the company to enable the distribution, by way of bonus, to the ordinary and "A" ordinary shareholders of fully paid "A" ordinary shares in the proportion of one for every 43 ordinary and/or "A" ordinary shares held at May 14th.

We have taken the opportunity to issue a scrip bonus within the limits freely permitted by the Treasury. It was our practice before the war to issue bonus shares each year from the profits retained in the business. This helped to bring our nominal capital into somewhat closer relationship to the real capital employed, and with the profits earned by the resulting expansion. Since 1939, when this practice was discontinued, there has been ploughed back a sum of £3,858,000, which forms part of our revenue reserves, and is available for development.

DEPRECIATION AND REPAIRS

The amounts under this heading are larger than last year and will continue to be on a heavy scale if we are to maintain our properties, fixtures and equipment in good condition. The repairs, in particular, are heavy, as there is a great deal of wear and tear of many years to be made good owing to the enforced lack of attention during and since the war.

So far as buildings are concerned, we are carrying out as much work as possible under the limited licences which are available. In regard to our fixtures and equipment, which have been in use for many years, we have to recondition or replace them as they become obsolete. It is our policy to maintain our properties in good order and our stores up to date and generally attractive.

RESERVES AND SURPLUS

It will be noted that reserves and surplus now appear as capital and revenue reserves. Our general reserve is divided between the share premium account of £907,000, representing premiums received on the shares issued in former years, and the general reserve account of £2,393,000, built up out of profits. Altogether, with specific reserves of £566,000, also built up out of profits, and the balance carried forward of £2,594,000, the capital and revenue reserves amount to £6,460,000.

Taxation is also shown in a different form in the present balance-sheet. Future income-tax assessable 1949-50, amounting to £1,576,000, is shown as a reserve and not included among the current liabilities and provisions as last year. Current taxation of £896,000 includes £675,000 for profits tax on this year's profits, and £221,000 for the balance of our income-tax liability to 1948-49, which has still to be finally determined.

SUBSIDIARY COMPANIES

Advances to our subsidiary companies show an increase of £536,000 to £804,000 which moneys are required for the financing of cloth handled by them on our account.

The statement of interests in subsidiary companies shows a surplus of assets of £86,000 and is not included in the reserves of the parent company.

BOARD'S POLICY

The rise in profits is due to a substantial increase in turnover. Our policy has always been to bring to the public the goods they need at prices which fit their purse. It has earned for us their confidence and good will. Such intangible assets cannot be assessed too highly. They are the strong foundation on which our business rests. Wherever and whenever we can, by more efficient methods, create improvements in our goods or lower prices, our customers receive the direct benefits which they appreciate.

Our trade-mark, St. Michael, is a guarantee of our standards of value and has become a well-known brand throughout the land. In achieving these standards we enjoy the close and friendly collaboration of our producers, who are fully in accord with our policy. We extend our co-operation to the technical field, where our own teams of scientists and specialists work jointly with the experts of our suppliers. The object is to study how and where our goods can still be improved.

Obviously, the full benefits of this work cannot be derived until more materials are available. Without a proper flow we cannot derive the full advantages of the manufacturing capacities of our suppliers of garments.

Although production in most of our departments expanded we felt the shortages most acutely in our supplies of woven materials, which are made up into garments of all kinds. It was in an effort to increase these supplies that we deemed it necessary to enter into closer relationship with some of our friends in the textile industry. We consequently acquired a financial participation in their businesses, our trade investments increasing by £895,000. These investments will bring us the benefits of increased supplies and of

continuity over a period of years from these sources.

LONG-TERM SUPPLY ARRANGEMENTS

We have further made long-term supply arrangements with other textile producers in whose firms we have no financial interest and with whom we have had long and pleasant business associations. They appreciate the importance of securing a stable market for a substantial proportion of their production in difficult as well as in good times.

But even with the arrangements already made, we estimate that we shall receive, during the coming year, less than one-half of the yardage we consumed in 1939. This is a marked increase on last year but there remains a big gap to be filled before we can satisfy the pressing needs of this section of our business.

We operate our business largely within the framework of the utility scheme which serves a useful purpose by keeping prices on a reasonable level. But it acts as a bar to technical progress in the production of improved cloths for the home market. We hope that it will not be too long before a greater measure of flexibility is permitted within the scheme so that our public may benefit from the scientific and technical developments which have been made in the last decade.

DEVELOPMENT OF CAFETERIAS

We are gratified with the development of our cafeterias and our food business generally, which together constitute nearly one-third of our turnover. I believe our success in this field is due to our concern with the setting and the maintenance of high standards of quality for all foodstuffs we handle, as well as our insistence on their freshness and palatability. Raw materials, and final products are subjected to careful analysis by our experts to make certain that they conform with those standards.

We attach the greatest importance to hygiene and cleanliness in the handling of food and our staff is deeply conscious of their responsibility to the public in this regard. This is a feature much appreciated and favourably commented on by our customers.

EXPORTS

Our export trade, though it plays a relatively minor role in our business, we regard as a service to the nation as well as to our manufacturers. In the quest for business, our representatives have travelled to many countries, to Australia and New Zealand, to Canada and the United States and to the Continent of Europe, in order to gain closer contact with our customers overseas, and to discover their needs in the light of our own production.

While our own exports have expanded in the past year, we are facing increasing difficulties, particularly in the hard currency markets; price resistance in these areas is growing.

There are signs that a new inflationary trend may be developing. Many groups of workers are bringing insistent claims for higher wages. Unless these increases are accompanied by higher and more efficient production they must again be followed by rising costs and rising prices. Any attempt to raise prices in the home market in order to cover price reductions for export would intensify this inflationary trend. It is very necessary to find means of reducing prices not only for export but also for the home market. This demands a contribution by all the partners in the productive effort—from the Government (which is responsible for certain raw materials), management and labour—throughout all the stages of production. It can be achieved not by one partner alone but by all the partners in combination.

Higher money wages without higher production prevent this from being done, because of the impact on costs. The standards

of living of the mass of the people can be raised only by increased productivity. This will express itself in lower prices and better values, making wages and salaries real instead of illusory.

TRIBUTE TO MANUFACTURERS

I have, in the course of my address, paid tribute to the valuable co-operation which we enjoy with our manufacturers. It is once again my pleasure, on behalf of the board, to thank them and to express the hope that our future relations will continue to be marked by the same spirit of cordiality.

STORE DEVELOPMENTS

There is little we can report on this aspect of our business. The rebuilding of the 16 stores destroyed by enemy action still awaits the final schemes of the various Town Planning Authorities. We have, however, replaced ten of them with temporary premises, but these compare neither in size nor importance with the original stores.

We now operate 229 stores and will open two new stores during the year. We have acquired a number of sites adjacent to existing stores for future extension.

We have catering units in 109 stores. 74 have been reconstructed, re-equipped and generally modernised during the past two years. Plans are in hand to deal with the remainder.

SOCIAL AND WELFARE ACTIVITIES

Our business rests on the goodwill of our public, on our friendly collaboration with our manufacturers and last, but not least, on our devoted staff.

For many years the health and the comfort of our staff have been among the many concerns of your board. By providing canteens, rest-rooms, medical and dental advice and other amenities, we have sought to create pleasant and healthful conditions of work.

Our welfare department has initiated a wide range of social and recreational activities. They comprise theatrical and musical societies, inter-store dances and sports meetings, camera clubs and the like. These activities bring members of our staff together from different towns and districts. In this way they extend their circle of friends as well as their interests. A pleasant atmosphere is thus created between our staff and those who captain them. We take legitimate pride in that *esprit de corps* which is generated by the work of our welfare organisation.

MEDICAL SCHEME

The National Health Service has had some effect on our own medical scheme, but the basic pattern is, as yet, unaffected. Sessional and store doctors continue to give a welcome counselling service. On the other hand, the National Dental Service has compelled a complete revision in the scope of our dental scheme, which now operates on a considerably reduced scale. This is a matter of some regret for us, since our dental scheme was built up carefully over many years, and had won national recognition for the excellence of its service to our staff. We trust that they will obtain equal benefit from the national service.

Our pension scheme and benevolent fund operate satisfactorily. The pension scheme includes all men employed by the company, in either managerial or clerical capacities, and provides a pension and endowment on retirement. Provision is also made for dependants in the event of death while in the service of the company.

BENEVOLENT FUND

The benevolent fund, whose assets now exceed £500,000, is administered by a joint board, composed of directors and executives of the company. The fund provides, *inter alia*, pensions for members of the staff who

are not covered by the pension scheme, and, where necessary, for their dependants. It maintains contact with all those members of the staff who have retired on pension, and gives such further assistance as they may require from time to time.

We take this opportunity of thanking the staff for their devoted services during the year.

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

The retiring directors, Mr. Harry Sacher, M.A., and Mr. Norman Laski, M.A., were re-elected and the remuneration of the auditors, Messrs Deloitte, Piender, Griffiths and Company, was fixed.

A resolution was also passed approving the capitalisation and distribution of a part of the general reserve account.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

NATIONAL BANK OF NEW ZEALAND

SATISFACTORY EARNINGS

The seventy-seventh annual general meeting of the National Bank of New Zealand, Ltd. will be held in London on July 21st.

Sir Sydney Parkes, the chairman, in his circulated statement, states that the increase of £6,472,000 reflects the effect of the appreciation in the New Zealand currency and not an expansion of the total assets and liabilities in the Dominion. If the New Zealand assets and liabilities had been converted in the 1948 balance-sheet at the same exchange rate as this year, cash in hand and balances with bankers would have increased by £1,539,000. Advances would have been down by £975,000 and investments would have been lower by £891,000. On the liabilities side deposits and current accounts would have shown a decrease of £1,184,000. The reduction in advances is the result of a return of stocks in traders' hands to a more normal level. The decrease in the deposits was caused principally by heavy payments of income-tax by customers at the end of the year.

The net profit at £160,400 shows an increase of £20,900. The profit from ordinary banking operations did not increase during the year, but the profit earned in the Dominion, being converted at a more favourable exchange rate, appears in the accounts at a higher figure. The proposed final dividend is 3 per cent. (less tax at 9s. in the £), making 5 per cent. for the year.

The satisfactory earnings of the past two years have now been strengthened by the appreciation of the New Zealand exchange, but expenses are increasing and will rise still higher on account of the recent Arbitration Court award on the salaries of bank staffs.

The appreciation in the value of New Zealand currency in August, 1948, appears to have been made without general disturbance, although a few industries, the most important of which is gold mining, have suffered severely. The rigid system of exchange and import controls should enable the Government to maintain the new rate without a material reduction in the overseas balances, but since wage rates are still increasing and the internal supply of money has not been reduced, an increase in inflationary pressures is to be expected.

Business conditions in the Dominion have continued to be satisfactory, but purchasers are showing more discrimination. The season for primary production has been excellent, and it is expected that exports of butterfat and meat will be higher than last season. Wool prices are higher than a year ago and the wool clip should exceed last year's record figure. Recent sales have, however, been rather erratic which suggests a weakening tendency of the market.

IMPERIAL BANK OF IRAN

LIQUID POSITION

The sixtieth ordinary general meeting of The Imperial Bank of Iran will be held on July 6 at 51, Gracechurch Street, London, E.C.

The following is an extract from the statement by the chairman, the Rt Hon Lord Kennet, PC, GBE, DSO, DSC, which has been circulated with the report and accounts for the year to March 20, 1949:—

In our accounts this year public deposits show a small decrease of £485,000. The decrease is a continuation of general post-war movements, well marked in Iran. Bills payable have increased £850,000, due to increased activity under several headings. Credits and guarantees are £1,400,000 more, an increase of more than 30 per cent. Most of that was due to more business in Iran and at Beirut.

The biggest change in our balance-sheet is an increase in our cash and money at call and short notice of 2½ million pounds to £11,000,000 and a reduction in our investments by £3,000,000 to £4,800,000. These changes are connected. I deal later with the new regulations for banking in Iran. These came into force on March 21, 1949, and although our financial year ended on March 20th, it was necessary to strengthen our position in advance to prepare for the new procedure which requires us to transfer a larger proportion of our deposits to the Bank Melli Iran. The balance of £500,000 was required for financing foreign trade.

Bills discounted, and advances, etc., at £7,400,000 were £900,000 more than the year before. Most of this increase was in the business of our branches in the Persian Gulf and the Lebanon. There is a new item this year on the assets side—Iraq Government Treasury bills £350,000. These are three months' bills to help the needs of the Iraq Government for short-term loans. Our statutory deposits of £1,385,000 with the Bank Melli Iran are £350,000 less than the year before, corresponding to the reduction of our deposits in Iran which I have mentioned.

PROFIT AND DIVIDEND

Our balance-sheet shows a very liquid position. Our statutory deposits with the Bank Melli Iran under the new regulations, as under the old, provide for proportionate withdrawals as deposits decrease. The value of our bank premises stands in the balance-sheet unchanged at £1,000, accompanied by a statement of their estimated value. Our profit of £105,411 compares with £100,349 last year, a small increase of £5,062. We have added £50,000 to our reserve account, raising it to £1,100,000. After providing for a final dividend of 6 per cent. we make a small addition of £5,911 to the carry-forward.

Trading conditions in all our areas have been good. There are, however, signs of the prevailing change to a buyers' market, more marked in some places than others.

The past year has been an epoch in our history. Our 60-year concession from the Iranian Government ended on January 30, 1949.

We continue in Iran as a bank of deposit, authorised to deal in foreign exchange, and with authority to maintain our existing branches. Our capital in Iran has been substantially increased under a guarantee of repatriation on six months' notice at the same rate of exchange as that at which it was transferred.

GUEST, KEEN AND NETTLEFOLDS LIMITED

THE IRON AND STEEL BILL

MR J. H. JOLLY'S VIEWS

The annual general meeting of Guest, Keen and Nettlefolds Limited was held on June 23rd, at Birmingham.

Mr J. H. Jolly (chairman and managing director) presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts for the period ended December 31, 1948:

It is appropriate that firstly should be mentioned the magnificent job that has been done by the management, staff and workpeople in all sections of the group. This co-operation has been outstanding in the past year and is a tribute to our workpeople and the works management and staff.

The making up of the group accounts for the first time at a uniform date created a new situation for your board in regard to the dividend distribution to ordinary stockholders on this occasion. We had to take into consideration unusual and non-recurring circumstances which made the profits available and the periods over which they arose not strictly comparable with the previous period. Had they been comparable the board's recommendation would have been a dividend at the same annual rate of 11 per cent. as for the past four years for a complete and normal 12 months. Complying with our undertaking, given in the national interest, to act with "moderation and restraint," and having regard to the varying accounting periods included in the consolidated accounts, our recommendation is to declare a final dividend on the ordinary stock of 6 per cent. actual, making (with the interim of 4 per cent. actual) 10 per cent. actual, less tax, for this abnormal period.

We place on record that the distribution on this occasion is not any criterion as to the annual rate for ordinary dividends for the future.

EXPANSION OF PROFITS

The profits show an expansion which is mainly due to a high production output and increased efficiency arising from our steady policy of keeping the various plants up to date and maintained so as to operate to the maximum of their capacity consistent with supplies of raw materials. To enable such plant to be fully remunerative, it is essential that a high rate of demand is maintained. Also, to ensure low costs arising from high production the plant must be constantly replaced by the latest types. At the present high level of prices, replacement of plant is a serious drain on the financial resources of an undertaking such as yours. It will be seen that, apart from a charge for depreciation amounting to £1,376,561, profits amounting to £1,388,814 have been retained in the accounts of the subsidiaries during the period so that they may have funds available for this purpose.

NATIONALISATION

One of the principal subjects which have occupied your board's attention during the last year, and still does, is the Iron and Steel Bill. It would be difficult to convey the ex-

tent of the distraction from normal management and progress that this disruptive measure has caused. It is now before Parliament and we hope for the sake of our national economy, that the Bill will not become law. At the time this statement is made the position as regards the G.K.N. group is as follows:

Companies at one time included but now excluded:

The holding companies:
Guest, Keen and Nettlefolds Ltd.
John Lysaght, Ltd.

Subsidiaries:

Bayliss, Jones and Bayliss, Ltd., Exors. of James Mills, Ltd.

Subsidiaries still included:

Guest, Keen and Nettlefolds (South Wales) Ltd. (wholly owned by G.K.N.), Brymbo Steel Works, Ltd. (wholly owned by G.K.N.), Guest Keen Baldwins Iron and Steel Company, Ltd. (G.K.N. hold 57.1 per cent. of ordinary shares), John Lysaght's Scunthorpe Works, Ltd. (G.K.N. group hold 99.8 per cent. of ordinary shares).

THE BILL

Of these, the three last-named being steel works will pass to the State if the Bill becomes law. As regards Guest, Keen and Nettlefolds (South Wales), Ltd., a submission has been made to the Minister of Supply that its undertaking can and should be divided in such a way as to comply with the conditions laid down by the Minister for separating those of its activities, namely, the rolling mills, which come within the terms of the Bill, from its other trades which do not. We can only hope that a just and common-sense view will be applied in determining the issue and not solely a political one.

Your board have done their best to obtain the exclusion from proposed nationalisation of as many of your subsidiary companies as possible. Nevertheless, some of our subsidiary companies will be subject to the terms of trading licences by the Government if the Bill becomes law.

NOT FOR COUNTRY'S WELFARE

My colleagues share my regret that in these days we cannot give an account of our stewardship without having to refer to political affairs. But we believe that we should be failing in our duty as trustees of your property and representatives of industries that have striven loyally to do their best for their workpeople's and country's welfare if we do not emphasise that it is our definite and unanimous opinion that nationalisation will not lead to greater production, cheaper production, or better quality. All these are vital if this country is to maintain even its present standard of living and remain an independent country.

Even if Government ownership of public utilities at home, monopolies as they are, should prove to be efficient, there are no grounds for thinking that an industry managed by the Government without com-

petition can manufacture so cheaply as under private enterprise. Manufacturers have to sell many of their products abroad and the customer abroad will buy from this country only if the price and service are right, whether it be coal, steel, or manufactured articles. The Government, in spite of all its planning, cannot sell abroad if the price is excessive through costs being made too high because of its own policies or its lack of skill in management. In due course the workpeople too will realise that nationalisation of industries does not mean security of employment for them.

For these reasons your board again record their views that to nationalise the iron and steel industry, and other industries, will be a disaster of the greatest magnitude for this country. It would seem, however, that the present Government has not the courage to withstand the pressure from its doctrinaires and malcontents and that the only salvation for the country's trade and therefore its well-being, is to see that this Government is not re-elected to office.

SALES ORGANISATION

Looking ahead, and with the intention of still further improving the group's reputation for service to its customers, we have increased the number of area offices. These are now operating in London, Bristol, Manchester, Sheffield, Newcastle and Glasgow. Teletypewriter service operates directly between these offices and the works, with the exception of Newcastle. We find that this service is greatly appreciated by customers who can now make prompt contact with the works of the group for information about prices, delivery, and other matters. For example, an advisory bureau at the Birmingham works of Guest, Keen and Nettlefolds (Midlands), Ltd., has been established to cope with the large number of queries received from customers on fastening problems. These are brought about by the ever increasing use of special steels, light alloys, die-castings plastics and other moulded materials used in general manufacture today.

In regard to our markets abroad, whether by way of sales or manufacturing, our policy is to maintain freshness of contact by visits of directors and officials from this country and visits to the home country by directors and officials from our overseas companies.

Since my last statement several visits from here for the above purposes and for surveys of further possibilities of manufacturing abroad have been made to Australia, Canada, United States of America, South American countries, South Africa, India, Pakistan, and many European countries. They have been worth while.

FINANCIAL REQUIREMENTS

In the statement to the stockholders last year I referred to the enormous handicap which has to be carried by British industry at a time when it must strive to regain its rightful position in competitive world trade. This struggle is no easier today than a year ago. The Government have dashed our hopes that profits tax might be lifted from that portion of earnings turned back into business.

Because of this and also due to the present high cost of buildings, plant and machinery, both for development and major replacements, your company, which believes in fully maintaining efficiency, is perforce driven to the expedient of raising new capital to supplement the sums set aside out of profits in recent years which have been retained to be utilised for capital purposes.

At the present time, the capital expenditure sanctioned for the United Kingdom companies of the group and unspent is over £7,000,000, excluding that for John Lysaght's Scunthorpe Works, Ltd., the finance for

which has been secured and to which I have referred earlier. Our financial resources now available in the United Kingdom towards this amount are approximately £3,500,000.

NEW CAPITAL ISSUE

Addressing the meeting the chairman said: In the chairman's statement which was circulated with the accounts, you were advised of the Board's view that the progress and efficiency of the group must not be stultified by the lack of adequate financial resources, and that we had made application for the consent of HM Treasury to an issue of ordinary shares. That consent has been given.

Consequently, I am now able to say that your Board has decided to issue 2,256,630 new ordinary shares of £1 each at 37s. 6d. per share. They will be offered to the ordinary stockholders on the Register at the close of business on June 15, 1949, in the proportion of one new share for every £4 of ordinary stock then held, fractions of a new share being ignored. In addition ordinary stockholders will be permitted, if they so desire, to apply for a further allotment of the new ordinary shares in the event of any of the new shares being declined by the stockholders entitled to them according to their rights.

The company has entered into a contract with Morgan, Grenfell and Co., Ltd., of London, to underwrite the proposed issue. It is intended to post the offer to ordinary stockholders on Tuesday, July 5, 1949.

The report and accounts were unanimously adopted and a final dividend of 6 per cent. actual, less tax, making 10 per cent. actual, less tax, for the period was approved.

At a subsequent extra-ordinary general meeting a resolution was passed approving certain alterations and additions to the articles of association of the company.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

DIVIDEND OF 12 PER CENT

The forty-third annual general meeting of this company was held on June 29th in London.

Mr John B. Sullivan (chairman and managing director), in the course of his speech, said: At our last ordinary general meeting I made special mention of the world-wide scope of Forestal interests and the unavoidable repercussions from international difficulties and complications with which the Boards and managements of the parent and subsidiary companies are continually obliged to contend. During the year under review, as you will see from my later references to our Argentine and African interests, the former—which have constituted our principal source of revenue for over forty years—have suffered the adverse effects of a considerable drop in the sales of Quebracho Extract, due to factors beyond our control.

The latter, although representing the lesser of the two investments, has, after some twenty-seven years of steady development, justified our faith in the future of wattle extract and proved to be the mainstay of the parent company when needed, a position which we are confident it can continue to fill satisfactorily for an indefinite period. I feel confident, however, that the critical situation of the Quebracho Extract industry is only of a temporary nature.

The Natal Tanning Extract Company, our fully established South African subsidiary, again had a record year. The Calder and Mersey Extract Company, Limited, have had another successful year.

The report was adopted and the proposed final dividend of 9 per cent., making 12 per cent. less tax, for the year, was approved.

SUEZ CANAL COMPANY

UNPRECEDENTED INCREASE IN TRAFFIC

PROGRAMME OF IMPROVEMENTS

PROPOSED NEW BY-PASS CANAL

The annual general meeting of the Suez Canal Company, was held on June 21st in Paris. M. Francois Charles-Roux, the chairman, in the course of his speech, said: The considerable increase in traffic during 1948 is an intensification of the upward movement already noted in 1947. The question arises whether the record traffic figures of 1948 can be beaten in 1949. The record figures shown by the first six months of the present year lead one to think that this may well be so if the present rhythm of traffic is maintained. One should, however, be extremely cautious in drawing conclusions from the present or anticipating the future in times when circumstances are as fluid as today.

The convention signed on March 7th last ensures the continuation of the conventional regime we were anxious to retain and which we considered indispensable for the preservation of the company's special character, an essential factor in the fulfilment of its important task. The financial clauses of the agreement provide that the Egyptian Government will obtain an allocation computed on the basis of 7 per cent. of our gross profits.

DIRECTORS' REPORT

The year 1948, of which we are to give you an account today, has been marked by an unprecedented increase in traffic, mainly due to the growth of oil consignments from the Middle East.

Since the last annual general meeting, important conversations with the Egyptian Government, which had started in the late summer of 1948, were concluded after three months of uninterrupted negotiations by the agreements signed on March 7th and which are now before the Egyptian Parliament for ratification. We were prompted to seek these agreements both by Egypt's evolution during the last 12 years and by the approaching end of the present concession, which has now less than 20 years to run. The Egyptian Government agreed to negotiate and conclude a new convention intended to resolve all outstanding questions, and to allow the progressive incorporation of Egyptian directors and personnel in conditions compatible with your company's international mission, its exceptional character, and its very special organization. At the same time the £E300,000 allowance paid since 1937 has been replaced by a share in the profits, which will have the effect henceforth of associating the Egyptian State with the results of our undertaking. This participation in the gross profits has been fixed at 7 per cent., with a minimum of £E350,000, to be reduced if necessary in order not to exceed the figure of the total gross profits.

PROGRAMME OF IMPROVEMENTS

Our technical planning department was mainly concerned during 1948 with the elaboration of the seventh programme of improvements to the Canal, rendered necessary by the all-round increase in traffic.

In the first place, increased draught has made steering in the Canal more difficult, and some ships now being built might even have draught precluding their use of the Canal for lack of sufficient depth. It was necessary therefore to consider an overall deepening of the Canal by 50cms. to allow the transit of ships with a draught of 36ft as against the present 34ft. This deepening will be completed in five years and will require the dredging of 7,000,000 cubic metres of sand or soil in addition to the removal of 600,000 cubic metres of rock.

In the second place, the problems created by the passing of vessels in the Canal are

rendered more complicated both by the increased breadth of ships and by the greater number of transits, which have progressively increased. It must be borne in mind that when two vessels pass in the Canal, one has to tie up to the bank.

PROPOSED ONE-WAY BY-PASS

To reduce the number and inconveniences of passages we have already had to group ships in convoys. But to prevent undue delays at the terminal ports it has become necessary to improve the passing of these convoys; this is the second object we now propose to attain. The Great Bitter Lake offers a natural passing zone one-third of the distance along the Canal and the seventh programme provides for a by-pass nearly seven miles long two-thirds of the way between Suez and Port Said. This one-way by-pass will involve 2,500,000 cubic metres of dry excavation and 11,000,000 cubic metres of dredging which we hope to carry out in two to three years.

This programme will be completed by deepening the tanker station in Lake Timsah from 10 to 12 metres and providing new anchorages in Port Said harbour to facilitate the formation of convoys.

Canal traffic in 1948 reached the hitherto unprecedented level of 8,686 transits and 55,081,000 net tons, exceeding by 50.6 per cent. the 1947 tonnage, which was a record.

THE FUTURE

Casting one's eyes towards the future one may forecast that the trans-Arabia pipe-line, now under construction and which may well be in operation by 1952, will undoubtedly reduce petroleum cargoes through the Canal. However, the prospects of petroleum production in that area are such that one may well hope that this reduction will only be temporary and that Canal traffic will again rise, after the opening of the pipe-line, to figures surpassing those it shows at present.

After deduction of interest and depreciation of capital, i.e., Frs.815,719,723, from gross profits, the remaining available profit is Frs.13,011,895,782. To the available profit of Frs.13,011,895,782, there must be added an amount of Frs.61,348,965, carried forward from last year, forming a total of Frs.13,073,244,747. Of this amount, we propose first of all to appropriate 2,000 million francs for improvements. This would be the first of the allotments intended to cover the programme of improvements. This appears to be the least onerous procedure, the most simple, and the most expedient, since it allows advantage to be taken of the results of exceptionally good financial years to cover expenditure of an exceptional character.

Secondly, we propose to allocate 1,200 million francs to the provision for depreciation of buildings and 1,300 million francs to the provision for depreciation and renewal of plant, neither of which received appropriations last year.

Finally, we suggest a provision of 600 million francs for payment in due course of certain taxes.

After allocation of these sums you have available Frs.7,973,244,747. The proposed distribution of Frs.7,887,323,944 leaves a balance of Frs. 85,920,803 which, we suggest, should be carried forward.

The proposed distribution brings the gross dividend to Frs.7,000. To this should be added, for capital shares, statutory interest which, for 1948, amounts to Frs.975.57.

A copy of the full report will be sent on application to the Company, 1, Rue d'Amoy, Paris (8), or 6, Bishopsgate, London, E.C.2.

JEREMIAH AMBLER AND SONS, LIMITED

MR EDWARD BEDDINGTON BEHRENS' REVIEW

The annual general meeting of Jeremiah Ambler & Sons, Limited, was held on July 1, 1949, at Winchester House, Old Broad Street, London, E.C.2, Mr. E. Beddington Behrens, M.C., Ph.D. (chairman), presiding.

The following is the chairman's statement as circulated with the report and accounts:

I am again in a happy position in being able to present shareholders with improved results. Profits for the year ending December 31, 1948, after all provisions, except taxation, were £198,219, compared with £179,817 for the previous year. Our turnover increased by 30 per cent., largely due to our new mill at Carrickfergus, near Belfast, entering into full production. This increase in production has only resulted in a 3 per cent. increase in our total labour force. Taxation takes £107,786. The net dividend recommended at 14 per cent. on the ordinary shares and the dividend on the preference share capital require £30,271. The carry forward is increased from £70,155 to £138,484, equal to over four years preference and ordinary dividends at the present rate. The size of the carry forward should act as a stabilising dividend factor in future years. Our liquid position remains satisfactory, current assets of £799,811 exceeding existing current liabilities of £274,786 by £525,025.

The annex to the accounts shows the record of your Company over the five years in which Lord Barnby and I have been directors; the 1948 results comparing with £35,168 in 1944.

CAPITAL FOR MODERNISATION PROGRAMME

Nevertheless, despite our paying out in dividends such a conservative proportion of our earnings, the requirements of taxation are so high that we cannot replace existing machinery or provide for normal development, except by the issue of new capital. We are, therefore, considering the issue of further prior charge finance to provide for the completion of our modernisation programme over the next two years.

We are continuously being exhorted to increase production, and most industrial companies with the finance available are doing this by increasing the size of their plant and factory capacity. This development has been going on continuously in this group for the last few years. Here a note of warning is required. At a certain stage of development larger scale production decreases cost. In our case, however, we consider that the increase in plant expansion has gone far enough. We intend to concentrate in future on trying to reduce cost of production by the modernisation of existing installed plant and thus maintain our existing position on a more competitive basis—rather than to increase further our over-all production.

RE-ORGANISATION AND MODERNISATION OF THE MILLS

Internal reorganisation and modernisation long planned are being steadily carried out at Midland Mills in Bradford. At the Britannia Mills of Christopher Waud & Co., the new mill building is now completed and new machinery is being progressively installed. Hindle & Firth, Ltd., and Crabtree Bros. (Bradford) Ltd. continue to experience excellent demand for their specialised products which enjoy a high reputation. At Barn Mills, Carrickfergus, Ulster, I am glad to be able to report operative acceptance of Bradford production standards, and both earnings and production are increasing. I would also like to place on record the Board's special appreciation of the work done by Mr Little, a director of the Ulster company, which has contributed so considerably to this satisfactory progress. I would again take the opportunity to express our appreciation of the ready assistance in all matters which we have

received from Government and other authorities in Ulster.

The policy of trying to raise wages and reduce production costs is being carried out within the Group, as I am endeavouring to do in other textile concerns of which I am chairman.

BONUS SCHEME OF PAYMENT BY RESULTS

With this in mind, a bonus scheme of payment by results has been extended during the past year from the parent company to our Ulster company, where despite a two-shift system, initial production costs were unsatisfactory. With the full co-operation of the local trades unions and employees, we approached this question with great earnestness. The essence of the problem is to evolve the right system adaptable to the process and particular type of machine concerned, and to ensure that the worker shares fully, by increased earnings, in the savings resulting from increased production.

The scheme is proving popular with employees and the results are most encouraging both as regards higher production at reduced costs and the opportunity it gives operatives appreciably to increase their basic earnings. We hope to extend this scheme to the remaining firms in the group.

Welfare has been maintained at a high level. Social activities are well catered for and have proved a marked success. The new canteen is nearing completion and its facilities should be as good as any in the trade. Welfare arrangements at Carrickfergus have been a material factor in our increased production at Barn Mills.

WOOL EXPORTS AND STERLING EXCHANGE RATES

Speaking generally the export position of the wool textile industry, apart from other causes, is being impeded by vast leaks in the Sterling Area exchange control. As an example, imports of wool into France, thanks to sterling credits, have increased 75 per cent above the previous year. A good deal of this tonnage has been sold at a much cheaper rate to dollar purchasers than the official sterling dollar exchange. France's total wool textile activity is now higher than pre-war, and is able to supply British overseas customers at a lower price, largely through being able, by taking advantage of multiple cross-exchange rate practices to import wool at a much lower cost than British manufacturers.

Even if export sales cannot be maintained at their present levels, there is still a very profitable future for the wool textile industry as the relaxation of regulations make more textiles available for the home market and reduces their ultimate cost to the consumer.

HOME MARKET PRICES OF FINISHED GOODS

At present, the shortage of supplies in the home market is maintaining artificially high prices of finished goods. This shortage has resulted, for instance, in the fixed maximum percentage of profit allowed to wholesalers, makers up and retailers, becoming the minimum percentage. Thus, whilst the shortage of cloth continues, the consumer has no alternative but to pay a high price for his clothing. When normal conditions return and more supplies are available, retailers will compete with one another in reducing intermediary profits, in which the manufacturer is not concerned, and thus increase the volume of demand for textile products.

As I stated last year, production costs are higher than previously and still rising, thus narrowing our margin of profit, but by added production on the group's available machinery, along with efficient reorganisation still being carried out, we again hope to present you with satisfactory results next year.

In conclusion, I wish to express my appreciation of the great help which your deputy chairman, Lord Barnby, has given to the business, and to congratulate your managing director, Mr. John S. Ambler, the directors and staff of the parent and subsidiary companies on the excellent results achieved. The report was adopted.

PURNELL AND SONS, LIMITED

STRONG POSITION DISCLOSED

The fifteenth ordinary general meeting of Purnell and Sons, Ltd., was held on June 30th at the Waldorf Hotel, Aldwych, London, W.C., Mr. W. Harvey (chairman and managing director) presiding.

The secretary (Mr. Bertram Clarke, A.S.A.A.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's speech, which was circulated with the report and accounts for the year ended December 31, 1948:—

May I, at the outset of my remarks, remind you that the profit and loss account now submitted to you covers a period of one year, whereas the comparisons for the preceding period cover 15 months.

The profit for the year, before charging taxation, is £801,954, as compared with an annual rate of profit in 1947 of £983,676, a decrease of £181,722. Taxation has absorbed £465,145, leaving a net figure of £336,809, which compares with an annual rate of balance in the preceding period of £436,676.

The installation of further new plant on which the 20 per cent. initial allowance has been provided, has considerably increased the provision for depreciation.

Your directors do not propose to make any transfer to reserve, and after providing for all charges and the dividends paid and recommended, there is a balance to be carried forward of £457,033.

THE REAL RETURN

The balance-sheet shows that the capital employed in the business is £2,222,891 and after deducting the Preference share capital of £300,000 there remains the equity of the Ordinary shareholders £1,922,891, upon which the dividend of 80 per cent., less tax gives a return of under 6 per cent. You directors feel, however, that it is in the best interests of all to respect the Chancellor's appeal for limitation of dividends. The current assets, together with the excess profit tax refund, total £1,010,715, which is more than sufficient to meet the current liabilities.

The consolidated balance sheet confirm the strength of your company.

At the present time the company's order book is full and although competition is getting keener and markets are more difficult, particularly in regard to export trade, I anticipate the results of the present year's trading will be satisfactory.

It is the intention of your directors to take the necessary steps, with your approval, to distribute out of reserves, one Ordinary share for every five held, as a bonus issue.

I cannot conclude these remarks without once again paying tribute to the work of my colleagues on the board, all of whom give their full time to the service of the company, and also express my hearty thanks to the staff and the workpeople, without whose wholehearted support the excellent results could not be attained.

Addressing the meeting the chairman said that the company were increasing the Nominal Capital of the company to £750,000 and application was being made to enable the directors to recommend a further bonus issue of one Ordinary share for every six Ordinary shares held.

The report and accounts were unanimously adopted and the dividend, as recommended, was approved.

CEREBOS LIMITED

A MOST EVENTFUL YEAR

SALES RECORDS EXCEEDED

MR JOHN WEEDY ON INCREASED EXPORTS

The forty-fifth annual general meeting of the company was held at Cerebos House, London, N.W., on Wednesday, June 22, 1949. Mr. John Weedy, the chairman, presided.

The following is the statement by the chairman, which was circulated with the report and accounts for the year ended December 31, 1948: The year under review has probably been the most eventful in our history. With all the complications attaching to a major reconstruction scheme, our output was increased considerably, which reflects the greatest credit on our technical staff.

Through causes over which we have no control, our plans are not progressing as quickly as we had hoped. There is a big demand for all types of packaging machinery in overseas markets, to which the Government gives priority, particularly for hard currency countries, with the result that deliveries for the home trade are quoted two years ahead or more.

CAPITAL EXPENDITURE

Group commitments under this heading total £280,000. Future plans, now under consideration, may require a further £500,000.

PRODUCTION COSTS

Despite the introduction of labour-saving machinery, the upward tendency previously noted has continued. The cost of packing material, more than three times the prewar price, is far too high, with the result that the margin of profit on some of our lines is very small indeed. In the past year there has been no increase in the retail and wholesale prices of our goods; at the same time, manufacturing costs continued to rise, with a consequent closing of the profit margin, and earnings have only been preserved and advanced by widely increased sales. During the last ten years our profits have, in each year, been won not by advancing our prices, but by increasing sales to offset increasing production costs—the race for supremacy between these two aspects of our business proceeds. In the public interest we intend to preserve, so long as we are able, our present selling prices, but this ideal will only remain practicable by even greater distribution and more efficient and economic production.

SALES

All previous records were greatly exceeded and I am pleased to report that the demand continues. Our drive for sales abroad was handicapped by the restrictions on imports imposed by many countries, and increased local competition. Nevertheless, we improved on last year's figures with a record turnover.

RAW MATERIALS

The position has been eased by removal of controls on many goods, but certain essential commodities remain under Government control. The Ministries concerned have shown a true appreciation of our problems and have proved most helpful.

TRADE CO-OPERATION

We are indebted to our trade customers and suppliers for their continued co-operation.

STAFF AND EMPLOYEES

I wish to pay a warm tribute to all our staffs and workpeople for their unstinted efforts throughout the year. The fine team spirit which imbues them all materially contributed to the good results. As a mark of our appreciation we distributed a bonus of £45,000, which was shared by all employees on the payroll at December 31, 1948. I feel sure the stockholders will heartily approve this payment.

Steady progress has been made since the pension fund was established in 1927, and the total assets now stand at the very substantial figure of £246,310.

It was at one time thought that the introduction of the new National Health Insurance Act would impinge rather sharply upon private pension funds, but the membership of the fund was virtually unaffected, a striking testimony to the high regard in which it is held by the members.

The company's group life insurance scheme, which comes to the aid of the widow or next-of-kin of a deceased member at a time when financial assistance is usually most necessary, is also appreciated.

BALANCE SHEET ITEMS

Fixed Assets.—Since the close of our financial year we have entered into a contract to purchase, subject to the consent of the Charity Commissioners, the freehold of our Greatham factory. Assuming the transaction will be carried through, we have, as explained in the accounts, made provision in sundry creditors for the cost. When the purchase has been completed we shall then own the freehold of our head offices and, including our subsidiaries, four factories.

An independent revaluation of land, buildings, plant and machinery, after allowing for subsequent net additions at cost, resulted in a surplus of £277,955, which has been placed to capital reserve.

The value of fixed tangible assets now stands at £749,065, compared with £312,626 a year ago. This figure will be substantially increased as and when new plant and machinery are delivered and we are permitted to proceed with the additional buildings required.

Shareholdings in subsidiary companies now total £257,351. Each of our main subsidiaries had a record year and made great contributions to our total trade.

Trade Investments.—These consist of a leasehold redemption policy and our interest in a foreign related company. Owing to currency depreciation your board has now deemed it prudent to utilise part of the investments and contingencies reserve, which had been specifically earmarked for this purpose, to reduce this asset to a more conservative value.

Current assets amount to £2,056,478, compared with £1,639,858, from which it will be seen that we have ample funds to provide for our programme of capital expenditure.

Stock in trade is increased by £28,000, which is mainly a reflection of our greater output.

Sundry debtors, after provision for bad debts, are £82,000 more than last year, largely as a result of the substantial increase in turnover.

Investments in British Government securities total £805,033—an increase of

£253,000 over last year's figure. The accounts reveal that we made a loss of £4,599 on switching to our present investments.

Cash at banks and in hand is £136,000 down, but holdings of tax reserve certificates are £189,500 more than last year.

Reserves.—General reserve has been increased to £550,000 by a transfer of £46,866 from profit and loss account. We have also made an initial allocation of £50,000 to a reserve to meet the increased cost of plant and machinery replacement.

Capital reserves now total £497,955 and revenue reserves £996,455. An aggregate of £1,494,410.

Creditors, including provision for the purchase of the Greatham freehold, to which I have already referred, are £332,736, compared with £173,230 a year ago.

PROFIT AND LOSS ACCOUNT

Under the provisions of the Companies Act, 1948, it is no longer necessary to publish a profit and loss account of the parent company provided a consolidated account is produced for the group as a whole. Your directors have decided to avail themselves of these provisions, as all material information is disclosed in the consolidated profit and loss account.

The total fixed assets for the group on revaluation, which affected both the parent company and its principal subsidiaries, amount to £1,472,488. Current assets total £2,379,466 against current liabilities of £966,187, an excess of £1,413,279.

The aggregate of the capital and revenue reserves is £1,954,116.

It will be noted that £382,000 has been provided for future taxation in addition to a provision of £318,758 in respect of current liability.

CONSOLIDATED RESULTS

The group trading profit, before charging taxation, depreciation and directors' remuneration, is £973,331, compared with £764,423 for the previous year. After providing for taxation £516,196 and other charges referred to in the accounts the net profit of the group for the year is £395,774, an increase of £98,569 over last year.

The balance available for distribution after transferring £46,866 to general reserve and £50,000 to reserve for plant replacement, and including £133,102 brought forward from last year, is £432,010.

The payment of a final dividend of 30 per cent., less tax, which, with the interim dividend paid in November last, makes 40 per cent., less tax for the year (£220,000), leaving a balance of £212,010 to be carried forward, was approved.

The report and accounts were adopted.

Mr. R. V. Townsend, the director retiring by rotation, was re-elected and a vote of thanks to the chairman terminated the proceedings.

INDUSTRIAL AND GENERAL TRUST, LIMITED

"SORRY STORY OF NATIONALISATION"

The sixty-first annual general meeting of The Industrial and General Trust, Limited, was held in London on June 23.

Mr. L. A. Stride, the chairman, in the course of his speech, said: Our gross income from investments has, this year, reached new heights and at £673,595 is about £23,000 greater than the year before. We are recommending that the dividend and bonus on the Ordinary Stock shall be 16 per cent. for the third year in succession.

I have had occasion in the past to criticise the interference of the Government in in-

ENGLISH AND CALEDONIAN INVESTMENT

MR HENRY LOEBL'S REVIEW

The twenty-second annual general meeting of the English and Caledonian Investment Company, Ltd., was held on June 24 in London, Mr Henry S. Loebel, the chairman, presiding.

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

The investments at March 31, 1949, stood in the balance-sheet at £1,025,381 compared with £909,987 at the end of the previous year. The value of the investments, however, was £1,350,069, showing an appreciation over the book figure of £324,688, or of 31.66 per cent. compared with 41.39 per cent. at March 31, 1948. This fall in the appreciation reflects the general decline in security values during the past year, although it is rather less than the decline in security values disclosed by the *Investors' Chronicle Securities Index*.

While our permanent investment in our subsidiary company remains unaltered at £30,000, the loan to that company which a year ago stood at £33,000 has been repaid. This repayment has been made out of the proceeds from the sale of one of that company's properties, which realised a profit of £3,969, and which, being a capital profit, has been placed to capital reserve, as will be seen from the accounts of Encafe Estates, Ltd. Against the reserve there has been written off the preliminary expenses of that company amounting to £305.

Current assets consist almost entirely of a balance at the bank of £44,683, some £20,000 less than last year. This reduced liquidity is, however, more than counterbalanced by increased holdings of British Government dated stocks, a very desirable feature, it is considered, in view of present conditions.

LARGER INCOME

Income from investments including that from the subsidiary company, amounts to £69,163, which is almost £6,000 more than the income for the previous year. This increase is due chiefly to a higher average invested fund during the year, and also to a slightly higher yield on that fund. When it is remembered that we have a fair sum in the bank uninvested, and large holdings of low yielding gilt-edged stocks, the increase in income for the past year can be regarded as satisfactory.

After deducting administrative and sundry expenses, directors' fees, and debenture stock interest, the net revenue for the year was £46,941, compared with £40,778 for the previous year. After charging the sum of £21,199 for taxation, and providing for the year's dividend on the Preference stock, the amount earned on the ordinary stock was £17,492, equivalent to 15.90 per cent., which compares with 13.64 per cent. for the previous year. An interim dividend of 1½ per cent. has been paid on the ordinary stock, and your directors now recommend the payment of a final dividend of 6 per cent., making 7½ per cent. for the year. The sum of £10,000 has been transferred to general reserve, leaving a sum of £9,420 to be carried forward.

As to the expected results for the current year, I feel reluctant to make any forecast, confronted as we are with so many uncertainties. I may say, however, that at the present time we see no reason to suppose that the revenue for the current year will differ appreciably from that of the year under review.

The report was adopted.

BRITISH INSULATED CALLENDER'S CABLES

DIRECT EXPORTS £10,000,000

The fourth annual general meeting of British Insulated Callender's Cables, Limited, will be held on July 22nd at Liverpool.

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

Profit on trading, investment income and special receipts amount to £4,517,882, the substantial improvement on 1947 being due to the considerably higher turnover achieved. Several factors contributed to this higher turnover, an easier supply position in certain raw materials, increased efficiency, expansion of manufacturing facilities, and last but by no means least, the splendid effort by personnel in all sections of the organisation.

The crippling burden of taxation absorbs in the Parent Company £2,015,886, or some 53 per cent. of profits. (In the group as a whole the charge is the enormous figure of £3,577,527.)

There continues to be a widespread misunderstanding, sometimes deliberate, about the margin of profit available to those who venture their capital in industrial enterprises. A table showing how each £1 of the company's sales has been absorbed shows that almost 25 per cent. of every £1 goes to our employees in salaries, wages, pension funds, etc., and that the amount required for taxation is almost twice the sum available for dividends and reserves.

INCREASED TURNOVER

The turnover of B.I.C.C. for 1948 showed an increase in value of 41.5 per cent.—home sales being up by some 29 per cent., and export sales by the quite remarkable figure of 86 per cent. over the corresponding figures of 1947. These achievements were largely due to the great increase in the volume of production, although the higher prices ruling during part of the year for copper, lead and other constituents were a contributory factor in the higher value of turnover.

In our home business, which covers a wide field, we have continued to obtain our full share of orders. Dealing particularly with overseas business, our direct exports for 1948 amounted to practically £10,000,000. Our overseas business is world wide, but our most substantial markets are still in Australia, New Zealand, India, Pakistan, South Africa, Argentina and Brazil, together with those countries or territories in which the telephone companies with which we are connected operate. We are again endeavouring to increase our business with North America, but the difficulties are very considerable, especially in view of the advantages possessed by certain manufacturers there in the supply of base metals.

THE OUTLOOK

Although the demand for some of our products is lower than a year ago, the demand for many others remains at a high level, and our total orders outstanding both for home and export are still very substantial. There has, however, been a marked change in the general position since I addressed stockholders in 1948. With increasingly rigid import restrictions being applied by more and more countries overseas, and the definite change from a seller's to a buyer's market, in consumer goods in particular, both home and export business is becoming more difficult.

This is a challenge to industry on which the exports of this country largely depend. Its past record, achieved by the energy, resourcefulness and long years of experience of both management and workpeople, is one of which we can all be justly proud. But industry must be allowed to get on with the job.

PHILIP HILL INVESTMENT TRUST, LIMITED

SIR BRIAN MOUNTAIN ON THE OUTLOOK

The seventeenth ordinary general meeting of the Philip Hill Investment Trust, Limited, was held on June 28 in London, Sir Brian Mountain, Bt., chairman of the company, presiding.

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

Your board has limited the dividends paid by our subsidiary companies to the investment trust to an amount which is just sufficient to enable the parent company to pay the dividend on its preference share capital and a dividend of 25 per cent. on its ordinary shares.

In view of the continued limitation of dividends and the inactive condition of the stock markets for a great portion of the year, your directors consider this result satisfactory. The profits of the group represent approximately 31 per cent. on the issued Ordinary share capital, as against the recommended distribution of 25 per cent.

Your wholly-owned subsidiary, Philip Hill and Partners, Limited, has during the year made several very successful issues and has consistently maintained its selective policy as regards the issues it sponsors. The board believes this policy to be in the real interest of both the company's shareholders and of investors generally.

With regard to the current year, I cannot foresee any material change for the better in financial conditions; while the change-over from a sellers' market to a buyers' market, now generally accepted in most industries, coupled with the limitation of dividends, may tend to reduce our investment income. Your directors are satisfied with the progress which has been made by the company's South African interests to which reference was made last year.

The report was adopted.

LONDON ELECTRIC WIRE AND SMITHS, LIMITED

RECORD TURNOVER

The fortieth annual general meeting of this Company was held in London on June 28.

Mr W. J. Terry, chairman and managing director, in the course of his speech said:

The balance profit for the year subject to taxation is £530,760, an increase of £61,715 over the previous year. At the beginning of 1948 the company had a full order book, representing an exceptionally large volume of business which was gradually reduced during the year, resulting in a record turnover, which is reflected in the profits as reported. The position as regards export sales remained much the same as in the previous year.

The improvement in the profits is entirely due to the turnover having been maintained at a high level throughout the year, and is not the result of increased selling prices.

During last year there were very heavy demands for our products, but the position has quite recently changed and there are decided signs of a general recession.

Our views in regard to nationalisation of industry, previously expressed, remain unchanged. It is difficult to understand why the present government has made such a fetish of nationalisation when under private enterprise industry is already providing so much in the form of taxation.

With regard to the future our prospects depend entirely upon the future of electrical industry, which has a full programme before it. Our balance sheet shows a strong financial position, and we are therefore able and ready to take full advantage of any opportunities which the future may provide.

The report was adopted and a final dividend of 6 per cent., making 10 per cent. for the year was approved.

ARMY AND NAVY STORES, LIMITED

DIFFICULT TRADING YEAR

The seventy-seventh annual general meeting of Army and Navy Stores, Limited, was held on June 29 in London.

Major General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O. (the chairman), presided, and in the course of his speech said:—The results of the year's working show a considerable falling off in the gross profit from trading and all other sources, amounting in all to £139,888, whilst expenses were up by £40,850 to a total figure of £733,243, leaving a balance of net profit of £277,460, or £180,738 less than for the previous year. While sales up to July were better than for the previous year, there was a considerable falling off during the autumn. Gross profit margins, subject to control, continued and still continue to decrease. Taking all these factors into account I think you will agree that we have come not too badly through a year of difficult trading.

It will be seen that provision has been made for £70,000 to be placed to reserves, compared with £55,000 last year. It was thought advisable to increase the figure of £15,000 in contingencies reserve by a further £40,000. Whilst conditions remain as uncertain as at present, with the knowledge that any reductions in purchase tax fall directly on the retailer, your directors consider it prudent to maintain a substantial sum in reserve. The directors recommend the payment of a dividend of 10 per cent. and a 10 per cent. bonus, being the same as last year.

STOCK POSITION

In the balance sheet, stock in trade at £1,061,258 shows a decrease on last year's figure of £71,233. In normal times and provided that the rate of turnover of all stock is satisfactorily maintained, it has been and will be our policy to keep stocks at a high level. But the times in which we live are times of uncertainty as to the future. Prices of raw materials are falling, the export drive in many directions shows signs of slowing up, which, with other factors, may mean more and cheaper goods becoming available for the home market. There is also the old bugbear of the purchase tax which at any time can be reduced by the Government by a stroke of the pen. Taking everything into consideration, while we are determined to maintain our standards of service and quality, it is considered prudent at the present time to reduce the stock figure.

CURRENT YEAR'S PROSPECTS

The current year is sufficiently advanced for me to be able to give you some indication of how things are going, and I do not think you will be surprised or unduly disappointed to learn that for the first four months of this year trading results showed a decline on those for the comparative period of 1948-49. Our company has never—at least not since I have known it—been inclined to favour a policy of excessive distribution of profits. We have aimed rather at building up and maintaining a strong financial position. The financial strength of the company, as shown by the excess of current assets over current liabilities in the balance sheet, is excellent. Your directors feel that the company is in a good position to weather any storm which seems likely to break upon us.

The report was unanimously adopted.

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of The "Shell" Transport and Trading Company, Limited, was held on June 30th at Winchester House, Old Broad Street, London, E.C., Sir Frederick Godber (chairman of the company) presiding.

The secretary (Mr P. B. Brown) having read the notice convening the meeting and the report of the auditors,

The chairman moved the adoption of the report and accounts and the payment of a final dividend for the year 1948 of 1s. per share or £1 stock unit free of income tax.

Sir Robert Waley Cohen, K.B.E., seconded the resolution.

The chairman said: Mr Troughon, who is a shareholder, has written to me to ask whether I can give any information as to the production and prospects of the newly developed New Guinea field, which, as mentioned in my statement, is a joint venture with two American companies and in which the group owns a 40 per cent. interest.

THE NEW GUINEA FIELD

As shareholders will appreciate, despite the tremendous advances in the science of oil exploration, or is still not an exact science, and it has not been our policy in the past to prophesy too much regarding the prospects of newly discovered fields. I would say, however, that there are a number of structures in New Guinea within the concession of this joint venture still remaining to be tested, and several structures which have been proved oilbearing, but which have not yet been brought into regular production. We are satisfied that the investment that we have made to date will be justified. With a field which only came into regular production in December last, it is too early to give a reliable figure of production, but I may say that our forward estimates, which naturally are based on today's expectation of world consumption, do allow of a steady increase in production from this area.

The resolution was carried unanimously. The retiring directors, Col. Sir W. Charles Wright, G.B.E., C.B., the Hon. Francis Hopwood, Mr Harold Wilkinson, C.M.G., and Mr James Westlake Platt, were re-elected.

On the motion of the chairman, seconded by Mr George Legh-Jones, it was resolved that the vacancy caused by the retirement of Sir Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I., be left unfilled and that the number of directors at this time in office be accordingly reduced by one.

The remuneration of the auditors, Messrs. Turquand, Youngs, McAuliffe and Co., was fixed.

SHAREHOLDER'S THANKS

The Rt. Hon. Lord Rennell of Rodd proposed a vote of thanks to the chairman, directors and staff and congratulated them all on the results achieved and on the figures in the report and accounts. It was refreshing, he said, in these days of difficulty, and especially in these days when so much emphasis was put on the nationalisation of industries, to see what had been done in the past by enterprise, from initiative and courage and what would be done in the future by those same qualities so long as they were allowed to reign and have the freedom to exercise them. At present they were restricted by the attempt to force so many people into a theoretical mould.

The vote was unanimously accorded, and the chairman having acknowledged the compliment the proceedings terminated.

R. H. AND S. ROGERS, LIMITED

MR LEONARD ROGERS'S SPEECH

The 51st annual ordinary general meeting of this Company was held on June 29th in London, Mr Leonard S. Rogers, J.P., F.R.I.C.S. (chairman of the company), presiding.

The chairman said: Gentlemen, Before we commence our business I would remind you that last year I presided in the absence, through illness, of Mr Octavius Pullum, and I am sorry to say he has since died. For nearly forty-six years he was associated with the company, being mainly responsible for the management and success of the London factories.

The firm have lost a faithful servant and the directors a firm friend. He had many friends in the trade, all of whom will share our loss. Shall we stand in silence for a moment or two in his memory?

The meeting having stood, the chairman continued:

The directors met in February last to consider the appointment of a chairman to succeed Mr Pullum and I had the honour of being appointed.

The report and accounts, having been in your hands for some time, may I assume that they be taken as read? (Agreed.)

The year under review has been one of continued difficulty in many directions particularly with regard to export trade. Owing to short supplies of home-produced raw materials, we entered into contracts to purchase foreign raw materials in our endeavour to comply with the Government's cry for exports, but in the meantime our export markets had been closed to us as our customers could not obtain the necessary import permits. Because these goods were purchased specifically for the export market, the material must remain on our shelves, as the Board of Trade will not allow us to make it up for the home market although the trader is crying out for more goods. This freezing of raw material stock has a temporary effect upon the company's liquid cash.

THE ACCOUNTS

Turning to the accounts, you will notice the stock is much increased from £141,210 to £271,483, an increase of £130,273, as also are the sundry creditors £107,432 as against £77,510, an increase of £29,922. These increases are attributable to enhanced prices, increased liability for taxation and, of course, the frozen export material I have already mentioned. After providing for directors' remuneration, depreciation, taxation and all charges the net profit is £16,114, to which must be added £14,853 balance of the Profit and Loss account at December 31, 1947, making £30,967 available for distribution. You will notice a slight reduction in the net profits, but an increase in the carry forward to profit and loss account after providing for the dividends recommended by the directors.

Your directors have under consideration revision of the company's Articles of Association. They have received little amendment for many years and it is thought desirable to bring them more into conformity with present day company practice. Unfortunately it was not possible to have the revised Articles ready in time to submit them for consideration at this annual general meeting and we may therefore call the shareholders together again before the next annual general meeting for that purpose.

I therefore beg to move the adoption of the report and accounts and the payment of dividends as recommended.

Mr Frank J. Lees (one of the joint managing directors) seconded the resolution and it was carried unanimously.

The retiring director, Mr Edwin E. Allen, was re-elected, and the remuneration of the auditors, Messrs Harvey, Preen & Co., having been fixed, the proceedings terminated with a vote of thanks to the directors and staff.

Investment Statistics

Company Notes

Patons and Baldwins.—After the deduction of £211,351 net compared with £28,770 net for writing down wool and top stocks to market values, the net surplus of Patons and Baldwins was increased from £712,106 to £726,669 in the year to April 30, 1949. A dividend of 20 per cent (same) has been paid on the old capital.

British Insulated Callender's Cables.—Consolidated trading profit of British Insulated Callender's Cables increased from £4,525,389 (adjusted) to £6,565,195 and group net profit from £1,448,923 to £2,669,734 in 1948. Stocks have risen from £11,628,291 to £14,157,748. The bank overdraft of £798,376 at December 31, 1947, has been eliminated. Net current assets have increased from £11,492,804 to £15,361,133.

English Sewing Cotton.—Group profit of English Sewing Cotton rose by £505,081 to £1,287,908 in 1948. Stocks increased from £1,819,561 to £2,369,149 and cash from £249,471 to £889,174. Net current assets were £2,775,948 at December 31, 1948.

Anglo-Iranian.—Net profit after taxation of Anglo-Iranian increased from £18,564,857 to £24,064,920 in 1948. The dividend of 30 per cent is the same as for 1947. The allocation to general reserve has been raised from £10,500,000 to £16,000,000.

Richard Thomas and Baldwins.—The consolidated profit of Richard Thomas and Baldwins for the 53 weeks ended April 2, 1949, amounted to £5,018,208, compared with £5,791,541 for the previous 52 weeks. Extraneous and non-recurring profits of £255,864 against £506,605 are included in these figures. Net profit declined from £2,220,657 to £1,744,952.

British Cocoa and Chocolate.—The consolidated balance on trading account of British Cocoa and Chocolate amounted to £2,493,985 in the year to January 1, 1949. Total group profit was £2,675,907 of which £2,569,079 was attributable to the Cadbury Brothers' group. Net current assets at January 1, 1949, were £11,167,686.

Selection Trust.—No bonus is to be paid by Selection Trust for the year to March

31, 1949, compared with 5 per cent paid for the previous year; the dividend of 20 per cent is repeated. Total income is up from £828,528 to £956,809.

Anglo-Egyptian Oilfields.—Net profit of Anglo-Egyptian Oilfields increased from £194,877 to £241,474 in 1948. The latest figure is struck after the allocation of £200,000 to exploration and general reserve compared with £350,000 in 1947. The dividend of 12½ per cent on the "B" ordinary shares is unchanged.

Carpet Trades.—Group profit of Carpet Trades before taxation in 1948 was £466,211 against £507,639. The ordinary dividend of 20 per cent is the same as for the previous year.

British Plaster Board.—Consolidated profit of British Plaster Board before taxation increased from £813,665 to £1,119,704 in the year to March 31, 1949. The dividend is again 25 per cent.

Express Dairy.—A dividend of 12½ per cent, tax free (same), is to be paid on the "A" ordinary stock of Express Dairy for the year to March 31, 1949. Net profit after taxation has risen from £175,163 to £315,722.

Trust Houses.—Net profit of Trust Houses declined from £250,856 to £146,965 in the year to March 31, 1949. The 8 per cent dividend is repeated.

Associated British Picture.—The dividend of Associated British Picture has been reduced from 22½ per cent to 20 per cent for the year to March 31, 1949. Trading profit is up from £2,026,110 to £2,038,762 but net profit has been reduced from £513,901 to £450,613.

Capital Issues

OFFER TO SHAREHOLDERS

Trinidad Petroleum Development.—Of 700,000 5½ per cent cumulative redeemable £1 preference shares offered at 22s. per share, shareholders have taken up 635,000 shares.

Liebig's Extract of Meat.—Preference and ordinary shareholders registered on June 20th are offered 1,000,000 4½ per cent cumulative

redeemable £1 second preference shares at par.

Babcock and Wilcox.—Underwriting has been complete for an issue to preference and ordinary stockholders registered on June 20th of 2,000,000 4 per cent £1 cumulative redeemable preference shares at par. Ordinary stockholders registered on that date are offered 716,609 £1 ordinary shares at 57s. 6d. per share.

John Smith (Field Head), wool combers.—Application has been made for permission to deal in the capital of £440,000, made up of £220,000 in 5½ per cent cumulative £1 preference shares and £220,000 in £1 ordinary shares.

Grayson Rollo and Clover Docks.—Shareholders registered on June 28th will receive 157,650 five per cent cumulative £1 preference shares in the proportion of one bonus preference share for every eight 2s. 6d. ordinary shares held.

Brightside Foundry and Engineering.—Approval of the Capital Issues Committee has been obtained to issue one 5s. bonus share for each existing 5s. ordinary share held.

New Issue Prices

Issue	Issue Price (a)	Price, June 22, 1949
Arthur, Prof.	21 0	20 6-21 0
Assoc. Fishers, Prof.	21 0	19 0-20 0
Do. Ord.	32 6	Nil-54 p.m.
Bate (Wool), (Holdings), £1	12 1½	11 11-11 7
Do. 5½ Cum. Pref., £1	21 3	20 3-21
British Tobacco (Australia), £1	32 0	2 3-2 9 p.m.
Calcutta Electric, 12 p.m.	22 6	12 6-13 0
Calcutta Ship Eng., £1	28 6	23 3-26 5
Do. 5½ Pref.	23 6	21 3-23 5
Cons. Zinc, Prof.	30 0	13 11-14 7½
Hamer-Porter Paints, £1	21 6	21 0-22 0
Do. Ord.	10 9½	10 6-11 0
Hindley (Holdings), £1	13 6	11 3-12 3
Do. 4½ Cum. Pref., £1	20 0	20 3-21 3
Malaya, 5½ (50 paid)	1 9	54-54 p.m.
Monmouth Chem., £1	58	51 6-52 9
Nairobi, 3½ (10 paid)	4 2 p.m.	
Patons & Baldwins, Ord. (2 p.d.)	85 0	21 6-22 6
Readit, £1	1 4	1 4-1 5½
Standard Finworks, Pref.	21 9	20 9-21 5
Stimpson Leathers, 5s.	13 5	10 9-11 9
Do. 5½ Pref., £1	21 0	18 6-19 5
Teleph. & Gen. Trust, 3½ Deb.	10 1½	10 1-10 1½
Trinidad Petroleum, Pref.	22 0	22 0-22 8
Union Corporation, £1	4 10	64-64 p.m.
Wellcom Gold	37 6	3 0-3 6 p.m.

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Hudson Bay Company; Automatic Telephone and Electric; Rolls Royce; British Timken.

Prices, Year 1949	Name of Security	Price, June 22, 1949	Price, June 29, 1949	Yield, June 29, 1949	Prices, Year 1949	Name of Security	Price, June 22, 1949	Price, June 29, 1949	Yield, June 29, 1949
High	Low				High	Low			
100 1/2	100 1/2	War Bonds 2½% Aug. 1, 1949-51	100 1/2	100 1/2	100 1/2	100 1/2	OTHER SECURITIES	102 1/2	100 1/2
100 1/2	99 1/2	Exch. Bonds 1½% Feb. 15, 1950	100 1/2	100 1/2	100 1/2	99 1/2	(a) Australia 3½%, 1965-69	101 1/2	100 1/2
102 1/2	100 1/2	War Bonds 2½% Mar. 1, 1951-53	100 1/2	100 1/2	100 1/2	99 1/2	(d) Birmingham 2½%, 1955-57	101 1/2	99 1/2
105 1/2	100 1/2	War Bonds 2½% Mar. 1, 1952-54	100 1/2	100 1/2	100 1/2	99 1/2	(d) Anglo-American Corp., 10	51	6 1/2
105 1/2	99 1/2	War Loan 3½% (after Dec. 1, 1952)	101 1/2	100 1/2	100 1/2	99 1/2	5 a Anglo-Iranian Oil, £1	7 1/2	4 3/4
105 1/2	100 1/2	War Bonds 2½% Aug. 15, 1954-56	101 1/2	100 1/2	100 1/2	99 1/2	10 b Assoc. Electrical, Ord. £1	71 6	70 3/4
105 1/2	100 1/2	Funding 2½% June 15, 1952-57	101 1/2	100 1/2	100 1/2	99 1/2	15 c Assoc. Port. Cem., Ord. Stk. £1	70 9	71 6
105 1/2	101 1/2	Nat. Def. 3½% July 15, 1954-58	102 1/2	101 1/2	101 1/2	100 1/2	40 c Austin Motor, A' Ord. Stk. 5	23 9	22 9
106 1/2	101 1/2	War Loan 3½% Oct. 15, 1955-59	103 1/2	102 1/2	102 1/2	101 1/2	7 a Barclays Bank, Ord. B £1	73 6	71 1/2
106 1/2	99 1/2	Sav. Bonds 3½% Aug. 15, 1955-65	101 1/2	100 1/2	100 1/2	99 1/2	7 b Bass Ratcliff, Ord. £1	143 1/2	143 9
106 1/2	99 1/2	Funding 2½% April 15, 1956-61	100 1/2	99 1/2	99 1/2	98 1/2	15 c British Oxygen, Ord. £1	92 6	91 10/4
106 1/2	99 1/2	Funding 3½% April 15, 1959-69	101 1/2	100 1/2	100 1/2	99 1/2	5 b Courtauld, Ord. £1	33 6	34 1/2
115 1/2	108 1/2	Funding 4½% May 1, 1960-90	110 1/2	109 1/2	109 1/2	108 1/2	25 5 Distillers Co., Ord. 4	25 5	25 5
105 1/2	98 1/2	Sav. Bonds 3½% Sept. 1, 1950-70	100 1/2	99 1/2	99 1/2	98 1/2	8 c Dorman Long, Ord. £1	28 9	28 1/2
99 1/2	94 1/2	Sav. Bonds 2½% May 1, 1954-67	96 1/2	95 1/2	95 1/2	94 1/2	15 c Dunlop Rubber, Ord. £1	61 9	62 9
115 1/2	111 1/2	Nat. Def. 3½% Sept. 1, 1952-76	113 1/2	112 1/2	112 1/2	111 1/2	7 d Imp. Chem. Ind., Ord. Stk. £1	44 1/2	44 1/2
105 1/2	98 1/2	Sav. Bonds 3½% Aug. 15, 1955-75	100 1/2	99 1/2	99 1/2	98 1/2	18 b Imperial Tobacco, £1	5 1/2	5 1/2
110 1/2	104 1/2	Consols 4½% (after Feb. 1, 1957)	107 1/2	106 1/2	106 1/2	105 1/2	10 c Lanes, Cotton, Ord. Stk. £1	33 6	33 1/2
81 1/2	73 1/2	Conv. 3½% (after Apr. 1, 1961)	103 1/2	102 1/2	102 1/2	101 1/2	10 c Lever & Unilever, Ord. £1	44 1/2	44 1/2
81 1/2	73 1/2	Cons. Stk. 2½% (after Apr. 1, 1955)	76 1/2	75 1/2	75 1/2	74 1/2	15 c London Brick, Ord. Stk. £1	58 1/2	57 6
100 1/2	91 1/2	Tras. Stk. 3½% (after Apr. 5, 1966)	96 1/2	95 1/2	95 1/2	94 1/2	7 e P. & O. D. Stk. £1	37 6	37 6
102 1/2	95 1/2	Rollimp. Stk. 3½% Oct. 1, 1950-96	94 1/2	93 1/2	93 1/2	92 1/2	7 f P. & O. D. Stk. £1	45 1/2	44 1/2
81 1/2	73 1/2	Consols 2½%	76 1/2	75 1/2	75 1/2	74 1/2	12 c Prudential, A' £1	32 1/2	31 1/2
105 1/2	97 1/2	Brit. El. 3½% Gd. Apr. 1, 1953-73	101 1/2	99 1/2	99 1/2	98 1/2	12 c Stewart & Lloyd, Def. £1	53 1/2	53 1/2
105 1/2	97 1/2	Brit. El. 3½% Gd. Mar. 15, 1974-77	100 1/2	98 1/2	98 1/2	97 1/2	5 b Shell Transport, Ord. Stk. £1	59 9	60 7 1/2
102 1/2	94 1/2	Brit. Tpt. 3½% Gd. July 1, 1978-83	98 1/2	96 1/2	96 1/2	95 1/2	12 1/2 c Turner & Newall, Ord. Stk. £1	70 3/4	71 6
105 1/2	98 1/2	Brit. Tpt. 3½% Gd. Apr. 1, 1953-73	100 1/2	99 1/2	99 1/2	98 1/2	5 c Woolworth (F. W.), Ord. 5	78 9	80 1/2

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield basis 25%. † Free of tax. (s) Yield basis 12%. (p) Plus tax free bonus 2½%.

Statistical Summary

EXCHEQUER RETURNS

For the 12 days ended June 30, 1949, total ordinary revenue was £106,185,000, against ordinary expenditure of £89,512,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £2,467,000 the surplus accrued since April 1st is £15,550,000 against £178,644,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to June 30, 1948	April 1 to June 30, 1949	11 Days ended June 30, 1948	12 Days ended June 30, 1949
ORDINARY REVENUE					
Income Tax	149,000	209,202	185,698	21,407	31,334
Social Security	105,000	18,250	22,600	950	1,600
Other Taxes	176,000	46,750	44,000	4,500	7,200
Grants	48,500	14,655	12,700	1,050	1,500
Other Income	20,000	22,160	49,150	4,050	6,400
P.P.C. Prof.	25,000	38,300	16,100	1,950	1,500
Other Inland Rev.	1,000	75	70	5	10
Local Contributions	25,000	4,600	8,500	4,600	1,100
Other Inland Rev.	20,550	354,022	338,828	38,512	50,704
Other Income	89,650	213,742	262,054	25,584	26,750
Other Income	65,600	183,000	156,000	28,400	27,600
Other Income	14,925	396,742	358,054	53,984	54,330
Other Income	14,000	5,403	5,282	...	1,571
Other Income	14,000	18,709	27,883	...	...
Other Income	14,000	2,220	2,240	540	550
Other Income	14,000	180	150	10	20
Other Income	14,000	2,012	2,266	...	277
Other Income	14,000	14,600	17,963	919	1,233
Other Income	14,000	756,731	93,965	106,185	...
Other Income	14,000	37,060	37,250	3,300	6,450
Other Income	14,000	2,158	1,785	218	355
Other Income	14,000	795,768	97,483	112,990	...

Revenue	Estimate, 1949-50	April 1 to June 30, 1948	April 1 to June 30, 1949	11 Days ended June 30, 1948	12 Days ended June 30, 1949
SELF-BALANCING REVENUE					
Income Tax	149,000	209,202	185,698	21,407	31,334
Social Security	105,000	18,250	22,600	950	1,600
Other Taxes	176,000	46,750	44,000	4,500	7,200
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P.P.C. Prof.	25,000	38,300	16,100	1,950	1,500
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Other Income	65,600	183,000	156,000	28,400	27,600
Other Income	14,925	396,742	358,054	53,984	54,330
Other Income	14,000	5,403	5,282	...	1,571
Other Income	14,000	18,709	27,883	...	...
Other Income	14,000	2,220	2,240	540	550
Other Income	14,000	180	150	10	20
Other Income	14,000	2,012	2,266	...	277
Other Income	14,000	14,600	17,963	919	1,233
Other Income	14,000	756,731	93,965	106,185	...
Other Income	14,000	37,060	37,250	3,300	6,450
Other Income	14,000	2,158	1,785	218	355
Other Income	14,000	795,768	97,483	112,990	...

	1947	1948	1949
SELF-BALANCING REVENUE			
Income Tax	149,000	209,202	185,698
Social Security	105,000	18,250	22,600
Other Taxes	176,000	46,750	44,000
Grants	48,500	14,655	12,700
Other Income	20,000	22,160	49,150
P.P.C. Prof.	25,000	38,300	16,100
Other Inland Rev.	1,000	75	70
Local Contributions	25,000	4,600	8,500
Other Inland Rev.	20,550	354,022	338,828
Other Income	89,650	213,742	262,054
Other Income	65,6		

Is the pound sterling overvalued? Then let us have several different values of the pound, so that we can continue to buy cheap and sell dear. And if other people dislike selling cheap and buying dear, let us use our bargaining power on them.

At the centre of Labour Socialism lies a deep distrust of the price mechanism and a refusal to accept as final the verdict of an open market. Within a country, markets can be controlled or abolished and the shape of demand can be altered by taxes and subsidies. Within this country these methods have achieved considerable technical successes in the past ten years (though with what further consequences we are only just beginning to realise), and if the balance-of-payments problem is to be given a socialist solution, it is presumably this order of ideas that is to be further exploited in the international field. Hence the unwillingness to drop bulk buying, the belief in quantitative barter deals and the talk of export subsidies.

But how can these ideas be applied to a market where the writ of the British Government does not run? How can the foreigner's demand be controlled or his supplies be allocated? With whom is this system of trade to be carried on? There will always be some barter bargains that can be struck, and it may even be possible to strike some of them on favourable terms of trade. There will always be some other high-cost economies which will join in such deals. If international trade were for Britain a matter of marginal indifference, worth entering into only if it did not interfere with domestic arrangements, then such a system might have something to be said for it. But Britain's problem is that a certain large volume of trade must be done, on favourable terms if they can be arranged, but in the last analysis on any terms that can be secured. If that volume of trade is not done, the country goes without food or raw materials or both. Whatever the system on which it conducts its trade, this country cannot ever hope to reach the indispensable minimum volume unless the other parties are as freely willing to trade as we are. Barter would work if British goods were attractive, on a combination of price and quality, relatively to the other alternatives open to our trading partners, but there is no magic in barter by which, beyond a certain point, countries can be forced to take dear goods when they would prefer to take cheap goods. In short, the basic condition upon which a bulk-buying-bulk-selling system would work is the same as that upon which a convertible currency system would work, namely that British prices are competitive. There is no magic in a socialist system of international trade (if this is the meaning to be attributed to the phrase) that will enable us to buy without selling, or to sell without being competitive.

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The second recognisable school of thought exists on the Right and finds its graven idol not in bulk trading but in the sterling area. It is the school of thought that would find the solution of the problem in the creation of a third trading area, distinct both from the barter economies of eastern Europe and from the unapproachable dollar area, an area

The table of figures in last week's leading article, illustrating the equivalent in terms of a week's wages of various standard articles, was inadvertently printed without a footnote to indicate that the figures for "cheapest man's suit" were days not weeks. The radio set should also have been described as "average" not "cheapest." The point of the table, which lay in the comparison between the figures in the two columns, is not affected by these corrections.

founded upon, but not restricted to, the British Commonwealth of Nations. There is more than a grain of sense and necessity in this conception. As has very often been argued in these columns, the problem of the American balance of payments is a very intractable one indeed. Yet so long as there is a shortage of dollars, it follows quite inescapably that trade and payments must be allowed to be freer and easier as between the non-dollar countries among themselves than as between any of them and the dollar area. In any long-term plans, account must be taken of this.

But it does not follow in the least from this that the organisation of a Third Force in international trade provides some mechanism of escape from the immediate dilemma in which the country finds itself. The sterling area, as at present constituted, can provide neither the markets nor the supplies to replace the dollar area. And if the argument is that other countries—indeed, the whole non-dollar, non-Soviet world—are to be attracted into such a system, the answer must be to ask how they are to be attracted if it is not attractive? Who will enter—who will freely stay in—a sterling area of which the subscription is the obligation to buy dear British goods instead of cheap goods from other suppliers? Nor does "other suppliers" mean the United States alone. It is not only in terms of American goods that British goods are, or soon will be, uncompetitive. The industrial power of Europe, and especially of Western Germany, is rising fast, and is not obstructed by nearly as many rigidities as exist here.

Finally, there is the "dash for freedom" school. Not all of the talk about the necessity for an immediate return to competitive conditions sufficiently distinguishes between what can be done at home and what can be done abroad. Within the over-planned and over-controlled and over-protected domestic British economy, a return to competitive conditions is not only desirable in itself, and the only effective way of getting costs down and economic efficiency up, but would also do no harm to the structure of the national life. But an immediate "dash for freedom" in international commerce, an immediate removal of the restrictions and protections that at present hem in the British economy, would exhaust the reserves and bring on the disaster that all policy must try to avert. Some day—and some day quite soon—there will have to be a dash for freedom in world trade, but Britain must first see that it is not trampled under foot as soon as the race starts.

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Thus from whatever ideological standpoint—socialist, imperialist or liberal—the argument starts and by whatever system it proceeds it arrives at the same immediate necessity. The arguments may diverge again after the present crisis is past, but they must all go together through the same painful present defile. There is no room for dispute about the immediate necessity for a reduction in the costs of the British economy—that is, for an alteration in the present ratio between efforts and rewards. The root of the matter is that the world puts a lower value on the services of the British people than they do themselves. There is no point in denouncing the verdict, or ignoring it, or attempting to evade it. It will have to be accepted. The British people individually as well as collectively, will either have to increase the services they render for their present real remuneration, or else accept a lower real reward.

The crisis will go on until the British people—all of them, including the railwaymen and the dockers—individually recognise this necessity and agree upon the methods of meeting it. And that is to say that it will get a great deal worse before it has any chance of getting better.

New Start in the Middle East?

FOUR years have passed since Mr Bevin summoned his Middle Eastern officials into conference—four eventful years during which the political geography of the area has undergone a cataclysm and many of the old landmarks have vanished for good. No doubt the broad aims of British diplomacy have not changed. When the ambassadors and ministers from the Middle East meet with Mr Bevin and his London staff this week, their primary preoccupations will not be very different from those of 1945. The Middle East is strategically vital as the link between Europe and Asia. Nothing has changed that fact. It is economically vital as a source of oil. This factor has if anything become more important. Great Britain must therefore attempt to defend the whole region against attack from without—which at present could only come from its giant neighbour, Russia—and from disintegration within. These were the two main objectives of 1945. They remain so today. The difference lies in the political background against which these objectives have to be pursued.

In 1945, Mr Bevin's thinking was strongly influenced by two legacies of the war years—the Arab League and the Middle East Supply Centre. British officials tended to look to a continuation of the League, reinforced by treaties between Great Britain and Egypt, Iraq and Transjordan, as the political and military basis of stability. The success of the Middle East Supply Centre in bringing about economic conferences between all the states in the area and initiating research into projects for agricultural and industrial development encouraged the belief that British guidance and economic assistance could still be channelled through a central Middle East agency—a British Middle East office was established in Cairo—and would be one means of raising the living standards of the people and of bringing them to a state of political development in which popular government could replace the rule of "the princes and the pashas." At that time, the chief obstacle to the programme seemed to be the clamour of Jewry to admit the hundreds of thousands of Jewish displaced persons into Palestine and it was the British hope that the numbers could be kept to manageable proportions and Palestine transformed into a federal community.

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When Mr Bevin meets his officials this week, the first fact they are likely to reach in their *tour d'horizon* is the disappearance of most of the pre-suppositions upon which British

policy rested in 1945. The Arab League, defeated in the war against Israel, has virtually disintegrated. King Abdullah of Jordan is isolated, apart from a tenuous link with the present premier of Iraq. Both are accused by Egypt of being British puppets. Saudi Arabia holds itself on the sidelines of the quarrelling group, but traditional dislike of the Hashimite Abdullah provides a certain basis for understanding between Ibn Saud and the Egyptian King. The mutual hostility between the Arab countries may be accentuated by the emergence in the last three months of a new figure in Middle Eastern politics. Hosni el Zaim, who has made himself by plebiscite the dictator of Syria, has in a couple of months of power already suggested that he may possibly have the germs of an Ataturk in him. His policy as so far revealed suggests that he will confirm the rift which the Palestine war opened in the Arab League. In all this there is not much comfort for British diplomacy. The League which Britain backed so hopefully is broken. Egypt has refused so far to review its treaty or reach a final settlement on the Canal Zone or the Sudan. Iraq, too, has rejected a revised and modernised alliance. Jordan is an ally; but the alliance is one of the causes of King Abdullah's isolation from his neighbours. Among many Israelis, considerable hatred of the British still remains. Altogether, the political balance sheet of the last four years seems to be ending with a heavy deficit. Nor is the economic accounting much more hopeful. The possibility of centralised planning on a western model vanished with the war. As the British Middle East Office has had good reason to realise, even plans tendered to individual states have been difficult to put into operation because of the state of local finances, because the British economy has been far too strained to undertake any big local development projects and because, even if the resources had been available, a series of xenophobic governments has been shy of accepting the trammels that go with foreign aid.

Such then is the unpromising outcome of four years of hard work in the Middle East. It would be as well to admit that the result is equivalent to the bankruptcy of British policy, and that the best thing that can be done now is not to make do and mend with whatever remains of the old ideas but to see if there is not some entirely new approach open to Britain. The objectives of its Middle Eastern policy are, after all, as urgent as ever. The integrity and stability of the Middle East are not less but more important after

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four years of cold war and doubtful peace. But past methods have failed. Is any sort of new line possible? Perhaps the safest starting point is with the two objectives themselves. What in fact is entailed in any policy which attempts on the one hand to discourage Russia from intervening beyond its southern frontiers and on the other to create a more stable social and economic atmosphere in the Arab states and Iran? The question has only to be asked and one answer immediately springs to mind. Neither objective can be realised without the support and interest of the United States. If the Russian attitude towards the Middle East should become adventurous, the resistance of local armies, even in alliance with Britain, is not likely to deter them. In fact, the defence of the Middle East will not be decided in Teheran or Baghdad or Cairo or Tel Aviv. It turns upon the general relationships of the great Powers. If Russia should, some day when not busy elsewhere, be tempted to exploit the social maladjustments which exist in the countries of its southern neighbours, and to take advantage of their military weakness, it would be restrained only by the risk of provoking a general war. It follows that American interest in the Middle East is the real deterrent to such an act.

Similarly the physical resources that are required if the popular basis of non-Communist Governments in the Middle East is to be strengthened can only come, in the main, from the United States. The great oil companies might be expected to contribute in their own self-interest. The area is going to get at least a quarter share of such concrete assistance as may emerge under President Truman's fourth point. The World Bank is ready to interest itself in certain projects provided that states will accept its conditions for seeing how these are carried out. But, in each case, the resources are American resources and the pre-condition of their availability is a well rooted interest in the Middle East. On both counts therefore the new starting point of British interest in the Middle East must be a close Anglo-American understanding. No attempt to achieve such agreement was made in 1945, since understanding with America was not at that time the first objective of British policy in the Middle East. On the contrary there was an undercurrent of feeling in favour of excluding America from an area in which Britain had been dominant for the last eighty years. But the results have hardly been auspicious. The attempt, avoided in 1945, must be made today.

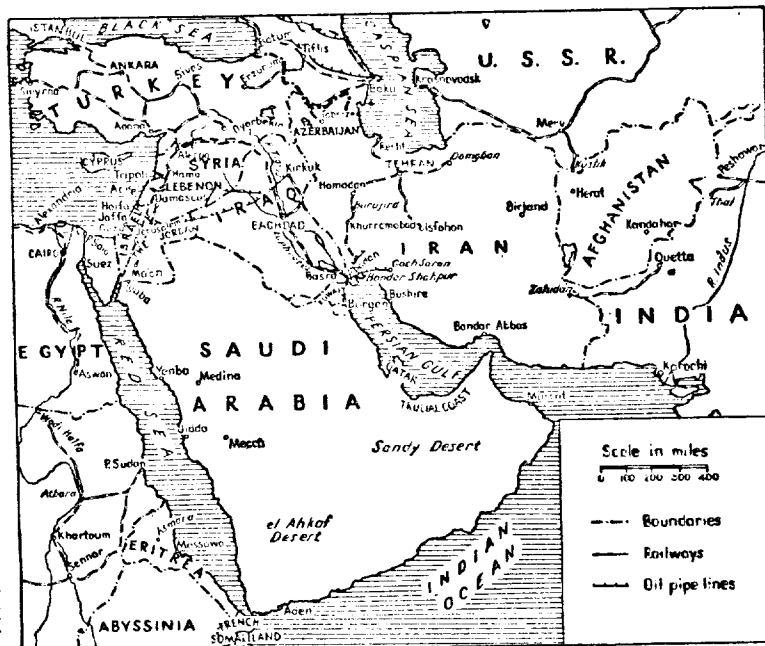
Fortunately, the outlook for agreement is much better than might have been thought possible only a year ago. On the British side, the existence of Israel as a sovereign state recognised by the British Government has removed the worst stumbling block in the way of a close Anglo-American working agreement. But on the American side, too, a considerable change has taken place. In the first place, American realisation and dependence upon Middle Eastern oil is

steadily growing. In the next, there is a wider acceptance of the fact that programmes of military aid to Greece and Turkey need, to be effective, a stable hinterland. Again the collapse of the nationalist regime in China has been a grim warning of how quickly a decrepit regime can crumble once its people comes under the sway of a revolutionary movement. Even those most concerned with Israel and least concerned about the wider Middle East problem are beginning to see that a stable Israel cannot come into existence unless the country has peace with its neighbours and is part of a stable trading area. These factors have converged to create in the State Department an awareness of the wider implications of Middle Eastern policy that makes a full Anglo-American understanding possible for the first time. This then is the basis for a new and hopeful start in the Middle East.

Close Anglo-American understanding is, however, only the starting point of a new approach. It is no magic wand that can be waved over the Middle East with the certainty that all vexations will vanish away. In many ways, America is as compromised a figure in Arab eyes as is Britain itself. As the backers of Israel, the Americans rouse as much suspicion as do the guardians of the Canal Zone or the sponsors of King Abdullah. If Anglo-American policy is to be effective in its dual aim of securing the Middle East strategically and creating its social stability, it must work—and work fast—on the immediate centres of acute disturbance. It is on these that a clear Anglo-American working agreement must be secured now.

All devolve—inevitably—from the Palestine war. Three-quarters of a million Arab refugees have to be resettled. Until a strategy is agreed to solve this problem, every Arab state harbouring them will be a prey to violent agitation. But the problem cannot be tackled without some help from Israel, and the second issue upon which immediate Anglo-American agreement is vital is the best method of shaking Israel out of its warlike mood; of bringing home to its leaders their need to achieve, in their own interests, fixed frontiers and a settled neighbourhood; and of convincing them that continued government support, diplomatic as well as financial, will be conditional on more co-operative behaviour on their side. And the test of their readiness to cease the attempt on the one hand to boast of their good behaviour as members of the United Nations, and on the other to grab all they can get, will be the question of Jerusalem, where Israeli and United Nations policy are in direct conflict, the Israelis claiming it for Israel, the United Nations reserving it for an international regime.

These then are the first priorities for an agreed Anglo-American policy. Unless they can be solved equitably, there is little hope of tackling constructively the wider issue—of persuading Arab and Iranian that their genuine interests demand a measure of military security of the type extended to Greece and Turkey and a measure of direct economic



assistance to raise their peoples above the level at which social revolution is a recurring threat. American official opinion is alive to the need both for strategic commitments—already made in the case of Turkey—and for greatly extended economic development. It is true that the battle with Congress for funds has not been engaged, and that it will be a tough struggle. But the important point for this week's discussions in London is not the extent of the aid to be given,

The Right to Strike?

ALMOST exactly twelve months after their last major strike, the London dockers have again brought the world's greatest port to a standstill. There is evidence that this year's dispute will prove far more difficult to solve, and will not yield as easily as it did last time to the appeals of the Government. For the first time since the General Strike of 1926, the Government is administering the bitter medicine of the Emergency Powers Act—which it invoked, but did not have to use, last year. The dock labour scheme is virtually in abeyance, certain civil rights of the dockland community are suspended, and the port is ruled by an emergency committee with strong powers. The 14,000 dockers, whose action has precipitated this emergency, stand watching the efforts of the community's personal employees, the armed forces, to prevent their action from causing enormous and irreparable damage to the country at large.

That a parliament with a large Labour majority should have acquiesced in the assumption of these sweeping powers by the Government is recognition not only of the seriousness of the harm that the dockers are doing to the national economy but of the gulf which now divides the thinking of the official trade union world from the sentiments of the average transport worker. The strike is not a demand for higher wages: it arises out of a dispute which has been going on intermittently for months between two rival Canadian trade unions. In the course of this the Communist-led Canadian Seamen's Union, by cleverly fomenting a dispute with the shipowners, has succeeded in persuading most of the London dockers that two Canadian ships in the Port of London are "black" and that any docker who goes near them would be betraying the basic canons of working-class loyalty. A perfectly legal attempt on the part of the port employers to break the deadlock thus created by demanding that the Canadian ships be cleared before any fresh calls for dock labour were made, was ably exploited by the Communists as "a bosses' lockout." The dockers, warned by Cabinet Ministers, by trade union leaders and by the press that they were being duped by the Communists, preferred to believe the latter. The memory of "old, unhappy, far off things and battles long ago" has had a far more potent influence than all the efforts of exhortation and propaganda which in the past four years have tried to convince the ordinary manual worker of the true nature of his own and of the national interest.

After a great deal of commercial damage has been done, the Government's measures will, it is to be presumed, eventually persuade the dockers that their action is not only quixotic but anti-social. But whether this happens sooner or later it would be a great mistake for the Government or anyone else to suppose that the problems aroused by the events of this month can be shelved—until the next dock strike. It would be a tragic mistake if public thinking were to be limited to finding in this unofficial strike merely the result of fortuitous circumstances of which the Communists

but the creation of conditions in which any form of aid can be made acceptable to the local peoples. The first task is, therefore, in full collaboration with America, to clear up the tragic legacy of the war in Palestine. When, and only when, such a settlement has been achieved, can the Anglo-American partners move into the more constructive field of economic and social development on which the long-term success of their Middle Eastern policy will turn.

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The prevalence of strikes all over the western world, in particular among the vital industries of transport and coal, raises a problem which no one can now ignore. The way in which the Australian miners, the American longshoremen or the British dockers can hold their countries up to ransom is something which even doctrinaire Socialists do not find edifying. As each major outbreak occurs, more and more people of liberal opinions begin to ask themselves a question "Ought there to be a limit to the right to strike?" To ask this, of course, is to question one of the basic tenets of liberal democracy, that labour has the same freedom as any other section of the community to organise and take action for its own protection and advancement. But the irresponsible way in which that freedom is sometimes used compels consideration of whether certain limits should not be set upon it, the more so as in Britain today there is no margin of wealth with which to pay for the damage which irresponsible strike action inflicts upon the national economy.

This is not a mere panic reaction. The assumption which over the past forty years has enabled most of the restrictive labour legislation to be abolished, including the repeal of the Trade Disputes Act in 1946, was that labour was organised into recognisable and responsible trade unions which could be trusted to use the machinery for conciliation before resorting to direct action. That is still the case in so far as most of the unions are concerned. But the growth of unofficial strikes since the war has shown that the control of certain unions over their rank and file is no longer to be taken for granted. It has broken down repeatedly in mining, in the docks, and in road transport. This gap between the leadership and the rank and file of a union has never been more clearly demonstrated than at the biennial conference of the Transport and General Workers' Union, which is taking place this week. While the conference was passing a resolution banning Communists from holding office in the union, and while their general secretary was making a highly responsible speech about the necessity for wage stabilisation, many of the union's members in the London docks were stubbornly resisting all exhortations to return to work.

The logical conclusion to be drawn from such a state of affairs is that strike action should be made illegal in essential industries—at least until the resources of conciliation and arbitration are exhausted, and perhaps in any circumstances. (It would perhaps be legally more accurate to say that the existing prohibition on strikes, which was continued from the wartime regulations by the Supplies and Services (Transitional Powers) Act of 1945, should be enforced; but since this prohibition is not enforced it may be regarded as a dead letter). Among trade union officials, there would be

support for a legal prohibition on unofficial strikes; but the community can hardly accept this. The officials of unions in essential industries do not always act responsibly (as witness Mr Figgins of the National Union of Railwaymen) and even if they did, the state could not allow the invocation of its legal powers to rest upon the decisions of private individuals. If there is to be legal prohibition of strikes in essential industries, it must be of all strikes, and a man who foments them, whether he be an official of a union or a member of an *ad hoc* strike committee must be "liable in damages to the uttermost farthing of his personal possessions."

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This is the lawyer's answer, and a great many laymen are coming to hold that there is adequate justification for it. But is justification enough? Would it work? Would it prevent stoppages and secure regular, efficient working—specifically at the docks? In the present mood of the dockers, almost certainly not. That mood is shown just as clearly, and just as alarmingly, by what they do when they are supposed to be at work as by their readiness to come out on strike over footling or wholly imaginary grievances. Until there is among the dockers—or a sufficient number of them—a real desire to give good service, and a real rejection of irresponsibility, it will remain doubtful whether any purely legal sanctions will have much effect.

This is, of course, merely a facet of the general moral and psychological problem that underlies the whole of British economic policy. The philosophy of the Labour movement (distinguishing it, for the moment, from the Socialist doctrine) is that while other sections of the community, and specifically the employers, must be hedged about with legal prohibitions to assist them in distinguishing right from wrong, the wage-earners, when organised in trade unions, can be trusted to have instincts of responsibility and respect for the common good. The Labour Government, which

Spies

THE business of spying goes back to very ancient times. In the Biblical narrative of the first Israeli conquest of Palestine it is recorded how Joshua sent two spies to explore the defences of Jericho, and how they were saved from the clutches of the local M15 by a lady of imperfect patriotism, who let them down over the city wall with a rope. In all ages states have had secrets which they have wished to conceal and other states have employed agents to find them out. Spying, indeed, is, and always has been, one of the functions of the sovereign state as an institution—for knowledge about other states is a condition of effective foreign policy or war-preparedness.

It is this need that creates the profession; but it is a profession only for modest men, who are prepared to renounce the limelight of fame and hide their merits from the public gaze. It is a profession about which social surveys, census statistics and analyses of employment reveal very little. The spy's calling is as secret as the forbidden knowledge which he seeks. No state will admit employing him. He is, like a prostitute in the Soviet Union, "one of those of whom we know there are none." But while he himself leads a ghostly life in the ranks of the non-existent, high officials of Governments in every country of the world pay much attention either to promoting or to circumventing his activities.

regulates in great detail every other aspect of economic activity and administration, allows the wildest system of *laissez faire* to govern the relationship of labour to the nation. The unions devote their efforts to seeing that the worker gets his standard income regardless of the efforts he puts out, and this must involve an assumption that when he is relieved of the ordinary pressures that bear upon the individual in a cruel world—in particular, the threat that he who will not work neither shall he eat—he will react in the way that an idealist would hope rather than in the way that a realist would expect.

The docks provide a very clear laboratory experiment in the application of these principles. Countless social investigators, writing over several decades, have described the horrors of the system of casual labour in the docks, with the cruel pressure that it put on the workers. Humanitarians rejoiced when it was replaced by the Dock Labour Scheme, which guarantees a living wage to every docker presenting himself for work. No section of the wage-earners has had its conditions of work more radically improved, at the community's expense, than the dockers. Yet what is the result? A most marked decline both in efficiency and in responsibility. Who was right, the idealist or the realist? And why should the result be any different in industry at large?

The Labour movement cannot now dodge these wide issues any longer. Nobody wants to go back to casual labour in the docks and to a code of anti-strike legislation throughout industry. Non-Labour public opinion, whose view will be decisive in the end, is no doubt willing to wait a little longer for the emergence of some alternative method for ensuring that the improvement of the conditions of labour does not impose on the community, including the wage-earners, a cost in economic inefficiency that it cannot possibly afford. It is for the Labour movement to produce the proof that there is an alternative to a mere retreat to the bad old days. And they have little time left in which to produce it.

The business of spying goes on at all times, in all weathers, in peace and in war. But normally it is only in war-time that it becomes a matter of urgent importance or that the general public becomes spy-conscious. In periods of peaceful peace the spies and counter-spies play out their little game in the shadows, with the ordinary citizen unaware of the scoring except on the rare occasions when an espionage case is brought in a court of law. But today spies are news and each nation in the grip of the cold war looks round anxiously for the hidden thieves of its security. When suspicions are sufficiently strong and widespread, they can produce the state of mind known as "spy mania," in which human reason suffers a complete collapse and terrible injustice can be done to innocent individuals.

There are several reasons why espionage has recently become more important for international relations than it used to be, and also more significant for the internal politics of nations. There is first of all the fact that the increasing dependence of armed forces on "scientific" armaments makes secrecy more and more essential in defence preparations, and the incentive for rival powers to penetrate this secrecy becomes correspondingly greater. There has never been a time when the military authorities of a state could have so little certainty, without successful espionage, about the weapons which would be used against them in a future war,

and the surprise use of new or improved weapons may be decisive at the outset of any armed conflict. In the days of Sherlock Holmes the spy could only steal the plans of the latest type of submarine; now the range of his aspiration includes atomic bombs, stratosphere rockets, the more miraculous uses of electronics and formulae for bacterial and meteorological warfare.

This military need for secrecy in scientific and technical matters affecting armaments runs counter to the demand for complete freedom of discussion and publicity which has been characteristic of modern science. The extension of security measures tends to blot out from public view whole fields of scientific research, the worker in which formerly gave no thought to the warlike implications of his discoveries. Scientists in the West have shown great unwillingness to accept broad security controls imposed by their Governments, even when they have not been influenced by loyalty to a country other than their own.

A similar conflict has arisen with regard to another field in which states have always considered secrecy a necessity, namely diplomacy. In the old days it was taken for granted that no player at the international table showed his cards more than he had to. With the rise of democracy and of public and parliamentary criticism of foreign policy, Governments were increasingly embarrassed by the need for choosing between disclosures required for domestic self-justification and precautions for not letting cats inconveniently out of bags in the sight of other nations. Then, with the first World War, came the campaign against secret treaties and the Wilsonian slogan of "open covenants openly arrived at." In this country the cult of diplomatic nudism never made much progress, and there has always been the Official Secrets Act to restrain members of the Foreign Service with a taste for publicity. But in the United States the law has been much looser, and many Americans have held the view that there ought not to be any secrets in the State Department; it is argued that the Press has a right to find out whatever it can about national policy and every official remains a citizen with a responsibility for telling the American people what is being done in their name. Hence the astonishing career of Mr Drew Pearson, who has made a highly profitable industry of publishing and commenting on confidential documents from Government departments without ever landing himself in serious trouble.

During the last war the State Department leaked like a sieve and, when President Roosevelt really wished to keep anything secret, he did not communicate it to the office at all. Recently, however, public opinion has been deeply shocked by the famous pumpkin which was found to be full of copies of secret State Department documents handed over, according to Mr Chambers, by American Communists in high places for transmission to Russia. But what is most striking in all the hullabaloo arising from this fantastic episode is that Americans who are horrified at the idea of documents being sent to Moscow, would have invoked the principle of freedom of journalism if the same documents had been published by Mr Drew Pearson.

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It is fundamentally to the credit of the Americans that they are so little secrecy-minded; their instinct in favour of the utmost publicity in all fields of state action is part of their democracy and stands in the sharpest contrast to the concealment and mystery natural to despotic government. But the needs of national defence and diplomacy in an era of acute international tension require a certain minimum of secrecy even in Washington.

A period of religious or revolutionary warfare which creates loyalties transcending those of national patriotism, naturally intensifies the dangers of espionage for each state. Numbers of persons are known to exist who, for ideological reasons, are willing to help a foreign power at the expense of their own country. Moreover, such conditions entirely alter the normal task of counter-espionage detection. Spying always involves two elements—the alien agent who collects the information and the citizen of the spyee country who holds some confidential post or has facilities for observation and transmits the secrets to the alien agent. The two types differ widely from an ethical point of view. The agent sent abroad to spy on behalf of his own country is a patriot—if a mercenary one. But the man or woman in a position of trust who sells for money secrets of his or her own country is universally despised as a criminal of the lowest type. The very nature of the crime, however, makes it relatively easy for the counter-espionage branches of the armed forces or police to deal with it; wherever there is reason to suspect a leakage of confidential information, there are usually signs enough of personal weaknesses to give clues to the investigator. But when someone betrays his country from political conviction there are no such telltale traces. The revolutionary traitor-spy is usually a person of the highest moral character, who takes no money for his service and acts from what he believes to be the loftiest motives of political idealism. The only clues, apart from direct proof of transmission, lie in the record of his political life, and this is a field which most policemen and military intelligence officers are totally incompetent to explore.

Nevertheless, the issue has to be faced, because in espionage prevention is far more important than cure; there is indeed no cure when a leakage of vital information has once occurred. It is, therefore, desirable that persons whose political principles require them to betray their country to a foreign power when opportunity offers should not be placed, or allowed to remain, in positions where they can do serious harm. Communists may be compared to a religious sect, whose tenets make it the highest virtue for the believer to offer human sacrifices to his deity. In accordance with the principle of freedom of thought, it would be wrong in a democratic country to suppress such a sect; but people would be justified in refusing to employ its members as cooks or surgeons. Similarly, we may respect the sincerity of the Communist's belief in his right to rule the world and murder his opponents; he should have liberty to expound his doctrine and preach his gospel; but as long as his party has not yet seized power, a democratic Government must regretfully keep him out of jobs in which he can betray his country in a dangerous manner.

It has to be recognised that the purging of Government departments by a system of political tests is in itself an undesirable step in a democratic country, however necessary it may be in the circumstances imposed by the world-wide menace of the new Assassins. The range within which the discrimination operates must be kept as small as possible; within it the purge must be as thorough as well-informed detective work can make it, but outside these limits there should be a firm resistance to any kind of political witch-hunting. The harm done by the extension of methods of secret political inquisition over wide sections of the community will far outweigh any advantage to be obtained. In the long run a morbid and noxious political growth can only be overcome in a democratic society by the vital forces of a healthy national life reacting against it. It is only where spying can make deadly havoc with the safety of the state that special measures of protection can be justified.

NOTES OF THE WEEK

Docks and Dollars

The dock crisis and the dollar crisis have trodden insistently on each other's heels in Westminster throughout a week that culminated in two successive full-dress debates in the House of Commons. On Wednesday the House set aside its other business to debate the proclamation of the State of Emergency, and the regulations made under it. On Thursday it embarked on a two-day debate on the economic situation which will be continued next Monday. Of the two the immediate, local and comprehensible issue of the dock strike gained the most attention, particularly on the Labour benches, where the questions involved have stirred up deep feelings. The debate on the strike was of a high quality: it was one of the rare occasions on which members were aware that their words could directly influence events, and they responded accordingly. Had a debate of this character been held a week earlier, dragging the facts of the dispute into the clear daylight, the proclamation which occasioned it might possibly have been unnecessary.

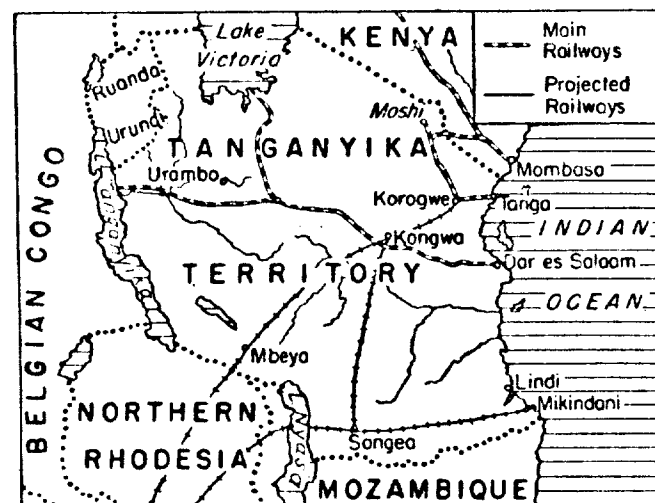
If Thursday's economic debate did not elicit the same high quality, Sir Stafford Cripps's announcement of a cut of 25 per cent in British imports from the dollar area made it unexpectedly dramatic. Although the Chancellor attempted to palliate the gravity of this decision and its effect upon the public by reaffirming his intention to cling to the present value of sterling, full employment and the housing programme, the cuts in sugar, timber, paper and tobacco will make the public at least dimly aware—in spite of the increase in meat, butter and bacon—that something is amiss.

* * *

Two Sisters

This week, while Mr Strachey was heckled once more in the House of Commons about the prospects of the Overseas Food Corporation's groundnut scheme, the first report of its sister corporation was being presented to Parliament. The sisters are twins, for they both originated in the Overseas Resources Development Act; but they are not identical twins, and the different temperament of the Colonial Development Corporation is clearly brought out in this report.

On growing groundnuts in Tanganyika, Mr Strachey informed the House this week, the Overseas Food Corporation has spent



between £20 million and £25 million of capital to date—and the result so far has been 45,000 acres planted at Kongwa, with a yield, from the crop so far harvested, of 245 lb. per acre for groundnuts and 99 lb. for sunflower; shortly the first small shipment of oilseed to the United Kingdom will be made.

The Colonial Development Corporation, whose borrowing powers of £110 million are twice as big as those of the Overseas Food Corporation, had, by the end of last year, spent £128,667 on development expenditure; its total capital commitment in respect of the undertakings in operation is £3,734,000 (including £700,000 for rebuilding Castries); and the prospective capital commitment of all the projects which have been accepted in principle is £35 million.

Even without the evidence of these figures, it is clear from the report that whereas, on its Tanganyika performance, the Overseas Food Corporation is the manic, impulsive type, so fond of power that it tried to run the groundnut scheme direct from London, the Colonial Development Corporation is cautious, hesitant and introverted. The one rushed at a large tract of Africa with a second-hand tractor, and when it was broken discarded it for another. The other, when establishing a poultry and general farm in the Gambia, provided adequate repair and maintenance facilities before it began clearing the bush, and is taking the opportunity of testing different techniques for clearing and the different equipment available while the project is being carried out. Its slightly schizoid personality is apparent in the paragraph of its report dealing with its relations with other bodies—Departments and Colonial Governments; it obviously has not found it easy to get on with them and it inclines to resent the controls on its activities.

It is too early to say which corporation will, in the long run, be more successful, or less unsuccessful, in developing Africa. The cautious method seems preferable; but it carries with it the danger that before any fruitful development is carried out, political events in the colonies will have outrun it. This much, however, can be said at once: the Colonial Development Corporation is far less free with the British taxpayer's money. And that, at the moment, is of supreme importance.

* * *

Transport Workers' Purge

The decision of the Transport and General Workers' Union to debar any Communist from holding office is bound to have far-reaching effects in the labour movement, quite apart from its immediate internal effects within the union. The union can certainly claim that it is carrying out the letter and the spirit of the TUC's anti-Communist circular in a way which no other union has so far had the courage to follow. Mr Arthur Deakin, whose hatred of the Communists amounts almost to a mania, is undoubtedly immensely pleased by the size of the majority which the conference gave to this step.

The practical and psychological effects of the decision are somewhat difficult to gauge. There are, it is believed, eight known Communists on the union's Executive Council. Some of the area and group officials are believed to be Communists, particularly in the London bus and docks groups, and the number of Communist-inclined branch secretaries may be considerable, whether or no they are actually members of the party. It will be difficult to identify those who ought, by the terms of the resolution, to be purged, and in any case identification may be dangerous. It may tend either to turn the Communists into martyrs or to drive them underground. Freed from any responsibility for union policy, the Communist element may become more truculent and act as a "fifth column," agitating and provoking strikes on a wage scale, as indeed they are already doing in the London docks.

In the context of the London dock strike, however, the Transport Workers' action is very understandable. Mr Deakin certainly swept all before him at his union's biennial conference. In addition to the anti-Communist motion, he secured overwhelming support for the TUC's policy with regard to wages and towards the World Federation of Trade

Unions. Indeed, the absence of any effective critical opposition, apart from the vociferous Communist minority, is not altogether healthy in a union of the size of the Transport Workers. The trouble is that the unofficial critics are "voting with their feet," and if Mr Deakin could exercise the same restraining influence unofficially as he does officially, the prospects of industrial peace would be enormously improved.

The wisdom of a similar decision on Communism in the case of the miners would be open to doubt. Mr Arthur Horner, since his row with Sir William Lawther last autumn, has abided loyally by official union policy, whatever his personal inclinations might be. His defeat in the nominations for the TUC General Council indicates, without the need for any formal ban, the contempt the miners are requiring for Communist policy.

* * *

Tito's Tit-for-Tat

Marshal Tito clearly believes in tit-for-tat as well as in the dictum that a stitch in time saves nine. In Paris this time last month Mr Vyshinsky was quietly withdrawing his support for the Yugoslav territorial claims against Austria, thereby mollifying the western Foreign Ministers while further enraging the much affronted Marshal. Now Tito has announced that he will "completely close" the Yugoslav frontier with northern Greece, thereby cutting off some of the Greek Communist rebels from valuable lines of retreat and supply. This further weakening of the Communist cause should stimulate morale in Greece and throw most of the burden of intervention there on Bulgaria, which has troubles of its own described in an article on page 139.



It would, of course, be surprising if the American and British representatives in Belgrade had not hinted in the last year that they could hardly give Tito the credits and goods he now wants if assistance to the Greek Communists continued to force Athens to look to London and Washington for more military and financial aid. The cold war is costly enough without indulging in extravagance of this kind. Tito may have anticipated formal representations from the western governments, and so made it possible to claim—as he did at Pola last Sunday—that loans from that quarter will secure from him no political concessions, especially over Trieste.

Jugoslavia is busy negotiating official and unofficial credits and trade arrangements both in America and London, though hardly in the astronomical figures of dollars and pounds mentioned recently in the press. The International Bank has been asked for a loan; a five-year trade agreement with this country seems probable, in spite of the difficulty of ensuring delivery of capital equipment and complete plants that the Yugoslavs want; both American and British business men are busy with schemes of oil and steel production; and France and western Germany have come into the field as suppliers of machinery.

In short, Tito is making fairly rapid progress in getting from the west those vital things for the industrialisation of his country which the Russians and their allies now deny him;

but he has yet fairly to face the problem of what he is going to send in return. Can the metals be mined, the timber cut, and the maize diverted from the countryside in sufficient quantities to foot the bill for industrialisation. And, strategy and politics apart, is it good business for the west to encourage the kind of plan to which Jugoslavia is working, a plan in which there is no real planning of foreign trade and only eight per cent of the investment programme is earmarked for agriculture?

* * *

Prospects of the Greek Rebels

If Tito's speech at Pola is to be interpreted as a declaration of new policy rather than as a public acknowledgement of the less active interest he has lately shown in Greece, then there should be deep sighs of relief in Athens. If Yugoslav frontiers with Albania and Bulgaria are to be effectively controlled, especially where they abut on Greece, then effective rebel activity along 150 miles of the northern frontier should be gradually paralysed. During the coming months the main operations of the Greek army will indeed be concentrated on this area and the much disputed Grammos Mountains. For the Peloponnese is said to be clear of rebels, Thrace no longer counts for much strategically, and central Greece has been suffering nothing worse than intermittent mine-laying.

The divisions and uncertainties among the Greek Communist rebels since they lost the leadership of Markos have played right into the hands of their opponents. Their tactics have been disastrously clumsy. Within four days last week their radio accused Tito of infiltrating the Macedonian national front, of allowing Greek Government forces to cross in and out of his territory in pursuit of rebels, and of acting as the tool of the Americans. It was natural enough that the rebels should pursue the vendetta of their Cominform employers against Tito, but the timing of these accusations was unwise. They have given Tito an excuse for breaking with them publicly just at the time when he is complaining strongly to the United Nations of frontier violations by Greek Government troops and aircraft. In fact, the rebels have enabled him to threaten the "monarcho-fascist" government in Athens with one hand and to do it a signal service with the other.

The pattern of postwar relations in south-eastern Europe is very slowly changing under the impact of economic needs and political rivalries. The time may yet come when statesmen, both in Athens and Belgrade, can be induced to recognise the lesson of Balkan history: that when they are threatened by Albania and Bulgaria as satellites of a Great Power they must stand together.

* * *

Australian Strikes

The general coal strike in Australia shows no sign of ending. Indeed, each day produces more evidence of the miners' determination not to surrender. The imprisonment of the Communist leaders on charges of contempt of court and the dramatic search by the Federal police for the hidden strike funds have made no difference. If anything, the court sentences, the police action and the legislation at Canberra prohibiting the use of trade union funds for the strike, have merely stiffened resistance, and there now seems every prospect that the strike will continue for several weeks at least.

As our Melbourne correspondent points out on page 140, the grievances of the miners are deep-seated. They bear little relation to the causes of the present strike, but the violence of public reaction against them during the past few weeks seems to have aroused old emotions and the idea of revenge for the eighteen months "lock-out" in 1929 is not far absent from their thoughts. The miners have always believed that everyone outside their ranks regards them as social outcasts;

the more politicians, press and public rail against them in the present crisis, the more determined do they become to stick together like a band of medieval outlaws. It is, of course, an ideal situation for Communists to exploit, but it would be a mistake to credit Communism with being the chief inspiration for the strike.

In such exceptional circumstances, is the Federal Government's policy the right one? Is it not possible that Mr Chifley has played into the Communists' hands by exclaiming so vehemently against the miners? The flouting of the arbitration tribunal could not have been allowed to go unpunished, but were the extraordinary police raids, which went on simultaneously with the legal proceedings, really necessary? It may be that the miners are now so embittered that nothing the Government can do will have any effect, but if a Labour Government will not promote conciliation, it is difficult to see who else can.

* * *

Miners' Wages

Although the National Union of Mineworkers decided at their conference last week to press for a "substantial increase" in the minimum wages of lower-paid men, it is by no means clear exactly what this decision will amount to nor how it will be implemented. Communist speakers, such as Mr Moffat and Mr Pearson of Scotland and Mr Davies of South Wales, left the delegates in no doubt about how they interpreted the resolution. But from the attitude of the Executive's speakers, including Mr Arthur Horner, it appears that what the union will aim at is a limited adjustment.

The miners' leaders know very well that even if they were to press a claim on the lines of the resolution submitted by Cumberland, calling for £1 a week increase in the minimum rate of surface and underground workers, it would stand no chance. Mr Horner's remark that it was harder to get a few thousands out of the Coal Board today than it was to get millions two years ago was very significant. Rather than risk a flat rejection of the claim, and be accused of ignoring the TUC and Sir Stafford Cripps, the union will probably try to secure a revision of the cost of living arrangement (still under discussion) in such a way as to benefit the lower paid men alone.

In the meantime the union is gradually proceeding with its plans for the overhaul of the industry's wage structure. One interesting feature which emerges is that, unlike the railwaymen and many craft unions, the miners are thinking along the lines of reducing, instead of maintaining, the "differential" between the lower and the higher paid men. Not the least of the anomalies in the existing wage structure arises from the practice of payment in kind, especially by concessionary coal. How this will eventually be solved is not known, but Mr Horner hopes that the districts will agree to an immediate temporary arrangement so that the Lancashire and Cumberland problem can be settled. This involves sharing out supplies, and some of the more favoured districts, for instance, Durham and Northumberland, will have a chance to show whether in this respect they can place the national interest above their own particular advantage.

* * *

Britain's Forests

The annual report of the Forestry Commissioners for the year ending September 30, 1948, draws attention to the heavy overdraft that is being made upon the country's stocks of standing timber. The quantity of timber licensed for felling during the year covered by the report amounted to 67 million cubic feet, an increase of 12 million cubic feet over the previous year. This has been estimated (not by the Commission) as a rate of felling about three times as high as in a

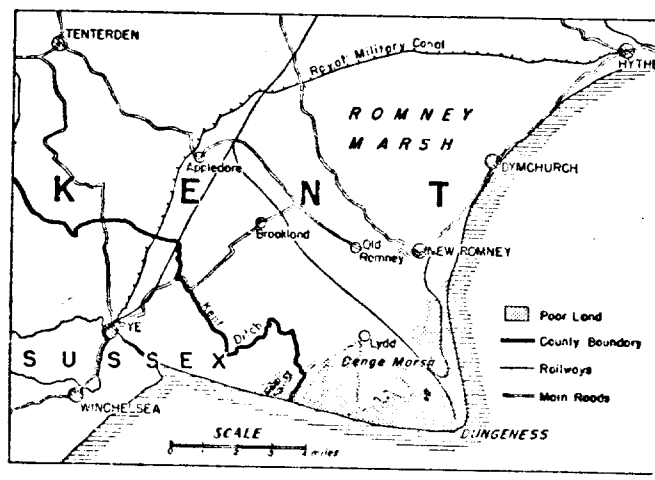
prewar year, and about five times as high as the current rate of growth. This of course is due on the one hand to the requirements of the housing and mining programmes, and on the other to the necessity of limiting timber imports from hard currency countries. But it can not go on for very much farther without danger to the security of the country. Over 65 per cent of the woodlands in Scotland, 45 per cent in Wales, and over 30 per cent in England are now classified as felled, devastated or scrub.

In 1945 the Forestry Commission recommended that within fifty years Britain should have 5,000,000 acres of woodland. According to a preliminary survey there are now about 3,400,000 acres of woodland, of which the Government estimate at least 2,000,000 are suitable for the economic production of timber. Various targets have been laid down for planting both by the Forestry Commission and by private owners. Both have so far fallen short of their targets by about twenty per cent although the pace of planting, which was delayed by damage to seedlings in the spring of 1948, is now increasing. A debate in the House of Lords on Wednesday produced a gentle chiding from the Government on the reluctance of private owners to fall in with the Government's scheme by which woodlands are dedicated to timber production in perpetuity in exchange for a modest amount of assistance. This produced a sharp chorus of protest from noble Lords (both "backwoods" and front bench) against the meagreness of the official assistance in undertaking large schemes of capital development on which no return could be expected for two or three generations. The attack was pressed further to show how little incentive the present controlled price of timber provides to the participants in forestry. It is doubtful whether the incentive to efficient replanting in this country can be provided without either extending the system of capital grants or rearranging the price controls.

* * *

Report on Romney Marsh

The Agricultural Land Commission has completed its investigation of Romney Marsh, the first large area referred to it by the Government. The object of the inquiry was to determine what type of farming should be carried on in the Marsh, what capital equipment would be required, and whether public ownership was necessary for efficient farming. To the



last of these questions the Commission has returned an emphatic negative. Romney Marsh, most of which lies below sea level, contains a great variety of soils, some of which are poor but others highly productive. It is the home of the famous Romney Marsh breed of sheep and the better pastures, the object of local veneration and something of a mystery, can fatten from 6 to 10 or even more sheep per acre in summer. Before the war the Marsh was given over to sheep farming,

but wartime pressures—which included the compulsory evacuation of large numbers of sheep—resulted in the ploughing up of a large part of the Marsh, with good results. The Commission has now decided that most of the Marsh is so inherently fertile that this policy, instead of being reversed, should be further extended; it suggests that the tillage acreage should be increased to 20,000—40 per cent of the total area—and believes that this is compatible with stopping any further decline in the sheep population. The adoption of ley farming is strongly recommended.

These proposals are of more than technical interest. The Commission believes that local owners and farmers are capable of making the Marsh fully productive without further state intervention, so long as the necessary houses and other services are made available. It does, it is true, frown at the use of parts of the Marsh as no more than summer grazing grounds for upland farms. It also stresses the suitability of the Marsh for mechanical farming and the advantage of large units for this purpose—an advantage that is not fully realised by the present layout of farms. Nevertheless, no changes in land tenure are thought necessary despite the increase of production and permanent change of farming system which is recommended. This conclusion should dispel any suspicions that the Commission is a catspaw of the Government, and its activities a first step towards land nationalisation. Such suspicions were never warranted by the facts or by the Commission's composition. Nevertheless, it must be remembered that Romney Marsh is reasonably fertile and prosperous. It is with regard to much poorer and under-equipped farmlands that a case for public ownership may possibly be made out.

* * *

Initiative from the Philippines

The conversations between President Quirino of the Philippines and General Chiang Kai-shek at the holiday

resort of Baguio, near Manila, have produced one of the most surprising of recent political developments in the Far East in the shape of a proposal for a conference of "Far Eastern countries" for the purpose of forming an anti-Communist union. On General Chiang's side the motives behind this move are obvious enough. He went to Baguio not, it seems, as the representative of the Chinese Nationalist Government in Canton, but as leader of the Kuomintang, so his visit had only a semi-official character. His gesture is well calculated to provide a tonic to the depressed Nationalist morale, and General Chiang personally gains in prestige by being received with so much honour in the Philippines. It is worthwhile for him to grasp at any straw of hope for his cause. But it is more interesting to inquire why President Quirino decided to take this bold initiative. There can be little doubt that the act of policy was more or less prearranged, for it would have been most unwise of President Quirino to have encouraged China's ex-President to visit him unless there was a prospect of something being accomplished by their meeting, nor would Chiang have been ready to risk the humiliation of going to the Philippines and getting a snub for his pains. It is evident that President Quirino has been actively promoting the project which the two leaders have now publicly proclaimed. One reason is probably his growing alarm at the possible repercussions of a complete Communist victory in China on his own country, where there is an active Communist movement. Another is perhaps his desire to show his independence of the policy of the United States, a desire which has been strong among the Filipinos since Washington so markedly disregarded their interests in unilaterally terminating reparations deliveries from Japan. Thirdly, it may be that President Quirino has conceived the idea of gaining for the Philippines a position of leadership in South-east Asia, east of Singapore.

Apart from Nationalist China, the countries most likely to respond to such a lead are Indonesia and Siam. The Filipinos have been very sympathetic to Indonesian nationalism and

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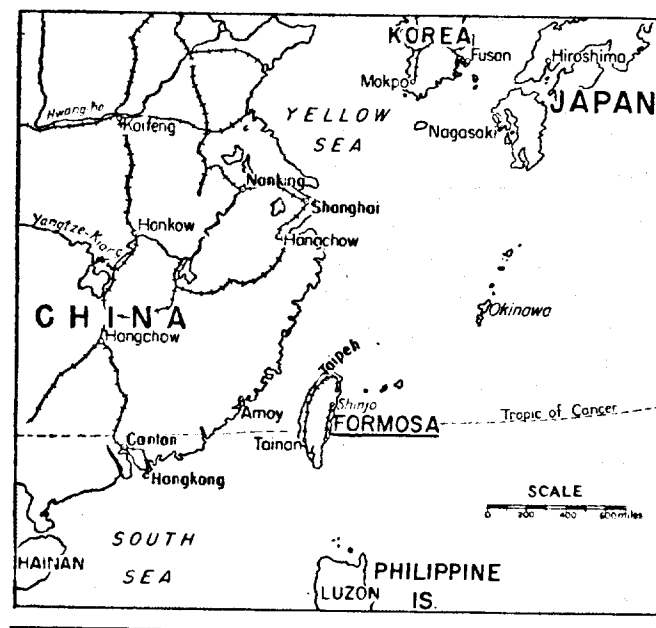
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a vague "Pan-Malaysian" sentiment serves to create a sense of solidarity between the two archipelagos, while the Indonesian Republic's own feud with Communism may draw it towards the idea of a regional anti-Communist grouping which would not be planned or underpinned by the Dutch. Siam, with its large Chinese immigrant population, is very apprehensive of the present course of events and might be disposed to support the Filipino initiative. Some skilful diplomacy will be needed if anything solid is to emerge from President Quirino's project, but it is a move in the right direction, for the western nations will be badly handicapped in their efforts to check the advance of Communism in south-east Asia unless the independent and quasi-independent nations of the area themselves undertake a measure of political co-ordination.

* * *

The Future of Formosa

General Chiang's journey from his stronghold in Formosa to the Philippines has made more urgent than before the question of the future of Formosa, which until a peace treaty is signed with Japan remains in international law Chinese-occupied Japanese territory. At present the island serves as a refuge for Kuomintang officials and their families from northern and central China, as a dumping-ground for Nationalist troops, said to number 300,000, brought there from the mainland, and as a base for the Nationalist naval blockade of Shanghai and Tientsin which is being operated to the considerable discomfort of the Communists and the serious detriment of British and American trade. So far Chiang and his lieutenants who rule Formosa can claim to be there as adherents



of the Nationalist Government in Canton, and in accordance with the original agreement for a Chinese occupation of Formosa in advance of a Japanese peace treaty. But the Chiang regime in Formosa is largely independent of any external authority, and if the Communists were to capture Canton, thus bringing about the collapse of the Nationalist Government on the mainland of China, the Nationalist position in Formosa would become dubious in law and precarious in fact. The island, which was developed economically by the Japanese to standards far above those of the Chinese mainland, normally has a flourishing export trade, but it probably cannot sustain for long, at least without foreign aid, the load of non-productive officials and soldiers which has now been piled upon it. There is no immediate prospect of the Communists being able to launch a serious overseas invasion of Formosa, but if the Nationalist command ceased to be able to pay and feed its troops (whose homes are on the mainland), mutiny

would certainly not be long in breaking out. The situation is further complicated by the tensions which have existed between the Formosans and the intruders from the mainland since the capitulation of Japan. The Formosans rose in revolt in 1947, but were suppressed with great severity. This was not a Communist but a provincial autonomist insurrection, and a strong desire for at any rate temporary independence is reported to exist among the Formosans. They were always an unruly element in the Chinese state and after fifty years of separation from China under an oppressive, but efficient, alien administration, they have no desire to be exploited by "liberators" from the continent, whether Kuomintang or Communist.

Nobody so far has paid any attention to the wishes of Formosa's inhabitants, but it is arguable that they should be considered. The agreements made with the Nationalist Government about the provisional postwar occupation of Formosa would lapse if recognition were at any time to be withdrawn from it, unless these agreements were specifically to be renewed in favour of a Communist China; meanwhile, ultimate authority would revert to the Supreme Commander of the Allied Powers as part of his responsibility for all Japanese territory. The Americans, if they wished to do so, could provide sufficient protection for a Uno Commission to hold a plebiscite of Formosans on their future. But there is so far no indication that Washington now contemplates any Far Eastern policy involving new activity. If there are any misgivings about Formosa, however, they may emerge in the expected State Department White Paper on the Far East.

* * *

Benelux in Peril

No one is anxious to rush in with an obituary notice on the Benelux Union so long as there exists any hope of breathing life into the invalid. Unfortunately that hope is very fragile. Benelux seems destined to become the latest victim of the growing cleavage between the dollar and the non-dollar worlds.

From the start it was recognised by the members of the projected union—Holland, Belgium and Luxemburg—that the chief obstacle to their efforts was Holland's large trade deficit, both with Belgium and the western hemisphere. Although it was plain that no cure was in sight for this deficit, the three partners issued a brave statement last spring, declaring a state of "pre-union" to take effect on July 1st of this year and postponing the date of final union until July, 1950.

The deadline for the "pre-union" has now passed with no sign of agreement on the gradual decontrol of Belgian imports into Holland which was supposed to accompany this introductory step. The immediate difficulty is the question of Belgian credits. To effect even a modest step forward, it is essential that Belgium grant additional credits to Holland beyond those extended under the intra-European payments scheme. This it is willing to do, provided the bulk of the money is spent on such "inessential" Belgian goods as textiles. Holland hesitates because it would prefer to use the credits for "essentials."

A compromise on this relatively narrow issue may well be reached, but the larger problem remains. No amount of officially voiced enthusiasm and determination can erase the dollar line that runs through the heart of the potential union. To one side lies Holland, now closely associated with the sterling area and on the other are Belgium and Luxemburg, for all economic intents and purposes part of the dollar world. This division has recently become even more marked with the growing disparity between prices in the dollar and sterling zones; and the Dutch say that the necessity to buy expensively in the sterling area has put their industry at a competitive disadvantage with the Belgians, who are free to buy in the cheaper dollar markets.

In present circumstances no one can blame the Belgians for their mounting scepticism toward Benelux. Marshall aid now finances directly most of Holland's dollar deficit and indirectly a substantial portion of its trade gap with Belgium. If this help tapers off and vanishes before Holland is able to pay its own way, then Belgium would have to shoulder the entire burden. It looks very much, therefore, as if complete union awaits a solution to the whole economic dilemma of the western world.

* * *

How Many Women to Teach?

Two points stand out from the Ministry of Education's Working Party Report on "The Supply of Women Teachers."* The first is the growth in the number of girls who must stay on at school till 17 in order to provide recruits for teaching. The second is the evidence of the inequality of treatment accorded to men and women teachers.

On the first point the report states that by 1952 the schools will want 11,000 women to enter the teaching profession each year. In 1948 there were only 14,000 girls aged 17 to 18 in secondary schools (beside a small number in independent schools), out of a total age group of 293,000. To meet the demand it is hoped that the numbers staying on at school will rise to 20,000 in the 17-18 age group. This compares with 6,000 in 1938 and 10,000 in 1946. The present rate of growth is rapid, but will it be possible to sustain it? The Minister of Education has already urged all the education authorities to encourage boys and girls to stay on longer at school, but without making a corresponding provision for receiving them. To double the numbers who stay on at school after the age of compulsory schooling between 1946 and 1952 would mean some 170,000 more places. Having progressed about half-way to this goal the schools are bursting. Quantitatively these demands are small compared to the million places which will be required by 1953 to meet the demands of the higher birth-rate, but qualitatively they are very important.

As far as sex discrimination is concerned the ghosts of the suffragettes could stage another battle. Not only is pay still unequal for an equal job, but the prospects of promotion are much lower for women than for men. Many authorities will not allow women to become the heads of mixed schools, nor allow them access to the ladders of educational administration. It is doubtful if many girls at 18 look this far ahead at their prospects of advancement, but the contentment of those who are working in the schools must affect the attitude of those who are considering entering this profession.

* * *

State Holidays?

No; not exactly State Holidays. Mr Chapman, author of the Fabian Society's new pamphlet on the subject,* is aware that there are limits to what can or should be provided free by the state, that holidays are "probably" well outside them and that regimentation is the ruin of the holiday spirit. He is, however, in favour of state intervention without "really major" expenditure and "with only a more subtle assistance to personal effort and initiative"; for while holidays, through the holidays-with-pay movement, are conceded as a right to the majority of the working-class population, they remain out of the reach of many of them. It might seem hard to reason from the proposition that certain persons have achieved the right to stay away from work for a given period without loss of pay, to the proposition that they have thereby gained the right to a subsidy for their chosen activities during that period.

Given this proposition, Mr Chapman's proposals are sensible enough, and the statistics on which he bases them—of holidays taken and forgone, of types of holiday preferred, of costs in

* "Holidays and the State," by Donald Chapman. Fabian Society. 24 pages. 1s.

guest-houses, hotels, hostels and camps of various kinds—would be interesting in any context. The state should content itself with shouldering (through a Holiday Council) the capital cost of holiday accommodation, mainly in the form of camps which should then be leased to non-profit-making bodies like the Workers' Travel Association and the Holiday Fellowship, and left to pay their own way. Alternatively, or in addition, there could be cheap family rail fares and a special holiday family allowance. Five to ten million pounds a year, it is estimated, would cover the cost; and the entire foreseeable excess of potential demand for holidays would be safely covered.

One must admire the neatness with which so much extra happiness is conjured out of thin air. But the conjuring act will not bear analysis. Mr Chapman rightly states that "it is no longer possible to plan for expanded social services out of taxation of the rich." Collectively financed amenities, then, must be paid for out of taxation of the masses. He demonstrates that the masses are unable to extract from their pockets, as individuals, the whole price of an annual holiday; so he proposes to remedy this inability by extracting the difference in taxation and returning it as a holiday subsidy. He sees no difficulty in sparing for the Exchequer the identical sum which a working family cannot afford to pay Mr Butlin. "No collective expense is a burden" is his underlying assumption and it is a typical assumption of Fabian Socialism. It is writ small in "Holidays and the State." In the recent history of the social services it is writ large.

* * *

Semi-blockade of Berlin?

The Paris meetings of the four Foreign Ministers ended in a palpable though fairly rosy fog. The communiqués tended to speak of readiness to co-operate in order to restore a situation in which contacts might be re-established with a view to etc., etc., . . . but it was nowhere defined very precisely what the really specific aims of the *détente* would be.

It is now beginning to become clearer, however, that the Russians had some pattern of procedure in view. Their general aim appears to be, as Mr Vyshinsky underlined in his account of the conference, to give the impression that the Paris meetings were a great triumph for Soviet commonsense over "the hysteria and warmongering of the Western Powers." Specifically, they regard the Paris agreements as the first step towards pulling the two halves of Germany together, to increasing East-West trade—on their own terms, naturally—and to persuading the authorities in both zones and in the Berlin sectors to fuse with each other. Accordingly, they have attended meetings of the Deputy-Governors, and have urged meetings of the four Berlin Commandants, while Herr Rau, the President of the Economic Commission in the Soviet Zone, has invited Dr Pünder, the Director of the Economic Council in the West, to join with him in setting up an Economic Commission for all Germany "in accordance with the Paris agreements."

Why, then, was this love feast interrupted by the Russian decision to concentrate all German road traffic on Helmstedt, and to permit only four lorries an hour to pass the check point? No explanation has come from Berlin, where there is the customary bland ignorance of events outside the Soviet Zone. The Western Powers must, as usual, present their protests and make their own guess. It may well be that the partial restoration of the blockade—removed as suddenly as it was imposed—was a Russian reminder that they still hold the whip, and are prepared to use it if the Western Powers do not hurry along with them on the new path of sweetness and light. The American controlled radio in Berlin has begun a new attack on Russian police and spy methods, and the British have circulated a derogatory account of the Soviet Zone economy. This departure from "the spirit of Paris and Potsdam" which runs like a refrain through Russian propaganda may account for the new turn of the screw at Helmstedt.

Splinter Parties in Germany

In a month's time the candidates will be elected for the Assembly of the new Federal Republic of Germany. The first round of the election campaign has already opened. One of the most important questions to be answered on August 14th will be the extent to which the numerous, small independent "parties" succeed in securing representation in the *Bundestag*. The scales have been heavily weighted against them by the electoral law, which was framed to prevent the new government from being weakened by a large number of splinter parties. Military Government law, too, has always hindered small, neo-Nazi "parties" from organising themselves. Before a party can obtain a licence, the law demands from it a specific programme and democratic elections to the executive committees. Few of the neo-Nazi groups can qualify in this respect; almost without exception they are formed by a self-elected chairman, who proclaims a programme denouncing the wrongs done by the Allies to the Germans. Most appeal particularly to the refugees, the ex-soldiers and the ex-officers.

Last month an attempt was made to overcome the handicap of the electoral law by organising support for "independent" candidates put up by any of the various nationalist groups. At the invitation of Joachim von Ostau, a well-known would-be organiser of neo-Nazi parties, about thirty individuals met at Bad Godesberg and issued an appeal to Germans not to allow themselves to be splintered into refugees and residents, have and have-nots, "those who are affected by the denazification laws and those not affected," or any of the other existing divisions. They were asked to vote for the "Independents" as the champions of German unity, honour and rights "to which they are entitled as a decent and illustrious and highly-civilised people." The supreme right thus claimed is the restoration of a united Reich "within its old-established frontiers."

Such appeals meet with widespread response. It was symptomatic that the *Deutsche Rechtspartei*, a small neo-Nazi party which was banned by the British in Lower Saxony,

succeeded shortly afterwards in having its candidates elected under the sponsorship of the only slightly more democratic *Deutsche Partei*. A similar portent showed itself when a moderate Christian-Democrat Minister was recently howled down at a meeting in Hesse.

Not all these vague "parties of the partyless," as they were once called, have a clear-cut, neo-Nazi composition. The *Deutsche Union*, for example, one of the largest "super-party" groupings, is a conglomeration of different views, ranging from Nazis to idealistic cranks. And the individuals concerned are constantly shifting in a kaleidoscope of small, highly personal "Circles."

The political mass in Germany has, in fact, not yet solidified; but the prospect that it will show a preference for a truly democratic shape cannot be said to be good. It is a regrettable fact that, in the past four years, the big political parties—the Christian Democrats, Socialists and Liberals—have failed to win a hold on the German public.

* * *

Tired of Refugees?

"The world is tired of the refugee problem." This comment by an observer at the meeting of the general council of the International Refugee Organisation in Geneva last week seems unfortunately to be completely justified. The council decided to taper off its activities gradually until by June 30, 1950 (when its three-year mandate ends) they will be almost entirely closed down. The refugee problem is hardly within sight of a solution, yet it appears that in less than a year there will be no international organisation responsible for it.

When the preparatory commission of the IRO began operations on July 1, 1947, it took over the direct care of about 704,000 refugees and displaced persons in Europe, the Middle and the Far East, and assumed responsibility for protecting the interests of about 900,000 others. With its limited financial resources it has done a great deal. But it can neither compel unwilling governments to accept larger numbers of immigrants, nor can it prevent the steady influx of new refugees from behind the Iron Curtain as well as of older ones who for one reason or another are no longer able to support themselves independently. The result is that on June 30, 1950, there will still be about 304,000 persons registered with the IRO of whom about 172,000 will be receiving care and maintenance.

These 172,000 represent the "hard core" of refugees but only about 11,000 of them are so sick, aged, or handicapped that they must remain permanently dependent on charity. The remainder have been rejected as immigrants for a variety of reasons, but most of them are not permanently unemployable and if governments will not follow the good example of Australia, New Zealand, the Netherlands and Norway and accept a "fair share" of them, much could still be done through training and rehabilitation courses to make them into more desirable immigrants. But if they are thrown on to the local economy, which in the majority of cases will be western Germany, their future is indeed black. The record of the Germans with their own refugees from the eastern provinces leaves much to be desired.

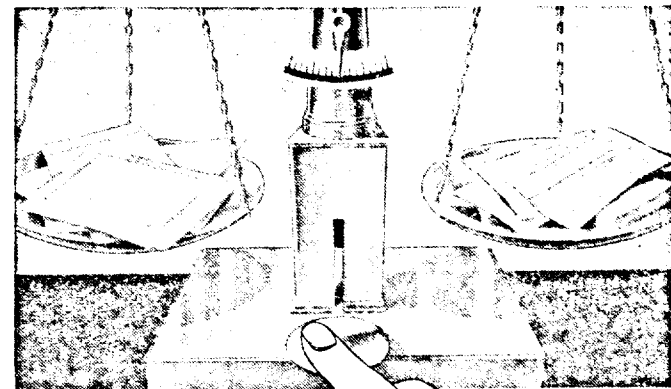
Mr Hallam Tuck, the retiring Director-General of the IRO, has never made any secret of his belief that some international organisation will be needed to carry on where the IRO leaves off; to co-ordinate voluntary relief work even if it does not carry out any itself; to stimulate, even if it does not operate, resettlement programmes; above all to provide the legal and political protection which only an international organisation can provide for stateless refugees. If governments will not help them in the most obvious and practical way—by relaxing their immigration laws—it is all the more incumbent on them to make what other provision they can. It is to be hoped that the delegates to the consultative assembly of the Council of Europe will give their governments a sharp nudge to see to it that the Western world sets up its own "Nausen office."



Aluminium gets a bodyguard

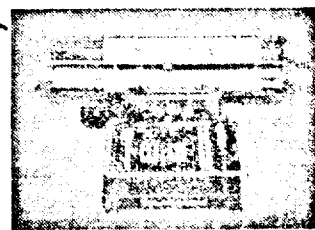
Whether it is milk churns or chairs—boats or beer barrels—aluminium is just the thing. The normal manner of joining aluminium however by gas welding necessitates time and labour being spent on post weld flux removal. The British Oxygen Company has overcome this problem by developing the ARGONARC welding process which is completely "fluxless". The ARGONARC torch is a simple, efficient tool in which the source of heat, a tungsten arc, is given a "bodyguard" of the inert gas ARGON. This protects the molten weld metal from atmospheric corrosion and gives perfect results—not only with aluminium but with certain other light alloys too. Just another B.O.C. contribution to modern production techniques.

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Smoke Abatement

Looking over Manchester on a calm morning, and marking one tall chimney after another belching forth its dark grey smoke, till the town is enveloped in a dull, leaden-like cloud, hiding even the sources of the pollution, it is impossible not to regret that the face of nature should be so obscured, and not to wish that the bread-winning operations of millions could be successfully carried on without imprisoning us all in their dense atmosphere of smoke. No one who has seen this can feel the least surprise that the legislature, which has received from the people a commission to banish evil from creation... should resolve to put an end to the smoke nuisance...

We are quite aware of the many ingenious contrivances that have been announced to put a stop to smoke rising in the atmosphere. All kinds of industrial furnaces can be made, it is supposed, to consume their own smoke; and, as visible smoke is only unconsumed coal, it would be a saving of fuel, an increase of heat at a diminished cost, were the smoke to be consumed... But if it be such a saving to consume the smoke, and the new contrivances for effecting it are so ingenious, why do the owners of furnaces not adopt them?... If the matter be so easy as it is represented by the inventors of smoke-consuming apparatus and their patrons, it would no doubt be done without the interference of Parliament. It is only required to interfere to make people do what they are averse from: it is never required to make laws to compel men to eat, or acquire riches. These come of course: so would burning smoke if it were practicable and advantageous. The presumption, therefore, is that it is not, and the best friends to the consumption of smoke must be anxious that the Parliament should not weaken its authority by requiring that to be done which is not practicable.

The Economist

July 14, 1849

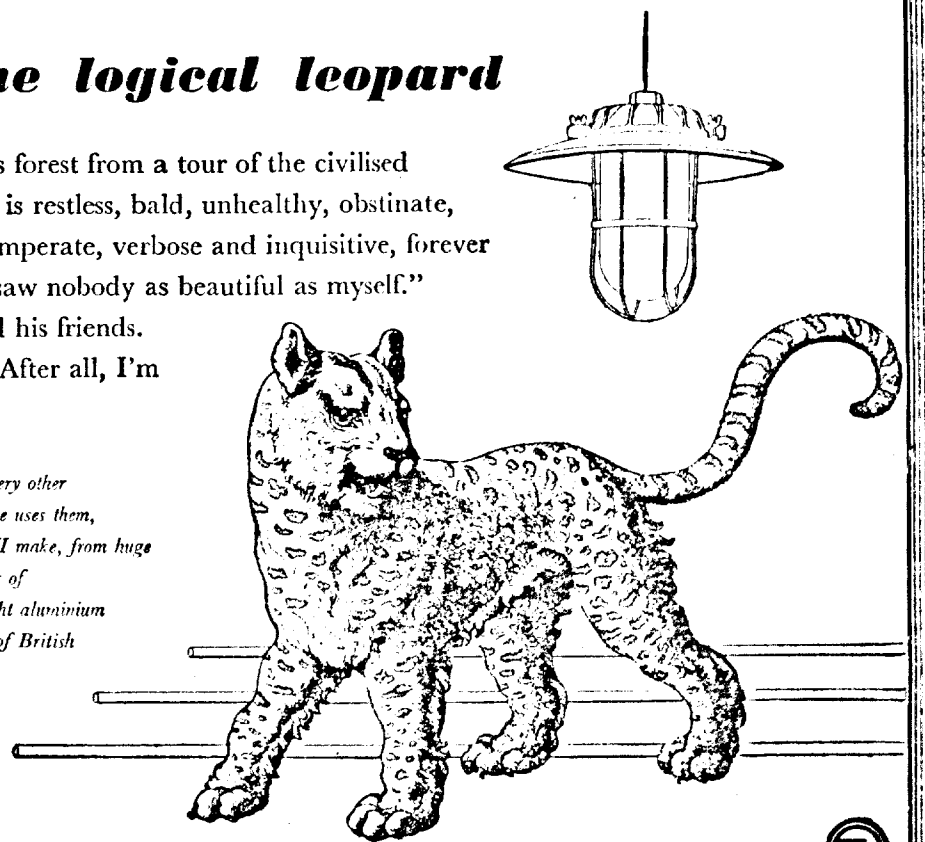
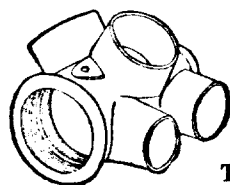
The fable of the logical leopard

A Young Leopard came back to his forest from a tour of the civilised world. "Mankind," he declared, "is restless, bald, unhealthy, obstinate, short-sighted, spindle-shanked, intemperate, verbose and inquisitive, forever troubling its brains and fingers. I saw nobody as beautiful as myself."

"And what did you learn?" asked his friends.

"Nothing whatever!" said he. "After all, I'm only a leopard."

Man, whatever his defects, has resources denied to every other creature. When he neglects them, he fails: when he uses them, he has a chance to flourish. And the things that TI make, from huge pressure vessels to complex precision tubes, from parts of aeroplanes to complete bicycles, from paints to wrought aluminium alloys, electric cookers to metal furniture, are tokens of British leadership in the realm of human ability.



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Letters to the Editor

Terminus or Turning Point?

SIR,—Whatever may be true of the Government's handling of this "moment of supreme crisis" it is clear that *The Economist* has itself reached a terminus in its thinking—a terminus with no turning except backward along a demolished track.

Surely it is obvious that the world has moved on since 1931, and that to offer nothing but deflation and removal of controls in promise of a return to "normal" methods of trading is merely to re-prescribe the cure that did not save the patient?

Two facts in the present situation stand out. First, that everywhere private or free enterprise is being superseded by state controlled economies. A process not initiated by the present Government, and which will continue if this Government are defeated at the next general election. Marshall Aid and the policies of European integration it promotes are excellent examples of the process at work in the United States as well as here.

From this it follows that solutions to trading problems must be sought that will utilise the prevailing tendency and not seek to run directly counter to it. It is more intelligent control that is required, not more abandonment to the haphazards of speculation.

Second, there is the transformation in the social status of the wage-worker. For good or ill, he has moved towards equality, and the balance of political power has shifted heavily in his favour. Because of this, successful economic policies must secure far wider willing co-operation than ever before. The alternative is not controlled unemployment, but destruction of democratic institutions and the growth of government by secret and open terror.—Yours faithfully,

GEORGE LAWSON

West of Scotland Labour College

SIR,—In your Leader of July 9th entitled "Terminus or Turning Point" you suggested a number of measures which the Government might adopt in the present crisis, among which were (a) a slashing of the Budget with a consequent relief in taxation, and (b) an abandonment of cheap money.

These two proposals appear to be inconsistent, for by allowing interest rates to rise you thereby place a heavier burden on the budget, by increasing the interest payments on the National Debt. This is not an unimportant factor. In 1948 the Consolidated Fund Services accounted for about 15 per cent of the total Government Expenditure, and this proportion would have been much greater if interest rates had not been kept low. With the debt at its present figure even a small increase in the rate of interest would raise the charge considerably, thereby nullifying reductions say in Civil Supply expenditure. Moreover, the debt interest could not be financed by borrowing without adding to the inflationary pressure, but would have to be met out of further taxation, which is what we are trying to avoid.—Yours faithfully,

M. FISHWICK

10 Ogden Road, Bramhall, Cheshire

[It is true that higher interest rates would increase the debt charge, but the effect can easily be exaggerated. The cost of the floating debt is the only part of the total debt charge that would go up at once; every one per cent increase in money market rates (and one per cent would be a big increase) would cost something less than £60 million a year gross. The rest of the debt charge would rise only gradually as the various stocks fell due for redemption—and even then only if interest rates moved to a permanently higher level—which is no part of the argument that they should occa-

sionally be used to correct an unbalanced situation. Moreover, almost all debt interest is taxed, so that the net increase might not be much more than half the gross. If low interest rates ceased to be a rigid fetish and became once again a general objective, to be pursued with variations according to circumstances, it is most unlikely that the change in policy would add more than 1 per cent net to the present total of the budget. It cannot really be held to impede the general policy of economy even in its direct effects—let alone its indirect repercussions.—EDITOR.]

Yes or No?

SIR,—My simple faith in *The Economist* is shaken. On the front page of *The Economist* of July 9th you say—with some emphasis—that "it is not true that the American economy is slumping." To suggest it is, is in your editorial view, a left-wing smokescreen of poison gas. But the poison seems to percolate into the same article two pages farther on—on page 59.

There I find that there is an American recession "which will turn into a world depression" if every country cuts down imports from the United States and seeks by every means to undercut its competitors. The existence of a recession seems here rather more than implied.

Farther on, on page 68, your editorial note on East-West Trade removes any doubts. "As the year wore on and the prospect of an American recession became a reality," you write in your accustomed incisive style, and on page 79 you discuss whether the President will follow Mr Keyserling's policies or "allow the recession to find its own bottom."—Yours faithfully,

JON KIMCHE

Overseas News Agency, 72-78, Fleet Street, E.C.4

[The explanation is even simpler than Mr Kimche's faith in *The Economist*. It is partly a matter of degree, partly one of tense. There is a recession in American business—that is, some slight falling away from the very high levels reached in the latter half of 1948. But there is no slump. Mr Kimche can, presumably, tell the difference between the end of a heat wave and a sharp frost. Several of the phrases that Mr Kimche quotes are in the future tense, while the extract from our first leader is in the present. There may be a slump next year—nobody can foresee what will then happen—but that does not mean there is one today. There is no scapegoat to be found in American conditions for Britain's present difficulty. If Socialist Britain was even half as prosperous as capitalist America is today—recession included—there would be no crisis.—EDITOR.]

Pedigree Breeding

SIR,—British agriculture, one of our high cost industries, is being subjected to a critical scrutiny from many angles. The quality of our livestock largely determines whether the stock farmer can produce milk, eggs, meat, etc., at an economic price. This factor of quality is largely dependent upon the degree of efficiency with which our pedigree breeders conduct their business. It is the role of the pedigree breeder to produce those superior strains of livestock which, in the hands of the farmer, improve the general level of production and lower the cost of the unit.

Very little critical work has been undertaken on the methods adopted by pedigree breeders. However, startling results have been published by the Milk Marketing Board in an analysis of the milk production record of half a million cows in 1948, comparing the yield of pedigree with non-pedigree cattle. The average pedigree Dairy Shorthorn cow gives 40 gallons more milk per annum than her non-pedigree counterpart. The

average pedigree Friesian cow in the same period averages 100 gallons more milk than the non-pedigree Friesian.

All this small increase in yield can be attributed to the better standards of cowmanship, better feeding, and housing devoted to our pedigree cattle, and the evidence is that the average pedigree cow is no more productive of milk from a hereditary standpoint than the non-pedigree. In fact, many farmers believe that these figures show that the use of an average pedigree Dairy Shorthorn bull in an average herd is likely to depress the milk yields of the progeny.

It would appear, therefore, that the average pedigree breeder of dairy cattle, after thirty years of consistent pedigree breeding, after the vast expenditure over the years on the showing of cattle and the whole expensive pedigree breeding set-up, has failed to produce cattle which in the hands of the average farmer improve his herd. Scientists have little difficulty in explaining this phenomena. They believe the methods of selection used by pedigree breeders to be largely fallacious. Pedigree breeders select their breeding animals by a combination of many different factors. The main emphasis is on the appearance and conformation of their animals, and in dairy cattle on the milk production of the dam and sire's dam. No correlation has yet been discovered between the appearance and conformation of the parents and the milk production of the progeny. The correlation between the pedigree of a bull or cow (mainly the dam and sire's dam's milk production) and the milking capacity of the progeny is well under 5 per cent, a poor basis for selection.

By and large these irrational methods of livestock selection hold true through the whole livestock industry, though to a lesser extent in the animals bred for meat production. In this field the United States is showing the way. This hatching season, Mr Henry Wallace, jun., in Iowa, has produced 15 million chicks, "tailor made" for high egg production which will lay an average of about 220 eggs per pullet. Such an average egg production is at least a 30 per cent improvement on the ordinary poultry in the United States, and all this increase can be attributed to the use of sound breeding methods.

In Britain the main bright spot is the usurpation by the Milk Marketing Board of the function of the breeders. The Board through their rapid expansion of artificial insemination has probably done more for stock improvement during the last 12 months than the pedigree breeders have achieved during the last 30 years.—Yours truly,

GEOFFREY SYKES.

Queen Manor Farm, Laverstock, Salisbury

Oppression in South Africa

SIR,—Your article "Oppression in South Africa" deserves to be widely read throughout British Africa but will you allow me to correct one error and to point out one omission?

The coloured vote in the Cape has not yet been abolished, as suggested by you. It is threatened in just the same way as the special representation of the Natives by three Europeans is threatened, but these two aspects of the franchise are protected by the entrenched clauses of the South Africa Act, which demand a majority of two-thirds of both Houses sitting together before they can be amended; a majority which the Government have not got.

They have endeavoured to show that this proviso no longer holds good, but Mr Havenga, leader of the Afrikaner party (General Hertzog's party), who holds the balance of power in the House of Assembly, has yet to be convinced of the validity of this view. But popular opinion is that he is weakening on this issue, in which case the Natives and the Coloureds will indeed be thrown overboard.

What you omitted was any reference to a particularly bare-faced piece of gerrymandering: the representation of South-West Africa, with 15,000 to 18,000 voters, by 6 members of Parliament and four Senators. For this purpose it is proposed

to renaturalise some 6,000 Germans who were deprived of South African (or British) nationality during the war, for very good reasons.

The net effect of this is that 3,000 South West African voters, or thereabouts, will return one Member of Parliament, about a third of the number required in the average South African constituency. One vote in S.W. Africa will be the equivalent of three in the Union. While 30 or more thousand British immigrants who arrived in the Union after July, 1947, will now have to wait three or more years to get their vote, and then only if the Minister of the Interior agrees, South African citizenship is being pressed on the Germans of SW Africa in time for them to vote in October.

As a matter of fact, many of these Germans proved unexpectedly reluctant to avail themselves of the Government's offer, when the status of British subject was linked with that of Union National. This is one of the reasons why the Government, in the teeth of United Party and English-speaking opposition, left out any reference to British subjecthood or Commonwealth citizenship in the Act just passed.

But it is quite possible that this Act may be a boomerang to Dr Malan. You are right in saying that in last year's General Election he gained quite an appreciable amount of British support, while in Kenya and Rhodesia not a few European settlers looked nostalgically towards what they called the Union's "realist" native policy.

Now by his action in forcing this Act through Parliament, he has united the whole English-speaking vote against him: while he may have disfranchised some 30,000 British immigrants at the next General Election, he has antagonised a far greater number of normally apathetic British South Africans: and the issue in South West Africa is anybody's guess. Not only has he mis-timed his action, but he has forfeited any right he may have had to be the spokesman for European opinion in British Africa generally, as his roving Ambassador, Mr de Water, has doubtless by now found out.—Yours faithfully,

Sunrising, Bulawayo.

ALFRED BEIT

South Africa's Finance Corporation

SIR,—In your comments on South Africa's Finance Corporation in your issue of June 11, 1949, additional criticism is levelled at the project on the grounds that, as the Union's present financial difficulties are due to a deep-seated excess of demand for capital in real terms—manpower, productive capacity and scarce imported materials—this disability cannot be remedied by the Corporation, which is a purely mechanical device. In fact, as the Corporation is inflationary in character, you believe that if it is successful in mobilising "idle" funds, it will exacerbate present difficulties by increasing the current pressure on limited and overstrained real capital resources.

It is true that the Union needs real capital in terms of your definition—it also needs at least £60 million per annum of overseas investment capital!—but it is misleading to imply that the present straitened real capital position is due to the basic excess demand for real capital.

Part of the present scarcity of real resources is the result of enforced expansion in secondary industries during the war and of a consequent unwholesome development which has been further fostered since 1945 by "easy" money, facile optimism and a sellers' market. Industry (and commerce) have grown at a rate and into a variety of occupations that would have been difficult to justify even if our home market—the only sound base for diversified industrialism—had been normally broad and reasonably homogeneous in its modes of living and shopping requirements. The local market is, in fact, as you know, narrow, and uniquely multi-racial both in its proportions and its heterogeneity of living standards and customs and, for the most part, poor.

Substantial gains in real capital elements, and in new investment capital, have been made by industry (and commerce)

at the expense of mining and farming. These capital elements have, however, not been lost, and even now manpower and productive capacity are trickling out of unduly distended sections of the Union's economy: this corrective trend would have developed in due course under stress of external competition, but it is probable that under pressure of the more precipitate deflation conjured up by the heavy decline in overseas money capital investment, the present trickle of real capital elements will become stronger.

It is just in this field and precisely at the present time that the Corporation with its investment emphasis on Government and Municipal, mining and industrial projects (in that order) may be unexpectedly useful in guiding displaced real capital elements into more prosaic but much-needed development in such items as roads, soil conservation, irrigation, railways, regional development, heavy and national industries and multi-racial national health.

The Corporation was designed to mobilise "idle" money resources; in that specific capacity in present circumstances it is open to criticism only on technical grounds as money capital is scarce and reserves are low.

If, on the other hand, the Corporation could be built into a dominant magnet for real capital resources, it need not be harmful; properly used, its competition with other capital users and seekers must add to investment stability in the Union by insistence upon greater selectivity in the use of both real and money capital resources.—Yours faithfully,

R. S. B. ROBINSON

King's Lyn, Llandudno, South Africa

[The diagnosis here is not in principle different from ours. The excessive development of "secondary" activities is a major cause of the disequilibrium in the "real" capital market, both through its demands for capital and for its encouragement to consumption. If the new corporation could in fact be so powerful a magnet as to stop the savings flowing towards the essential projects while reserving them for priority objectives, it might exert a constructive influence. But the first need is to curtail the aggregate demand, and we fear that the corporation will not only fail to assist this curtailment, but will actually intensify the real pressure.—EDITOR.]

The Late George Dimitrov

SIR,—There is an addition to your note on the late George Dimitrov which I think should be made, as I have not seen it mentioned in most obituaries published in this country. On one occasion Dimitrov denied complicity in the explosion in Sofia Cathedral (1925) for which 2,000 people were killed. Dimitrov is on record as saying:

"I remind you of the outrage in the Sofia Cathedral. This outrage was not organised by the Communist Party. Because of it the Communist Party was persecuted. Two thousand workers, peasants and intellectuals were savagely murdered on the assumption that the blowing up of the Sofia Cathedral was done by the Communists. This provocation was organised by the Bulgarian Police." ("Brown Book" on the Reichstag Trial, official publication of the Bulgarian Communist Party, 1946, Sofia, Volume 1, page 173, Bulgarian Text.)

As recently as last December, however, Dimitrov felt himself strong enough to admit indirectly a part in this outrage. I feel the reference is worth quoting as an instance of how history can be first falsified and then inadequately corrected. "The blowing up of the Sofia Cathedral was an ultra-Leftish mistake of the Military Leadership of the Communist Party. . . ." "The Fascist Bulgarian government continued its terroristic policy, exploiting the act of despair organised by the Military Leadership of the Communist Party in blowing up the Sofia Cathedral." (Official Communist Text of Dimitrov's speech published on December 20, 1948, page 3, column 3 and 4 of "Otechestven Front.")—Yours faithfully,

MICHAEL PADEV.

5 Lancaster Terrace, London, W.2

A Liberal Revival?

SIR,—Really, Sir, what next? If Sir Andrew MacFadyen is correct in saying that the Liberal Party has "never lost seats for want of a policy," can one draw any conclusion from the eclipse of the Liberal Party other than that the British public does not trust Liberal candidates, if elected to Parliament, to put their policy into effect? To conclude this is surely less generous than to say that it is the Liberals' lack of policy which accounts for their eclipse.

Since March, 1948, when Air Vice-Marshal Bennett lost his deposit at North Croydon, the Liberals have not dared to put up a candidate in any of the ten by-elections that have taken place. Why? Have they no policy at present? Do they not think that the public will trust them to carry out their policy? Or is Sir Andrew correct in saying that the Party is grievously hampered by want of the money which its rivals can obtain by sectional appeals?

My constituency of Lewes, in Sussex, is typical of four or five hundred others. We have 9,000 paying members of the Tory Association. The average person subscribes about half a crown, and several thousand subscribe as little as one shilling a year. Not only are we able to finance the Association, but we, like more than 200 other constituencies, are paying a considerable annual sum to help less well-off constituencies which must be won back if we are not to live in a Socialist State. I am not called upon, nor are my friends in the House, to pay anything towards election expenses or the annual budget of the constituency. At the last election in Lewes, 6,374 people voted for my Liberal opponent. He lost his deposit by half a dozen votes. He is standing again. Yet I do not know any principle which matters in politics which he and I do not share with equal sincerity.

If Liberal Members of Parliament after the next general election cannot be carried to the House of Commons in two London taxis without overcrowding, it will come as a great surprise to me.—Yours faithfully,

House of Commons, London, S.W.1 TUFTON BEAMISH

Working Party for Tin

SIR,—Forgive me if I encroach once more on your valuable space, but I cannot allow your footnote to my letter to go unchallenged.

Economists have always recognised that the demand for tin is, in its main uses, inelastic. The price of tin, for example, does not affect the world demand for tinplate. A shortage of steel can, on the other hand, limit the rate of tinplate production.

It appears that I did not word my argument regarding inefficient mining methods well enough to avoid ambiguity. When I stated that "low-cost production is in itself inefficient," I sought to imply that the production of tin by hand-washing of superficial ore deposits does not yield satisfactory results compared with mechanical methods of dredging. The former method, while apparently a low-cost one, is expensive by comparison. The theory that a fall in the price of tin would react against the large mining concerns to the benefit of the small ones is entirely erroneous.

As for lode-mining, this has always been a high-cost method of production. Bolivia is a case in point; and purchasers of Bolivian tin have recognised the need for an adequate remuneration to the miner.

Finally, you ask the cause of current over-production. I suggest three reasons. First: the pressing demands of the US stockpile. Second: the absence (as yet) of an international policy for tin. As a wasting asset, vital alike to industry and national defence, it assuredly requires one. Third: as a contributing factor, the harmful effects of prolonged US Government controls preventing full tin consumption in that country.—Yours faithfully,

ALDRIDGE CALDWELL, Editor
"Tin," 25 Charles Street, London, S.W.1

Books and Publications

The Rise of Tito

"Whirlwind." By Stephen Clissold. The Cresset Press. 245 pages. 15s.

THIS account of Tito's rise to power comes at a very appropriate moment, and provides an interesting and illuminating background to the present-day phenomenon of "Titoism." The book contains excellent and often detailed accounts of the Partisan movement as it grew up in Yugoslavia during the war and its development under Tito's expert guidance into a Communist dominated government for Yugoslavia after the war. The story of the many problems that Tito had to deal with in the different regions of Yugoslavia is particularly interesting. Owing to his methods of working the author has given uneven treatment to the different areas of the country; he has relied to a large extent on his own experience in Yugoslavia and on the information that came his way through personal contact with the Partisan movement and with its leaders both during and after the war. As the result, this leaves certain gaps in the story, particularly in relation to Macedonia and Slovenia.

The descriptions of Tito and the most important members of his entourage have the vividness of first-hand information, and the verbatim account of Tito's meeting with Churchill (which is authentic) is interesting in the picture it gives of the simple talk between important personalities on vital issues in wartime. The account of Tito's relations with Mihailovich is a contribution to public knowledge which is long overdue. The whole treatment of the unhappy story of Mihailovich and his Chetniks is factual, understanding and non-partisan in both senses of the word.

It is a pity that this book, which in many ways is a valuable contribution to the recorded history of World War II should have been written in a semi-fictional form and in a style which occasionally borders on the melodramatic. The trick of quoting Tito's thoughts as if they could be known to the author is a mistake, since it throws doubt on the value of other obviously authentic material on which the book is based. A number of interesting documents are quoted and many of them appear to be authentic although internal evidence seems to throw doubt on the document quoted on pages 238-241. If this document and that quoted on page 27 are to be taken as reliable, the reader would like to know their origin. In spite of the occasional highly-coloured style, the book is packed with detailed information and will appeal most to serious readers. If there should be a further edition perhaps Mr Clissold will favour this section of the public by giving more detailed reference to his sources.

The Russian Machine

"Political Power in the U.S.S.R., 1917-1947." By Julian Towster. Geoffrey Cumberlege, Oxford University Press. 443 pages. 28s. 6d.

MR TOWSTER'S book is probably the most complete analysis of the theory and structure of Soviet government. It is a kind of constitutional dictionary which should be very helpful to anyone concerned with Soviet affairs; to a foreign correspondent in Moscow, for instance. There are chapters on the concept of State and Law, the Class-principle, the Nationality principle, the Party, the Soviets and the Judicial System. There are also four useful charts.

Mr Towster writes with the impartial solemnity characteristic of American mammoth research. He has certainly succeeded in his three declared aims: (1) to offer ample detail and documentation; (2) to treat the topics in evolutionary fashion; and (3) to give adequate emphasis to theory. But there is a limit beyond which objectivity defeats itself, beyond which a full personal interpretation is absolutely necessary in order to give life to the subject treated. For, after all, a book about the Soviet Union remains, however specialised its field, a book about Russians.

Mr Towster's book is not about Russians; it is about the huge clanking and grinding state-machine which a group of revolutionaries contrived from German theory and tried to operate in Russia. Yet the interesting thing about Soviet Communism is certainly not its theory, which is in itself a meaningless jargon; but rather the actual psychological environment upon which it has been imposed; not, again, the portentous administrative machinery, but its impact and results. As to the psychological-racial origins of Soviet Communism, Mr Towster has no remarks to make. (His bibliography does not, for instance, contain Fülöp-Miller's "The mind and face of Bolshevism," which discusses the topic with great circumstantial detail.) As to the results of the whole gigantic business, the author contents himself with a few mild comments about the necessarily slow development of a "backward people."

The truth surely is that Soviet Communism cannot be discussed as an economico-political phenomenon. That error has already cost Europe dear. Russian Communism is rather the neurotic convulsions of a people which in the quest of technology and "modernism" has abandoned its own tradition, root and branch. That the Russia of 1917 was politically and technically backward cannot, of course, be denied. Whether her present leaders will finally secure for her a real advance in human civilisation seems altogether doubtful. In the meantime the study of Soviet institutions is something of an academic

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"THE ECONOMICS OF ILLUSION"

By L. ALBERT HAHN

(Published April, 1949—273 Pages, \$4.00)

"Bringing together Dr. Hahn's numerous articles and publishing them in a single volume is a distinct public service. His effective renunciation of pre-Keynesianism should help to restore a new and finer balance in economic analysis. Every person concerned with economic stability and high level employment should read this book."

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pursuit for those who are not professionally connected with Soviet Russia. For when a great nation lives for a generation in either the experience or the anticipation of catastrophe, it is more profitable for the general public to speculate on the catastrophe's human implications than to smooth over its existence by rationalist hair-splitting.

The section in Mr Towster's book of most interest to the layman is that on the nationality principle; the one field, perhaps, in which Soviet thinkers have had truly creative ideas.

Clarity About Money

"Money, Debt and Economic Activity." By Albert G. Hart. Prentice-Hall, Inc. 558 pages. \$6.65.

PROFESSOR HART'S students at Columbia University are lucky. Money is notoriously a subject on which it is easy for an author to get the balance wrong; to overweight the institutional, the dull but necessary enumeration and description of financial mechanisms and their legal status, or to lose oneself in an intellectual web of abstract concepts, or (according to taste) to drown one's readers in statistics; or, even given an ideal balance of facts, figures, and theoretical interpretation, to be incomprehensibly obscure or unreadably heavy. Professor Hart's book is avowedly "institutionalist," and since the institutions with which he deals are those of America, as are, naturally, the statistics he supplies, the British reader is faced with an added difficulty and has to do a certain amount of mental translation. This matters, however, extraordinarily little. Professor Hart does not mind being extremely elementary; on the other hand, he takes his readers as far, so he modestly puts it, as he can go himself. And at no step does he fail to build the necessary bridges and put up on them the necessary guard-rails. This combination of consideration for the student and trust in his mental powers is surely one of the most valuable qualities of a teacher.

The book falls into five parts, preceded by a brief but pregnant Introduction on the nature of money and debt. The first deals, in considerable detail, with the structure and workings of the bank system; commercial banks, their control by government (matters which in an English book would come under the heading of central bank policy) the nature of financial assets and their inter-relations. The second, entitled "Liquid Holdings, Money Payments, and Prices," deals with price levels and their determinants, approaching the problem (after a brief survey of other methods) by way of cash balances and the motives of their holders. This leads him to the theoretical core of his subject, the role of uncertainty—of "anticipations and surprises"—and the study of inflation and deflation; thence to Part III, a mainly factual study of fluctuations, Part IV, on international monetary relations, and Part V, a study and critique of stabilisation policy.

To summarise the closely-knit argument in a paragraph is impossible. It may be said that Professor Hart, while no Keynesian, shares none of the optimistic convictions of his

orthodox compatriots that prosperity is automatic but for specific economic errors; and that he is sceptical of the ability of any compensatory fiscal or other devices to do away entirely with fluctuations. His scepticism, however, is that of a modest man open to conviction; indeed, not the least of the lessons to be learned from his book is the proper attitude of the enquiring mind, whether in the field of social studies or elsewhere.

Ceylon in Difficulties

"A Short Economic Survey of Ceylon." By Professor B. B. Das Gupta. Associated Newspapers of Ceylon, Colombo, 1949. 94 pages. No price given.

THIS concise report was originally prepared for submission to the "Economic Commission for Asia and the Far East," and has since been brought up to date. It deals mainly with economic trends since 1945 (with incidental references to war-time developments) and forms a useful sequel to Sir Ivor Jennings's book on "The Economy of Ceylon," which was based largely upon prewar data.

Professor Das Gupta has produced an illuminating survey which reveals the nature of the present economic crisis in Ceylon, and the difficulty of remedying the situation by independent action. Ceylon is "helplessly at the mercy of foreign economic winds." This is because she obtains the major part of her national income, directly or indirectly, from a small number of mainly agricultural industries, whose products are exported in return for foodstuffs and other necessities. Since 1945 there has been a large relative rise in the price of imports, and a great weakening in foreign demand for her specialties, especially for rubber. The ensuing gap in her balance of payments not only threatens her standard of life in the short run, but prevents the import of "development" goods, which might improve productive capacity and the longer term outlook. The sterling assets accumulated during the war, at the cost of serious inflation, have already been largely dissipated, whilst during the war the productive equipment of the country was "recklessly and destructively used."

There is little hope of improvement along traditional lines in the foreseeable future. Like England, Ceylon must import to live. Unlike England, she has no manufacturing industries which, when reconstructed, might provide the means to purchase her food. Like India, she has been hard hit by inflation and scarcities; unlike India she can hardly hope to achieve self-sufficiency in foodstuffs and appears to have no promising infant industries. A greater degree of self-sufficiency seems to be the only cure, but this cannot be secured without substantial additional imports of fertilisers, capital goods for irrigation and other public works and technicians. In the meantime rationings exchange control, and various prices and trade controls have been retained (or reimposed) and in some cases even extended since 1945, whilst taxation remains at a high level and is more regressive now than in 1938. The out-

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look is, indeed, grim. Professor Das Gupta can only recommend increased self-sufficiency, with the warning that, for some time to come, this will increase, rather than reduce, dependence upon imports.

Norwegian History

"A History of Norway." By Karen Larsen. Princeton University Press. 591 pages and two maps. 32s. 6d.

IT was one of the ironies of war that an article of the Norwegian Constitution of 1814, formulated to meet a completely different contingency, provided in 1940 an incontestable legal basis for the Norwegian Government in exile. Yet, as a few pages of Professor Larsen's history will show, this was very Norwegian. For it provided one more illustration of the continuity, flexibility and, above all, the respect for the law which have characterised Norwegian institutions as far back as they can be traced. Even the Vikings—among themselves—were intensely law-abiding. The section dealing with the rise and fall of their violent, exuberant civilisation is one of the most interesting in the book, which covers the history of Norway from the first human settlements to the election, in February, 1946, of the Norwegian Foreign Minister, Trygve Lie, to be the first Secretary-General of the United Nations.

In handling this long and complicated story—she deals with the economic and cultural aspects as well as the political—Professor Larsen shows sound judgment and great knowledge of her subject. Unfortunately, her literary gifts are less in evidence. The style is too episodic, the narrative too bald. The treatment of the various topics in each part, of which there are five—The Early Ages, The Viking Age, The Middle Ages, The Danish Period, Modern Norway—in a set order and the lack of any attempt to break up the solid pages by sub-headings or other relief, tax the reader's power of concentration. The two maps are poor and, in a book of this size and scope, room should have been found for a few good plates—of the Oseberg

ship, for instance, of Bergen's Hanseatic warehouses or even of Oslo's new Town Hall, each in its way so illustrative of a vital phase in Norway's history.

What the book lacks in attractiveness, however, it makes up for in solid merit. It is comprehensive, fair and reliable. There are a few irrelevancies and occasional slips: in the section on Modern Norway, for instance, it is stated that the *Tirpitz* was sunk by submarine. Yet this section is the best in the book. The description of the development of the Constitution is excellent and the postwar spirit of Norway is well brought out. By contrast the medieval section is the worst.

The Disinherited Family

"Family Allowances." By Eleanor Rathbone. Allen and Unwin. 288 pages. 15s.

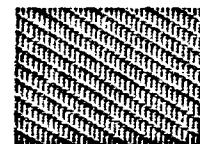
SELDOM can a reformer have been more completely vindicated by events than Eleanor Rathbone. Her "Disinherited Family," which first appeared in 1924, is now republished under "a more self-explanatory title" (as Professor Gilbert Murray says in his Foreword) almost simultaneously with the Report of the Royal Commission on Population; and every argument in the original plea of this free-lance champion finds itself documented, underlined, and hammered home by the full weight of expert authority drawing on the experience of thirty-five years. And what excellent, human, solid stuff Eleanor Rathbone wrote! She was not, as she was careful to explain, a professional economist; but she had in full measure the logic and the sense of evidence which are the economist's most essential qualities. She was not herself a wife and mother; but she had at once a power of sympathy, and a capacity for mental perspective, which enabled her to enter into the individual experience of those whom she championed without ever losing hold on the total situation.

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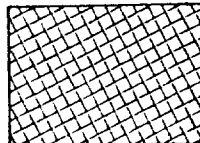
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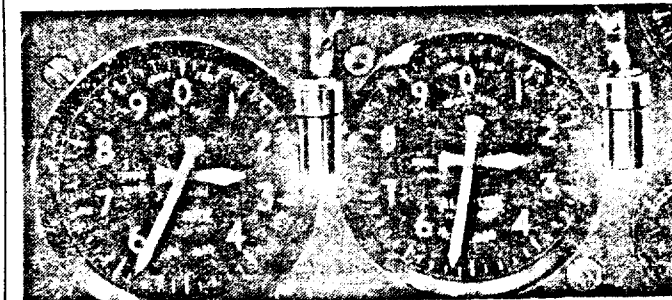
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AMERICAN SURVEY

The American Economy

(From Our American Staff)

"THE whole world is watching developments in the American economy," said President Truman in the message accompanying the mid-year economic report sent to Congress last Monday. Mr Truman admitted that that economy had been going downhill during the first half of the year, but to him the striking thing about this descent is not that it is taking place, but that it is so moderate. By implication, therefore, the President was telling Congress that it was being punished very lightly for its failure to enact the anti-inflation controls which he has repeatedly advocated as an antidote to "boom and bust." Unemployment, becoming acute in some places, is probably the most serious effect

of the present drop in economic activity, but even this was only 6 per cent of the total labour force in June; in June last year the figure was 3.4 per cent. The fall of 1.5 per cent in gross national production since the second half of 1948 is concentrated in industry; agricultural output is running at last year's level. Price declines, of nine per cent in wholesale and only three per cent in retail prices since last August, were orderly. Profits and credit requirements naturally reflected the fall in prices and production and personal incomes of consumers decreased by nearly three per cent after taxes.



Herblock in the Washington Post

Thus far, the chief feature of the business decline has been the change from large-scale inventory accumulation to small inventory reductions. The volume of construction, of capital formation and of sales for consumption has been well maintained. Liquid assets of individuals and business firms are about \$235 million and government expenditures, federal, state and local, are running at nearly \$60 billion a year. During the last sixteen years, the national economy has been protected against depression by social security measures, by the housing and farm price support programmes and by the strengthening of the Federal Reserve system. All this, in Mr Truman's opinion, shows that the kind of government action that would be called for in a serious economic emergency is not now appropriate. But he considers that there is an opportunity, not simply for halting the downward trend, but also for achieving that steady expansion of production and consumption on which the life and spirit of America depend. "We cannot have prosperity by getting adjusted to the idea of a depression." The goal set by the President is

an annual output, within a few years, of over \$300 billion. He regards it as folly and defeatism to meet the present situation by restricting production, reducing wages or curtailing programmes vital to the international security and domestic welfare of the American people.

But of the recommendations for achieving this ambitious objective, six reiterated previous proposals and the other five hardly constitute a major programme. The President had already asked for improved supports for farm income, for increased minimum wages, for more assistance for the unemployed and the old, for the restoration of the Reciprocal Trade Agreements Act and for authority to carry out his plans for undeveloped areas. The new proposals are for certain tax adjustments, for longer duration of Reconstruction Finance Corporation loans, for an extension of readjustment allowances for veterans, for legislation to assist the advance planning of public works and for a study of the investment and development needs of an expanding economy. The outstanding difference between these recommendations and those which the President made to Congress last January lies not in what they contain, but in what is now left out. He no longer asks for authority to impose controls over prices, raw materials and so on and, more important, increased taxation, demanded then, is now specifically rejected.

This atonement, for what they regard as Mr Truman's past obstinacy, has been gratefully received by business men, even though it will involve more deficit financing. They may not, however, be so ready to agree with the President that there are economic and social deficits far more serious than a temporary deficit in the federal budget. Liberals, and especially labour leaders, believe that depression is already coming round the corner and that the President's proposals are much less drastic and urgent than conditions demand. His report, reassuring rather than ominous in tone, will hardly inspire Congressmen with that sense of crisis which alone could keep them in Washington long enough to enact any of his major recommendations, except those on which action is already well advanced, such as the Reciprocal Trade Agreements Act and a modified form of minimum wage legislation.

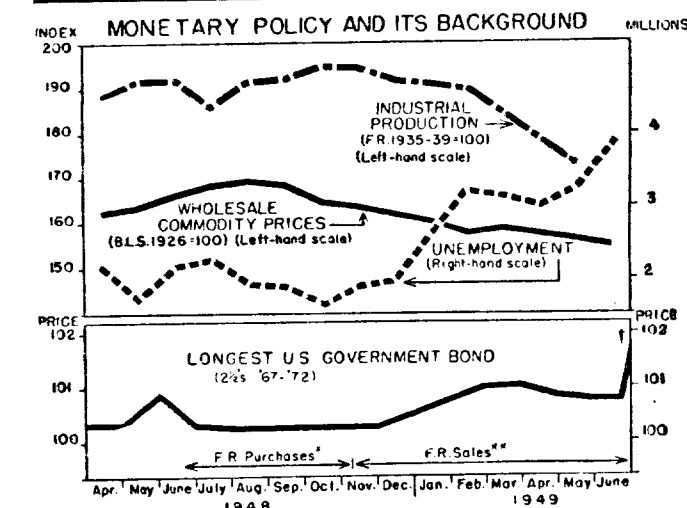
Mr Truman's report will, therefore, do little to speed the formation of an economic policy to meet a situation which is admittedly unclear. Even his Council of Economic Advisers finds it impossible to forecast the direction of future developments with any certainty and further complications arise from the interaction between the domestic business decline and

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

the difficulties which have appeared abroad. At present, except in a few borderline cases, the two are being considered separately; when they meet, as they must eventually do, new and interrelated economic and political problems are likely to emerge.

The process of working out a policy is made even more tedious and arduous by the variety of remedies advanced by special interests and doctrinaire groups—businessmen, labour, farmers, advocates of public planning, of foreign currency devaluation, and so on, who can always find good reasons why their particular prescription will remedy any economic condition. Economic policy, therefore, seems likely to develop slowly for some time and, even if the situation should look better during the next few weeks, it would not be prudent to assume that the major test has been passed, either at home or abroad.

So far, two separate lines of action on the domestic situation have emerged. One is the most aggressive easy money policy which the United States has yet seen. The monetary authorities, after much delay, finally took extremely modest steps against the boom in August last year, by reimposing controls on consumer credit and, shortly afterwards, by increasing the reserve requirements for the Federal Reserve's member banks. But they began to reverse themselves with alacrity as early as last March, even before many observers were convinced that a business adjustment was under way; they relaxed controls on consumer credit, reduced margin requirements for member banks and finally, at the end of



* June 23, 1948 - November 10, 1948. Federal Reserve Banks acquired on balance \$4,221 millions of long-term governments.
** November 10, 1948 - June 29, 1949. Federal Reserve Banks reduced holdings of long-term governments by \$3,609 millions to prevent price from rising.
† Close July 5, 1949.

June when the authority for increased reserve requirements expired, the Federal Reserve also announced the end of its open market operations to hold down government security prices. The accompanying charts give the background of production, prices, unemployment and long-term bond prices against which these steps have been taken. Whatever happens, this time the central bank cannot be accused of lethargy or timidity.

The second line of action has been the acceleration of optional expenditure by the government and this, too, is likely to be carried still further. Authority exists to lend money fairly broadly. Authority exists, or will exist shortly, to spend more on stockpiles of strategic materials, to accelerate some military expenditures and, under the omnibus Housing Bill just passed, to begin to contract extensively for housing. Outlays for European recovery might be

speeded even if they cannot be increased. Military and other expenditures abroad can be manoeuvred to some extent to suit economic policy, as is being done in Germany. In addition, the automatic compensatory spending, built into the budget through social security and the like, is already in operation.

On foreign economic problems, no new ideas have appeared, but very many thoughtful and attentive observers are becoming increasingly concerned. The President's report recognised the familiar danger that "further reduction of economic activity may give rise to pressure to restrain imports" and argued strongly against it. There is ample realisation that the European recovery programme, like earlier loans and advances, is in the long, and probably also in the short, run likely to prove disappointing. With this realisation even many of the most friendly are trying to avoid impatience, and sometimes annoyance, at what seems to be a refusal on the part of the recipients of aid, especially the United Kingdom, to face the most obvious requirement—to get down to work. For without really hard work and realism, there seems to be no solution to the difficulty, though momentary relief can, of course, be achieved.

This impatience has no relation to older ideological criticisms, but centres on specific points; costs of production and the consequent sales prices are the essential focus, but attention is also given to the consequences of long-term bulk buying, the human effort being made, the seemingly almost supercilious attitude towards scientific development and technology, the amount of unnecessary consumption and the failure to let economic pressure supply the drive towards improved efficiency and effort. And, as the debate in the Senate on the North Atlantic pact has shown, these economic considerations inevitably affect views on the provision of arms and these in turn have their political ramifications. (The small number of voices actually raised in the Senate on this subject should not be taken as an accurate count of the critics.)

The difficulty of developing a policy in the face of these considerations, however heavily or lightly they are weighed, seems tremendous. Can the American people be convinced that the European recovery programme must be enlarged and carried on for ever? Can the United States be persuaded to buy foreign goods when similar domestic ones are cheaper and better? The Council of Economic Advisers says cautiously, what many businessmen say more harshly:

The decline of imports in the first half of this year indicates that the US market demand for foreign goods was being substantially met at the going prices and exchange rates. This situation suggests that a continuation of recent declines in domestic demand and production would, with present relations between foreign and American prices and present exchange rates, result quite promptly in a further decline in the dollar value of our imports.

Some anticipate that this will happen even if domestic demand and production do not decline further.

The amount of good will and desire to help is enormous in America and has been, and is being, repeatedly demonstrated on a large scale. But it does not need a prophet either to foretell that any effort to convince the people and the Congress that foreign aid must be continued indefinitely on a large scale will meet very great difficulty, or to have the strongest doubts whether they can be convinced at all without the clearest evidence that the facts of life are being faced abroad.

American Notes

Pact Without Arms?

Long postponed and now overshadowed by economic questions, the debate in the Senate on the Atlantic Pact was expected to be little more than a formality. Ratification by the necessary two-thirds majority was, and is still, regarded as a certainty, but hopes of a short debate were dashed by the fears of those Senators who regard, or profess to regard, the Pact as a long step down the road to the third world war. They rendered futile the attempt to postpone discussion of the military assistance programme until the Pact had been ratified, since they could hardly make up their minds in silence whether a vote for the Pact would constitute a commitment to vote for military aid. Senator Taft, to his discomfort, has been driven by his conscience to vote against the Pact, unless an assurance is written into it that it carries no legal or moral obligation to give arms to all the other signatories. He is "absolutely opposed" to such aid, not, for the present at least, because of its cost, but because he is convinced that, by giving Russia reason to fear aggression, it will promote war rather than peace.

Senator Vandenberg's suggestion that ratification of the Pact should be followed by a world peace crusade is an attempt to show that the military aspect of the Pact is not being exaggerated at the expense of its "social and spiritual" aspects. But his efforts to prove that the Pact and the arms programme are not Siamese twins have led the Senator to belittle the importance of the latter, and even to hint that it will not have his wholehearted support. He has just been joined in the Senate by the other Republican elder statesman who shares his responsibility for the bipartisan foreign policy, Mr John Foster Dulles, who is now holding political office for the first time; Governor Dewey has given him an interim appointment until December, as Senator from New York, in consequence of Mr Wagner's retirement. Senator Dulles has at once announced that he supports military aid in principle, but that too much money is being asked for it. Until this, those who were worried about the dangerous strain to which military aid might subject the American economy were thinking not so much about the \$1.13 billion asked for this fiscal year, but about the very expensive wedge of which it might be the thin end.

* * *

Foreign Aid in Congress

The prospects for the military assistance programme are not therefore very bright, but the Administration is well aware that even if arms aid can be separated from the Atlantic Pact in theory, in practice it cannot. The necessary legislation is to be introduced into both Houses as soon as the Pact is ratified and the Administration maintains, on little or no evidence, that the authorisation will go through before Congress adjourns. It is expected to include a Reconstruction Finance Corporation loan, to start the programme, so that appropriations will not be necessary until the next session of Congress.

The final stage has now arrived in the long drawn-out process of providing new appropriations for the European recovery programme, which, even if it is passing through a difficult phase, is nevertheless the foundation upon which the whole foreign aid policy rests. The Senate Appropriations Committee has voted \$3,778 billion for the Economic Co-operation Administration for the 1950 fiscal year. This is 10 per cent less than was originally requested, but the cut is only half as large as Senator McKellar, the Committee's frugal chairman, had hoped for. The Committee's figure was based on the belief that this was all the foreign economic aid which America could afford during the coming year, on the continuing fall in prices and on the "obvious recovery" of many European nations.

It remains to be seen whether the Senate will sustain the Committee's reduction, which is about what had been expected,

and also whether it will approve the earmarking of \$50 million for a loan to Spain, just in case that country should be admitted to the Marshall club during the coming year. This special consideration is not unconnected with the belief that Spain is anxious, if the dollars were available, to buy American farm products. The Committee made another undisguised attempt to dispose of agricultural surpluses by passing an amendment which appears to reserve perhaps as much as \$1.5 billion of the appropriation for the purchase of such commodities.

* * *

The Ordeal of Alger Hiss

The defence counsel who, during his summing up, melodramatically assured Mr Alger Hiss that his long nightmare was drawing to a close, could not have been more mistaken. The jury charged with deciding between the credibility of Mr Hiss and of Mr Chambers found itself, like so many other groups of average Americans, unable to agree, and has been discharged. It can hardly be easy to find another twelve jurors who, at this stage, have not made up their minds. A place on the docket for a new trial probably will not be found until October, and even then, if Mr Hiss's innocence is established, there will still remain the \$75,000 libel suit which he has instituted in Baltimore against Mr Chambers. Mr Chambers is a poor man and, even if he were not \$75,000 would hardly meet the costs which the friends of the defence have already incurred.

The charge which Mr Hiss has so far been unable to throw off is that he perjured himself when he denied to the Grand Jury that he had transferred confidential state papers to Mr Chambers in the spring of 1938, and when he denied seeing his present accuser after January 1, 1937. According to the press, the jury very early in its 28-hour deadlock divided 8 to 4, the majority convinced of Mr Hiss's guilt, the stubborn minority of his innocence. The eight found overwhelming the expert testimony that the papers in Mr Chambers's possession had been typed on the Hisses' old Woodstock typewriter. The four did not consider this evidence sufficient to shake their distrust in Mr Chambers as a witness.

*

It is Mr Hiss's misfortune that, though he was a relatively humble government official in 1937 and 1938, he has become a stalking-horse for the whole New Deal. This explains why three Republican members of the Un-American Activities Committee sought to resume the investigation of the case which they reluctantly abandoned when it was transferred to the courts, and why, perhaps, the Democratic majority has rallied to restrain them, at least—ominous condition—until a final legal judgment is reached. It explains why Mr Nixon, the most energetic member of the committee, has broadcast publicly what has been whispered privately, that Judge Kaufman was biased in favour of the defence throughout and showed this partiality when he refused to allow the government to call Mrs Hede Massing, the former wife of Gerhart Eisler, said to be the head of the Communist underground in America. It is Mrs Massing that four committee members are itching to hear. Mr Nixon's wider thesis is that the Administration is most unenthusiastic about securing a conviction which would suggest that over a long period Democratic Administrations had tolerated Communist activity in high places.

The suggestion that a Congressional committee might investigate a judge, whenever it disliked his rulings, has been deplored at once by Mr Robert Patterson, president of the New York Bar Association, as a threat to the independence of the judiciary. Mr Patterson roundly defended the fairness of Judge Kaufman's rulings and charge to the jury. The implacable venom with which Mr Hiss is being pursued does a disservice, not only to the discovery of the truth, but even to those who honestly believe him to be guilty. It lends plausibility to the view that in Republican eyes his case is primarily only one more episode in the long trial of Mr Roosevelt and perhaps the closest there is likely to be to a Transatlantic Dreyfus case.

Showdown in Steel

If a steel strike begins this Saturday, it will be the first since the ravaging disputes of 1946, and will disappoint the Administration's fervent hopes for a peaceful settlement likely to deter stoppages in other basic industries. Mr Truman has, of course, power under the still very much alive Taft-Hartley Act to require an 80-day truce, appoint a fact-finding board, and apply for an injunction if the union persists in striking. But to resort to this power against his friends would cast certain doubts on Mr Truman's battle against Taft-Hartley; it would be as damaging to the President as to the union. Instead, Mr Truman has proposed to both sides a 60-day truce, during which time a fact-finding board would investigate and make recommendations; he has emphasised that the offer has no connection with the Taft-Hartley procedure. It has been accepted by the union, which is limiting the stoppage to those companies, five out of the six involved, which have rejected the offer. These firms insist that it is inconsistent with the Labour Act; they perhaps also have a shrewd suspicion that the recommendations might require more concessions to union demands than might otherwise be necessary.

Like Mr Reuther, now displaying a firm hand and fiery oratory to the Automobile Workers' convention in Detroit, Mr Murray, of the Steelworkers, seeks a wage increase, non-contributory retirement pensions of \$150 a month, and further insurance benefits. A victory of this order by two such important industrial groups would set a pattern for the mass production industries and even outshine the prize won by Mr Lewis last year for his miners, when the footing was less slippery. But the steel companies have rejected all three proposals, though they are willing to negotiate on wages and insurance matters. Pensions, they continue to insist, with some apparent justification, are not one of the subjects on which the steelworkers' contract can be reopened at this time.

Like Mr Reuther, too, Mr Murray believes that profits are so excessive that present wage claims would "hardly dent them" and that increases in purchasing power are needed to sustain demand. The argument from profits has a truer ring in Detroit, today, than in Pittsburgh. In the week ending July 8th, steel operations, partly because of vacations and Independence Day, but also because of the continued decline in demand and deferred buying, fell to 61 per cent of capacity. Few observers believe that the industry in the third quarter of the year will average more than 75 per cent of capacity. This is not far above the rate necessary for most companies to break even, and spokesmen for the steel companies insist that higher wages would raise prices, further reduce sales, and thus cause unemployment. Were it not for the orders of the automobile companies, which are still riding high, the steel industry would be much idler—a factor which may account for the decision to let Mr Murray try his fortune before the automobile workers seek their own show-down.

* * *

Guardian of Civil Liberty

The Supreme Court has just ended its 1948 term with a series of decisions, showing a special care for individual liberties, which are particularly reassuring at a time when Communist alarms could so easily lead to a narrowing of those liberties. The Court, meticulously guarding the forms and methods of justice, reversed the conviction for perjury of Mr Harold Christoffel, a labour leader who had denied his Communist affiliations before a Congressional Committee. The Court ruled that the false testimony was given at a time when the Committee was not in legal existence, since a full quorum was not present. This decision of the Court is already causing much indignation in Congress, which is unwilling to see the Court regulate the proceedings of the legislative branch. With the same emphasis on the forms of justice, the Supreme Court decided a few weeks ago that the Reverend Arthur Terminiello, who made a speech inflaming racial hatred and inciting mob violence in Chicago, should

not have been convicted of breaking the peace because freedom of speech had been defined too narrowly in the judge's summing-up. Again in a number of criminal cases, three of them charges of murder involving Negroes, the sentences given in lower courts were reversed on the grounds that the defendants had been subjected to undue pressure in preliminary inquiries.

In nearly all these decisions, the Supreme Court was divided and the majority of them were given by five votes to four. Lawyers regret such narrow votes, which weaken the force and authority of the Court's ruling. In recent years, however, the Court's decisions have seldom been unanimous, as they were in some 80 per cent of cases between 1919 and 1935. But although the Justices today can be divided into conservative and liberal groups, particularly in cases involving civil rights, their alignment is much less consistent in the field of labour and big business than it was in the second half of the nineteen-thirties, when the Court was rent by constant differences on political issues.

* * *

Battle of the Platters

The "flying saucers," that not long ago were mysteriously troubling the North American continent, soon gave way to "platters" spinning between the New York tower defended by the Radio Corporation of America and the rival fortress of the Columbia Broadcasting System. Each corporation has a subsidiary making these platters or discs (gramophone records to the uninitiated) and these task forces have now taken up the war between the two main armies, confined to the radio arena until last summer. Then CES opened a new phase of the campaign by putting on the market its long-playing (LP) disc, which turns at the rate of 33½ revolutions a minute instead of the conventional 78 and has its grooves more narrowly spaced, so that twenty minutes of playing time (a short symphony) will go on one side of a record.

RCA's secret weapon appeared in the shops in April. It is a disc seven inches in diameter, which turns at 45 r.p.m. and therefore plays as long as the conventional ten and twelve inch records; it is not only lighter in weight but also unbreakable. Furthermore, the new records come in seven colours, one for each major type of subject: heavenly blue is particularly suitable for "internationals," and lemon drop yellow for children (although some might prefer candy stripes).

Each side naturally protests its lack of aggressive intention. RCA's new discs are simply the best that its engineers could devise. They sell at 65 and 95 cents each, well below the prices of its regular records. When CBS at once put the price of its seventy-eights still lower, and brought out a seven-inch version of its LP record, this was, of course, nothing more than a step in its long-standing policy of bringing more music to the people at lower cost.

Not only do both sides follow the modern fashion in warfare by fighting for the highest ideals, but non-combatants are also as usual, the chief sufferers. Each of the three types of record now on the market needs a different kind of equipment to play it; both corporations have produced adapters so that their new inventions can be played on existing machines. But gramophone manufacturers, forced either to make machines capable of playing all three or to guess which kind the consumer will eventually prefer, are faced with as hard a choice as are the independent record makers. Last year the postwar disc boom burst (though sales remained well above prewar) and CBS and RCA both presumably hoped to reinflate it with their novelties. In fact they have only accentuated the collapse. Consumers will not buy records which involve changing their gramophones until they know whether the change is to be permanent. Retailers refuse to fill their shelves with discs which will almost certainly be unsaleable once peace has been negotiated. This is now understood to be on the way, with the Decca Company, one of the leading independent firms, playing the benevolent neutral's traditional part of mediator.

THE WORLD OVERSEAS

Western Union at Sea

(From Our Special Correspondent with the Fleet)

A COMBINED fleet of British, French, Dutch and Belgian ships, amounting to more than 100 in all, dispersed last week from Weymouth Bay after eight days of continuous exercises at sea and in harbour. The stated object of the exercises, to which the code name "Verity" was given, was "to accustom Western Union naval forces to working together especially in defence of a convoy against submarine and air attacks and in minesweeping." To this end the main forces assembled in Mounts Bay off Penzance, and the minesweeping and minelaying forces at Portland. A large part of the three days in harbour was taken up with the firing of national salutes, with formal exchanges of calls between Flag Officers, and with calls of a less formal nature between officers of less exalted rank. At the same time intensive signalling and communications exercises were carried out between ships.

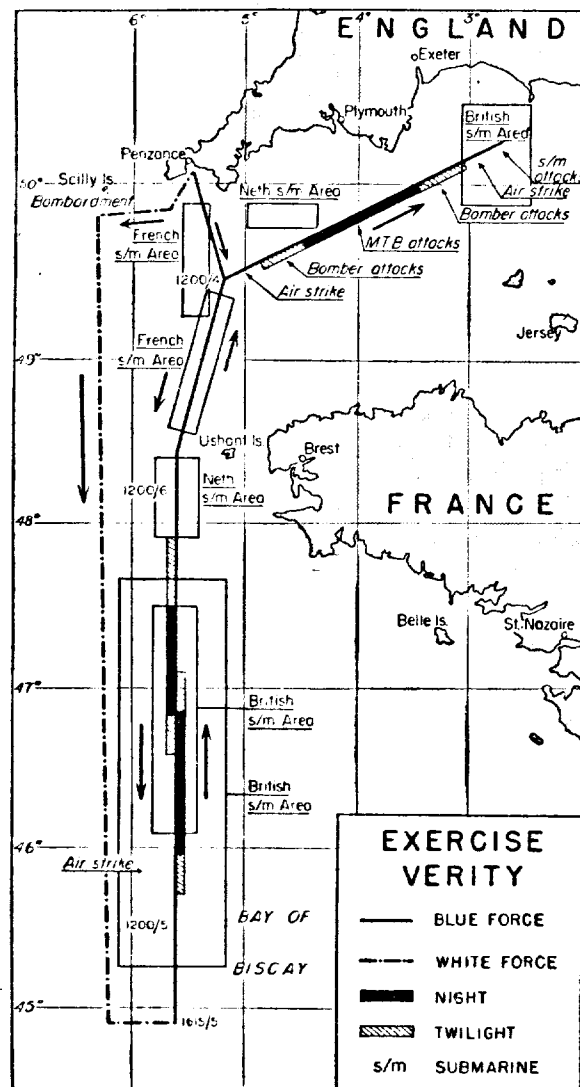
The main fleet was then divided into two forces. Blue Force under the command of the Commander-in-Chief Home Fleet, Admiral Sir Rhoderick McGrigor in HMS *Implacable*; and White Force under the command of Amiral Croiseurs, Rear Admiral Peries, in the French cruiser *Georges Leygues*. Blue Force, representing a convoy and escort, sailed to the southward (as shown in the diagram) and exercised simple manoeuvres, on completion of which it was subjected to successive submarine attacks by French, Dutch and British submarines. Meanwhile, White Force, comprising three French, three British and one Dutch cruiser with two light fleet carriers, proceeded eastward. After carrying out a complicated practice bombardment with aircraft spotting in the vicinity of the Scilly Islands, it turned south so as to reach a position to the eastward of Blue Force from which practice air attacks could be made. After a morning spent in launching and repelling air attacks, the two forces joined up and turned northwards amicably together to face further submarine attacks of a more complicated nature. These attacks were followed by others from every quarter and of every kind: Bomber Command attacked twice at high level, shore-based naval aircraft attacked at low level; motor torpedo boats executed a night attack and on the following morning a further spasm of submarine attacks developed. Finally, the hard-pressed fleet passed through a minefield and anchored off Portland

having borne its many trials with exemplary composure. What sort of verdict, if any, can be passed on this ambitious programme? At any rate in part it can be regarded as a kind of glorified Navy Week, greatly elaborated, and put on for the public—in this case the Western Union public. Great care was taken with press arrangements and Admiral McGrigor at his preliminary press conference addressed a gathering which appeared to be scarcely less numerous and was certainly far more cosmopolitan than his fleet. It must certainly

be admitted that the fleet, whether anchored in serried lines in harbour or manœuvring with something surprisingly near precision at sea, never ceased to appear impressive and if Western Union can produce an impressive looking fleet it is no doubt good that the fact should be known as widely as possible. As part, therefore, of a Western Union advertisement campaign, Exercise Verity can be said to have been a well-deserved and well planned success.

If, however, the exercises are to be regarded as a serious attempt at co-operation, of a kind unprecedented in peacetime between the navies of four nations, then it immediately becomes more difficult to reach a satisfactory judgment. Exercises on so large a scale and of so complicated a nature are very difficult to carry through successfully. On the one hand, there is a danger of too little planning, with resultant possibilities of sudden and embarrassing disorganisation; on the other hand, there is the danger of too much planning, which can very easily produce, in naval exercises as in other spheres, a state of splendid unreality.

For these exercises, conducted as it were in public and with national and Western Union naval prestige at stake, it was obviously felt to be essential that even the possibility of muddle should be avoided at all costs. This is just what happened; and the clear, concise and detailed planning which made it possible reflect the greatest credit on the Commander-in-Chief Home Fleet, and his staff. Exercise Verity was splendidly produced, and no expense of time or thought can have been spared in its preparation. But the result was stilted and unreal, beyond what peace time exercises usually are—and that is saying a good deal. For the great majority of the actors this was an exercise without tears. From a strictly naval point



of view it attempted to do too much too quickly. Exercise Verity then had very little real significance in itself; though as an earnest of things to come it may have considerable significance.

Waiting for the Atlantic Pact

It is certainly too early to form any very precise ideas about the form which the structure of Western Union naval co-operation should take. During the recent exercises, Field-Marshal Montgomery expressed the personal opinion that the main function of the naval forces should be confined to the protection of ports and harbours and to the provision of adequate anti-submarine and mine-sweeping forces; he thought, however, that the control of ocean sea lanes should be the responsibility of the Atlantic Pact powers. Western Union must, in fact, be fitted into the framework of the Atlantic Pact and, until more is known about the latter too much long term planning should not be expended on the former. This is not to say that nothing should be done—far from it; but the work that needs to be done is of the kind that will be valuable in any case, to produce bricks which can be fitted into either structure.

The armed forces of a state are the epitome of its sovereignty; and the navies of the states comprising Western Union have behind them hundreds of years of different customs and traditions. Moreover, they have fought more wars against each other than they have ever fought against anyone else. Such a background does not vanish in a week's exercises. Friendship needs to be built up slowly and over a longer period; and for this reason it is not altogether to be wondered at that the effect of the very close daily co-operation during the war, more particularly between the British and the Dutch Navies, should have shown clearly in the ease with which the officers and men of these two nations worked together during the recent exercises. The moral is clear. Daily and detailed co-operation on a small scale is of infinitely more value than intermittent and unreal co-operation on a large scale and the need is greatest where no common tradition exists.

Security and Standardisation

Hardly less important, however, is the need for progressive standardisation of equipment. This is already being tackled by a sub-committee of the Military Committee of Western Union in London. It is on the simple and non confidential items of equipment, which alone must run into formidable figures, that attention should be concentrated and standard patterns agreed. Production of individual items need in the first place only be made for the routine replacement of existing non-standard equipment. Later on, standardisation of such complicated equipment as radar, asdics and wireless will have to be attempted; and it may be hoped that by that time the experience of co-operation and of difficulties surmounted will ease the problem of security which will undoubtedly arise and which can only be overcome when trust is complete.

Perhaps the most obviously essential feature of naval co-operation is communications, and here real and most encouraging progress has already been made. Standardisation on the flags of the international code, made last November, has been an immense step forward. The result has been that during the recent exercises communication between ships was certainly the outstanding success—a little to everyone's surprise. No difficulties need, therefore, arise in the early stages, though security problems will get progressively more difficult. In the meantime, the considerations of national prestige must not be permitted to complicate what is after all essentially a practical matter. Day to day wartime co-operation produced, as far as the Dutch are concerned, a large number of men who speak fluent English, and amongst the French there are many more who speak English than there are French-speaking Englishmen. It is a pity that one should have to advance British linguistic failings as an argument for the adoption of English as the combined fleet language, but the clinching argument lies in the fact that Western Union is, or soon will be, only a part of the Atlantic Pact defence organisation.

There are many other aspects of Western Union naval co-operation, but a study of the three that have been discussed—personnel, standardisation of equipment and communications—serves to show that co-operation, to be effective, must become the daily round, the common task of the navies of Western Union, and must not be confined to an annual jamboree carefully prepared and soon forgotten.

Peasants and Planning in Bulgaria

[FROM OUR SPECIAL CORRESPONDENT]

BULGARIA'S transformation into a Communist state is proving a difficult task. The Communist dominated Fatherland Front has by now, after a bitter struggle, eliminated all active political opposition outside its ranks, but it is still facing other complex and pressing problems. It is known that there have been differences between Bulgarian Communists in the party hierarchy as well as difficulties with Russia. It is admitted, too, that there has been a lot of dissatisfaction among the peasants, and that economic development has not gone according to plan.

Bulgaria is a small country—the census of December, 1947, gave its population as 7,020,000—and its natural resources are the poorest of any country in eastern Europe. There are small quantities of lead, coal, bauxite and chrome, and a lot of timber. Otherwise the greater part of the country is given over to agriculture, most of which is still at a very primitive level. Over 80 per cent of the people make a living from small holdings which are getting smaller and smaller with the prevailing custom of sub-division of inheritance. Yet the tobacco timber and food from these smallholdings still constitute Bulgaria's main source of wealth.

Since the war a main object of policy has been to find markets for these products to take the place of Germany, which monopolised Bulgaria's foreign trade in the nineteen thirties. Trade treaties have been made with twenty countries, including the two zones of Germany, Switzerland, Sweden and the USSR, of which the most important is that with the Soviet Union (\$90 million in 5 years). The Russians bought almost the whole of Bulgaria's tobacco crop last year and nearly all its production of attar of roses (which they are alleged to have sold again to the USA at a price well in excess of that paid to Bulgaria). Food produce has not been difficult to sell, but three successive years of drought coming at the end of the war during a period of political upheaval have meant that harvests have been small. Exports of food have, in fact, only been maintained by cutting down supplies to the home market, and the Bulgarian people in the past three years have had to endure scarcity of food on top of a dearth of water, electricity and houses.

The two-year economic plan launched in April, 1947, came to an end two months ago. It was claimed that its aims of restoring industrial and agricultural production to prewar levels had been realised "in their main lines." In fact, whilst industry is now producing well above the 1939 level, agriculture was still below prewar production at the end of 1948. The following table gives a general indication of production levels during the two-year plan:

PRODUCTION IN BULGARIA (1939=100)				
	1946	1947 (target)	1947 (actual)	1948 (target)
Industry	137(122)	148	123(145)	167
Agriculture . . .	80(67)	151	80(71)	128

(Figures in brackets are taken from the report of the Economic Commission for Europe and are based on 1934-1938=100 in the case of agriculture and on 1938=100 in the case of industry.)

Three years of drought have played havoc with the harvests, and the targets of the plan had to be altered after the harvests of 1947. As agriculture accounts for 70 per cent of the economy

of the whole country, this was a serious matter. One of the results has been that Bulgaria's trade has fallen considerably short of what was planned.

FOREIGN TRADE IN BULGARIA
(thousand millions of levas)

	1947			1948		
	Planned	Actual	Actual as per cent. of Planned	Planned	Actual	Actual as per cent. of Planned
Exports..	29.2	24.5	84%	41.7	26.2	63%
Imports..	36.0	21.4	60%	34.2	32.0	94%
Balance..	-6.8	+3.1		+7.5	-5.18	

(From the report of the Economic Commission for Europe.)

In spite of this, a new five-year economic plan (1949-53) of a much more ambitious scope, and conforming broadly to the economic plans of the other Cominform countries, has just been begun. It aims to change the ratio of industry to agriculture from the 1948 figure of 30:70 to 47:53 by 1953; this change is to include "a considerable increase" in agricultural production, with special emphasis on industrial crops. The relation between light and heavy industry is to change from 70:30 in 1948 to 55:45 in 1953. The principal new industries will be machine construction, metallurgy, production of fertilisers and textiles, as well as timber processing and food preserving. This programme includes a complete reconstruction of communications system and the construction of a hydro-electric power network. These big projects can not be financed by Bulgaria alone, and considerable credit will have to be given by the Soviet Union, whence will come—it is hoped—the capital equipment for the new industries as well as machines for the modernisation of agriculture. All this will have to be paid for by the hard work of the Bulgarian people—which means in the early stages of the plan by the work of the peasants.

Trouble in the Villages

This probably explains why the Bulgarian Government is at the moment paying special attention to agrarian problems, and is making great efforts to gain the support of the peasants for its programme for agriculture. There are now 1,542 co-operative farms in the country, comprising 12 per cent of the arable land. The aim is to have 60 per cent of all farming done in co-operative farms by 1953.

It is clear that the idea of co-operative farms has not been well received by many of the peasants. The methods used to farm them and the reactions in the villages were disclosed on June 11th in a speech made by Vassil Kolarov, acting premier, to the executive committee of the Communist party. He said that both medium and small peasants (the Bulgarian peasantry is roughly divided into eight per cent kulaks, 42 per cent medium peasants, 50 per cent small peasants) had been alienated from the Government's policy by "clearly unreasonable and unfair measures"; that many peasants had been forced to join co-operatives against their will; that others who refused had seen good land taken and given to the co-operative and poor land given in exchange. He spoke of serious "weaknesses and abuses" in the villages, and said that peasants were losing interest in production because the quota of produce to be sold to the state at a fixed low price was too high—in many cases it comprised their total harvest.

Kolarov put the blame for these happenings on to Kostov, the recently disgraced Minister of Planning; but he added that these "substantial mistakes" must be rectified. Land unfairly confiscated must be given back, co-operatives must be formed on a genuinely voluntary basis, and changes must be made in the system of state purchase of agricultural produce. He said that more produce should be left to the peasants to sell on the free market and in any case the state must pay a fair price for what it bought. Kolarov emphasised that the Government would take into consideration the wishes of the individual farmers who "constitute the overwhelming majority" of Bulgaria's peasant producers.

How these measures will be put into effect—and for how long—is yet to be seen. The Government cannot afford really large-scale opposition from the peasantry—the great majority of the population—in the early stages of the new plan. The election campaign in May revealed a lot of dissatisfaction in the villages; in some places indeed resentment against the Government was so strong that, in spite of a heavy propaganda campaign, peasants refused to vote in the local elections. It has now been announced that in areas where less than 50 per cent of people voted a new election must be held.

Of all the countries in eastern Europe Bulgaria is closest to the Soviet Union, not only geographically but through race, language and history. It is particularly important to its great neighbour for strategic reasons and its internal policy is probably more closely controlled from Moscow than that of the other small Communist states. All the outstanding Communists in Sofia have been Moscow trained, yet it is clear that recent developments have not been entirely to Moscow's satisfaction. Kostov—now removed from political life—evidently attempted to retain some economic independence for his country; whether Dimitrov supported this policy will probably never be known. It has now to be seen whether the new men who succeed Dimitrov will be able to reconcile a policy loyal to Moscow with measures that will be more successful in gaining the support of the Bulgarian people for the new economic plans.

General Coal Strike in Australia

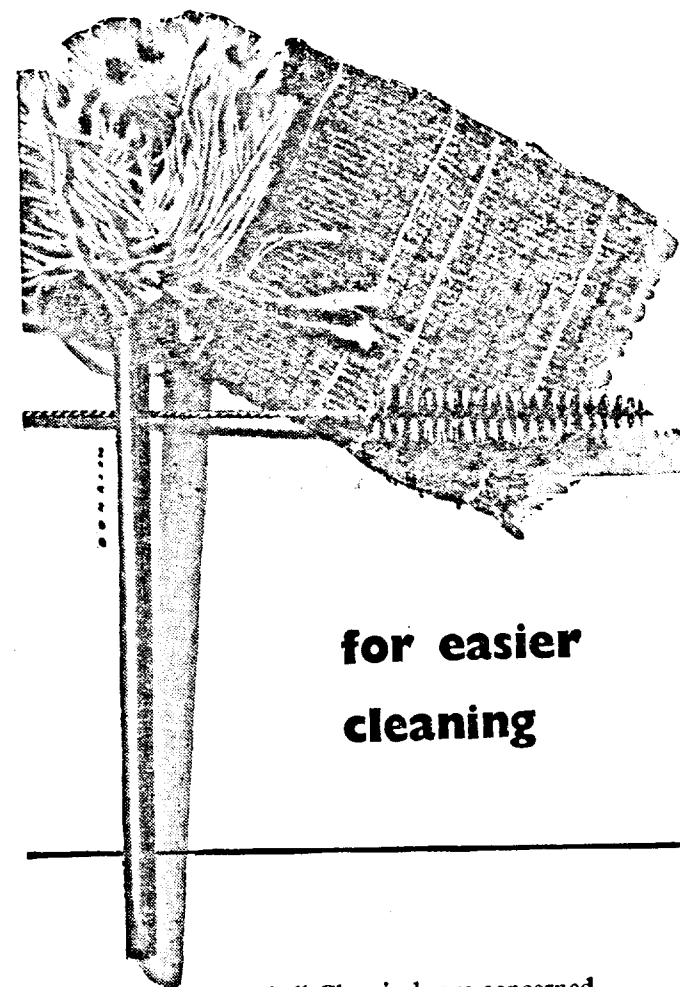
[BY OUR MELBOURNE CORRESPONDENT]

BEHIND the decision of Australian coal miners to engage in a general strike from June 27th is a feeling of victimisation and social isolation going back particularly to 1929, when they suffered sorely from a lockout extending for 18 months. At that time the existence of large reserves of coal at the pitheads took from the miners the power that they now possess to paralyse the industrial life of the nation by direct action. Since then they have always followed a firm policy never to allow reserves of coal to accumulate, with the result that a coal strike now affects the whole community within a few days.

The miner in Australia labours under a number of grievances, some real, some imaginary. The present generation of miners have not forgotten the "lockout" when, to quote a timber-cutter of the Richmond (NSW) Main Colliery a few days after the outbreak of the present strike, "we had to stick it out for 18 months with the soles out of our boots and our belts almost cutting us in two. What makes them think we can't stick it out now? The bosses made us suffer then for their own purposes—surely we can take a bit of punishment for our own."

And this comment is a reflection of part, at least, of the historic grievances which lie behind the present dispute in the Australian coalfields. The grievances are also largely the cause of the recurring series of lesser disputes which have crippled production for years. The miner, rightly or wrongly, considers himself a pariah in the community. He sees himself vilified and lampooned at every point outside his cramped mining world. He lives in an environment of his own, in many cases sullen and resentful of the attitude toward him of a society which is in such vital need of the coal he produces.

In particular, the miners in Australia resent what they consider the "continued misrepresentation of their case by managements, Governments and the Press." They consider, further, that an attempt is being made to influence people against them by the universal insistence that the strike is another manifestation of Communist revolutionary activity. They justify direct action on the grounds of the ineffectiveness of the Coal Board and the Coal Tribunal.



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But not this car; not this driver. A clear patch and you put your foot down in 3rd. In a flash the needle says 50—you're away.

How long have you been travelling now? Two hours? Three hours? Travelling fast—60, 65, 70, 75. But there's no strain. You're fresh; relaxed.

A corner comes and goes; and another and another. A surprising absence of roll. You work out your average. It's high. Somehow this car grips a bend and straightens it out; comes to a hill and flattens it down. You sit enjoying it.

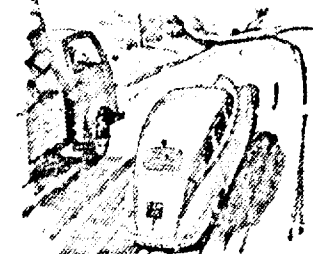
It's a good road now. But there have been bad patches; they got lost in the torsion bar suspension, and not a kick in the steering. Only your eyes noticed.

Two hours to go. The light fades. You snap on the head lights; brightly reassuring in the dusk.

This used to be a long journey. But this car conquers distance.

And what about space? Plenty. You can take up to six with luggage—and still have driving fun.

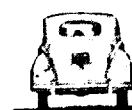
This car is a waste of money if you don't care what a car does. There's such a lot built into it that doesn't really show until you have it in your hands. Once tried, you'll say 'I'd rather go by Javelin!'



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Chronic Shortage of Coal

Before the present strike developed, the coal industry in Australia had enjoyed a period of comparative freedom from serious disputes since December, 1945. But there has been nevertheless, a chronic shortage of black coal. Production was 14,831,000 tons in 1947 and 14,815,000 tons in 1948. These amounts fell short by at least two million tons of the minimum quantities to enable Australian industry, expanded greatly under stimulus of war, to meet minimum demands. In 1939 production amounted to 13,535,000 tons.

There has been a great reluctance on the part of younger men to go into the mines, with the result that the average age in the industry has been rising steadily. Buoyant economic conditions have enabled men to quit underground work for more congenial occupations in the cities, which has been an important factor in preventing any significant expansion of output. There has been a fall in the numbers employed in underground mining since 1943.

The immediate issues leading to strike action are relatively clear-cut. The Miners' Federation sought a 35-hour week, long service leave and a 30s. a week wage rise. The claim for the 30s. wage rise was withdrawn by the Federation almost immediately after it was lodged. The claims for a 35-hour week and long service leave were referred to the Coal Industry Tribunal, the appropriate arbitration body in the coal industry. Hearing of the leave claim was adjourned at the request of miners' leaders on May 18th, and the Tribunal intimated it would announce a draft award for long service leave on June 14th. Before then, however, the mining unions decided to hold a stop-work meeting on June 16th, when a general strike was decided upon. Both the president of the Miners' Federation, Mr I. Williams, and the general secretary, Mr G. W. S. Grant, are active Communists. The Prime Minister, Mr Chifley, said that the strike would have ended after five days but for the pressure by the Communist Party on the miners' leaders.

Dislike of Anti-Strike Action

Mr Chifley, and Mr Curtin before him, have always held strong views on "crucifying the workers." Mr Chifley has frequently said in Parliament that he would never be a party to victimising strikers, bearing always in mind his own victimisation 30 years ago for his part in a railway strike. The Federal Government has always shown the greatest reluctance to prosecute miners, and in the present *impasse* has introduced legislation to prevent financial assistance going to strikers rather than directly to prosecute the miners or their leaders. The Parliamentary Labour Party is clearly not unanimous on the taking of discriminatory action against a striking union, as was shown by the bitter attack on the legislation freezing union funds by the Minister for External Territories, Mr Ward, a member of the industrial left wing of the party. The Prime Minister, however, is conditioned in his attitude towards the strike by his belief that it has been precipitated by direct action of the Communists. His reference to the "unnecessary and callous war on the community" reflects the mood of the Federal Government towards the present crisis, and for once Mr Chifley is completely supported by the members of the Liberal-Country Party opposition.

In the meantime, "the whole economic and social life of the nation is approaching complete disruption," again to quote Mr Chifley. More than 500,000 persons are estimated to be out of work, heavy industry is virtually at a standstill, use of gas restricted to an hour a day in Sydney and Melbourne, electricity severely rationed, and electric trains and trams drastically curtailed.

But the miners say they are prepared for a long fight. They do not believe that the Communists could lead them into a strike without the wholehearted support of the moderate labour membership of the Miners' Federation. Rightly or wrongly, they feel that arbitration is no effective substitute for the strike

weapon. They feel that they have won what they have by direct action, and their mood after a week's idleness is to see the present fight through to the end.

Kashmir Deadlock

[FROM OUR KARACHI CORRESPONDENT]

"WORLD peace," said the Pakistan Prime Minister recently, "and the solution of the Kashmir problem are interlinked." To Western eyes the statement may at first sight appear exaggerated, for no major questions of power politics are involved at present. Yet in many observers' minds the conviction grows that, if the present drift is permitted to continue, the consequences may be incalculably serious.

So long as present conditions prevail, any casual incident, whether accidental or deliberately provoked, may touch off an explosion on the Kashmir front; if a shooting war breaks out again it will not remain localised. We are unlikely ever again to see the tragicomic spectacle of fighting in the valleys and hills of Kashmir proceeding according to certain unwritten rules, while the Governments of New Delhi and Karachi continue to meet at conference tables with outward amicability to settle their economic and other problems. India is physically the stronger of the two Dominions, and it would be too much to expect that it would again be prepared to undertake expensive and futile operations restricted to an area at the end of slender and difficult lines of communication. Next time the bases from which Pakistan supplies its regular troops and the Azad forces would be attacked, and this means an attack on Pakistan itself.

With the big power blocs in no way involved in the dispute, the United Nations surely has a unique chance to give a more decisive character to its intervention and to stop the rot without treading on any important toes. Should it fail, and should the Commonwealth feel unable to intervene, there will be a fight to a finish, which will benefit nobody but Russian-inspired Communism. Seen in the context of world politics, the Kashmir dispute, therefore, carries a terrible potential danger. The Indo-Pakistan sub-continent is like a nut firmly wedged in the jaws of the nut-crackers. Pressure has already been felt from the eastern arm of the instrument, and renewal of the Kashmir struggle—practically on the Russian border—will start the other arm moving. This is no time for the two halves of the walnut to allow themselves to be divided.

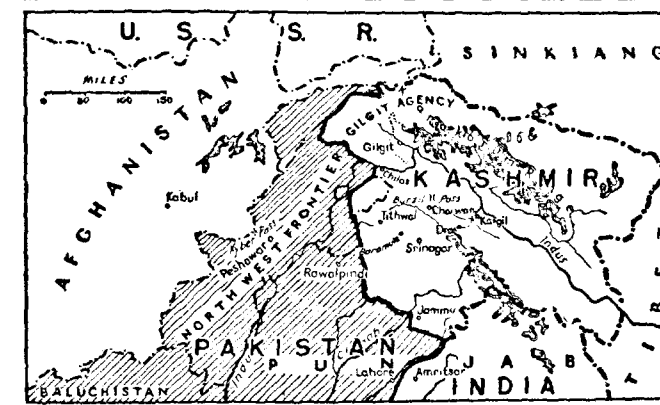
There is another important aspect of this affair. The Commonwealth, in its new shape, is on trial. The world in general, as well as certain members of it, will want to know whether the new formula of Commonwealth membership embodied something genuine, or was no more than a device for evading difficult practical issues. If the Commonwealth cannot prevent two members dedicated to "co-operation in the pursuit of peace, liberty and progress" engaging in internecine strife, it is inviting ridicule and is in danger of being written off by the realists who require practical evidence of its worth.

Questions of Interpretation

What are the causes and possible effects of the present deadlock? The framework of the Kashmir settlement is embodied in the UNCIP resolutions of August 13, 1948, and January 4, 1949. The truce negotiations form the second stage of the settlement, leading up to the ultimate stage of the plebiscite, and these negotiations have now bogged down in questions of interpretation—not so much interpretation of the Resolutions themselves as of various rulings given from time to time by the Uno Commission. Indeed, it is hardly too much to say that the negotiations have from the start been vitiated by the Commission's regrettable tendency (happily no longer in evidence) to issue "elucidations and clarifications" to one side, on request, without communicating them to the other. The main obstacle lies in the procedure for the withdrawal of the regular troops on either side. There has been a dispute as to what "synchronisation" means in this connection, and the

Commission has, so far, failed to produce an agreed plan for the withdrawal. Disbandment of the Azad forces is another bone of contention. In September, 1948, the Commission gave Pakistan an assurance in writing that it did not contemplate the disbanding or withdrawal of these forces; yet shortly afterwards Dr Lozano, acting for the Commission, appears to have given Pandit Nehru an equally categorical assurance that there would be large-scale disarming of the Azad troops. To clear up this discrepancy has taken a long time, but it is now agreed that the disbanding of the Azad forces is to come at a later stage and does not form part of the truce terms.

Demarcation of the cease-fire lines has also caused serious difficulties. The agreement was that the lines were to be based on the actual position of the two forces on the date of the cease-fire. Except for a small gap near Tithwal, there is no dispute about the north-south line running from Keran to Manawar; but arguments about the east-west line have taken an astonishing turn. Pakistan, at the time of the cease-fire, was established on the line of the hills and the passes dominating, from the north, the main valley of Kashmir. India is now claiming the right to occupy all the territory north of this line up to the boundary of the Gilgit agency and Gilgit subdivision. The Uno Commission has not accepted this



claim for the area is, and always has been, firmly held by Azad troops and the population is entirely Muslim; but it has made some concession to the Indian viewpoint by suggesting a compromise: in the event of defence of this area (against what is not made clear) becoming necessary India may be permitted to post garrisons at selected points in the area. It may be added that, when India raised this claim in August, 1948, the Commission had only replied that the matter "could be considered" at the stage of implementation, and it was later agreed that this would not be a condition to India's acceptance of the resolution. Pakistan now holds that the compromise proposed by the Commission is a breach of a clause of the August Resolution, which lays down that India can retain troops only within the lines existing at the moment of the cease-fire.

Failure to agree on the truce terms is, however, more a symptom than a cause. In recent months the statements of the Indian leaders have made it quite clear to your correspondent that India does not wish the future of the state to be decided by a plebiscite. Speaking at Srinagar, Pandit Nehru affirmed that Kashmir was part of India and no power on earth could separate it from India. This defiant statement might be explained by the fact that the Pandit was speaking for local consumption and was carried away by the warmth of his own feelings in the country of his birth; but in fact the public relations department of the High Commissioner for India in London has prominently published the statement, which is therefore presumably, to be taken seriously. Moreover, the allotment of four seats in the Indian Legislative Assembly to representatives of Kashmir seems to imply that Kashmir is already taken to be part of India.

It is commonly said in India that a plebiscite is impracticable, and that the solution of the dispute can only lie in the partition of the state, or possibly, in the recognition of Kashmir

as an independent state, internationally guaranteed. This is being said so frequently that many people are coming to believe it, and Pakistan regards this as a form of subtle propaganda against settlement on the lines decided by the United Nations. Pakistan's own attitude is that the United Nations has decided that there is to be a plebiscite and that Pakistan asks nothing more and will be content with nothing less. The feeling here on the point is vehement and universal and should not be underestimated. It is, indeed, far stronger than in India, where little interest is shown in the fate of Kashmir outside Government circles in New Delhi.

"Cominform Journal"

FOR eighteen months now the main European organ of the Communist Party's policy has been the so-called *The Cominform Journal*. Entitled "For a Lasting Peace, for a People's Democracy," it relies for its appeal entirely on its contents. It makes no attempt to attract readers by a pleasant lay-out, good type and good paper; on the contrary it demands close reading and a Marxist digestion. The opponents of Communism are always and inevitably agents of the Anglo-American imperialists, war-mongers, hirelings of the bourgeois imperialist robbers, or Titoist Trotskyites. In fact the contents are such that it is impossible to believe that any except those whose minds are completely and irrevocably delivered to Communism could go on doggedly reading it fortnight after fortnight.

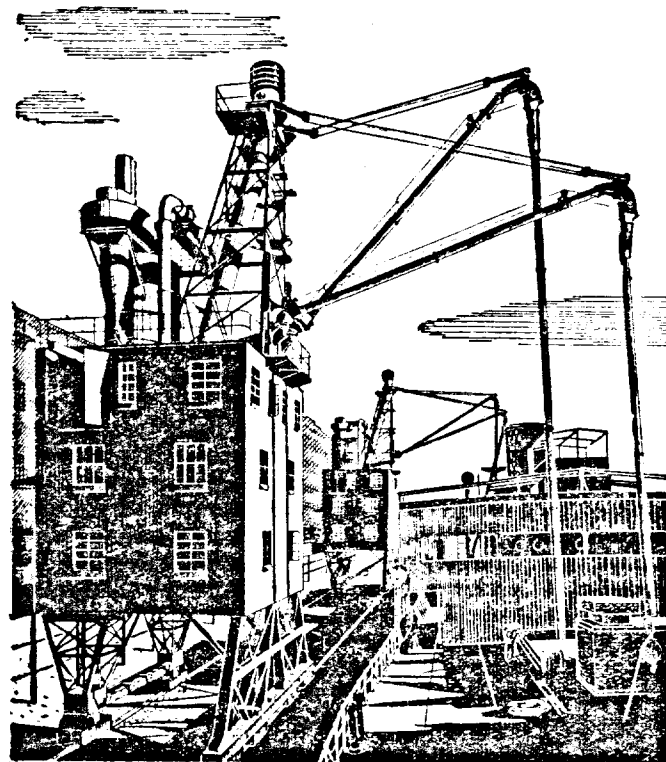
The first issue of this six-page journal was published in Belgrade on November 13, 1947, and it has appeared once a fortnight ever since in Russian, French and English, and—since last November—in German as well. At a meeting of the Cominform in January, 1948, it was decided to set up a permanent editorial staff in Belgrade with Mr Yudin, a member of the Russian Communist Party executive, as chief editor. After the split with Tito the headquarters of the paper moved to Bucharest.

The journal is exclusively concerned on the one hand with the affairs of individual Communist parties throughout the world, and on the other with lengthy comments on the progress of the general struggle of Communism versus capitalism. News items are included only for the evidence they can be made to provide of the political and economic achievements of the "people's democracies" and of Communist parties everywhere, or of the decline and growing disintegration of the bourgeois economies of the west. Since one number is very like another a description of the principal contents of the latest issue will give as good idea as any of what the journal is like.

The chief features include the text of Mao Tse-Tung's speech on foreign policy in Peking on June 15th; an account—or rather interpretation—of the Labour Party's Blackpool conference by Harry Pollitt; a description of producer co-operatives in Hungary by a member of the central committee of the Hungarian Workers' Party; a warning "Against turning Norway into an American Imperialist Base" by a Norwegian Communist; and a section entitled "Party Life," which contains short descriptions of various party activities. The unsigned three-column leader on the front page is devoted to the anniversary of Tito's expulsion from the Cominform.

Tito the Trotskyite

This leader paints a lurid picture of the regime of terror and the economic decay now said to be prevailing in Yugoslavia, describes with self-righteous horror the extent to which Tito has gone over to the imperialist camp, and points out how right the Cominform was to expel him. No one could possibly guess from the article the extent to which the Cominform is itself responsible for what it condemns in Yugoslavia. On the next page Anna Pauker, the Rumania Foreign Minister, contributes an article called "Traitors to Socialism," in which she says the same things about Tito all over again, only in even more unbridled language. She sums up the whole situation as she sees it in the following picturesque sentence.



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Steadily slithering down the slippery slope of their choice, the political forgers of the Tito gang have so frayed their Trotskyite false revolutionary jackets, that they have become out and out bourgeois nationalists, lackeys of the imperialists and murderers of Communists.

As if even this were not enough, Jacques Duclos, secretary of the central committee of the French Communist Party, contributes yet another article, designed to set forth the "facts" which make "it possible to gauge the depths to which Tito and his associates have descended a year after the publication of the Information Bureau's resolution."

The Cominform Journal is a great believer in the proper celebration of anniversaries. Every party date provides text for a sermon or diatribe. Such occasions as May Day and the anniversary of the "great October Socialist revolution" form very convenient pegs on which to hang the endless repetitions of what might be called the basic Cominform themes. The latest issue of the journal contains an article called "Unparalleled Exploit of the Soviet People" to commemorate the eighth anniversary of Hitler's attack on the Soviet Union. The opportunity is taken to sing the praises of the Soviet people who, by their resistance to Hitler, "brought freedom to the peoples of Europe." This is said to be an "undisputed historical fact," and the reader is left to infer that no one else had a hand in Europe's liberation. The well-worn themes of "the intensified machinations of imperialist reaction," especially in the United States, which is engaged in "suppressing the national industries of Britain, France, Italy, Belgium and other countries"; the "oncoming economic crisis in the United States and other capitalist countries," which they are trying to avert by whipping up a war hysteria; and "the world peace camp at whose head marches the mighty land of Socialism"—these all make their appearance in turn. The results of the Council of Foreign Ministers (of which no factual account is given) are mentioned in passing, to show that "the resolute and consistent peace policy of the Soviet Union" is beginning to bear fruit.

Elections are one of the specialities of *The Cominform Journal*. Those in the "people's democracies" give very little trouble; but to present those in the western democracies as triumphs for Communism generally calls for no little ingenuity by the apologists. The favourite gambit is to attribute to the western authorities all the terrorist methods and electioneering tricks of which the Communists themselves know the value.

Education of the Party

To an outsider the most interesting parts of the *Journal* are those which describe the activities of individual Communist parties. In its first issue one of the functions of the *Journal* was described as being to "help the Communist parties in an exchange of experience," and this task of helping the different parties to learn from each other's successes and mistakes is conscientiously undertaken. For instance, in one issue a whole page, devoted to an "Exchange in Experience in Party Work," contains three articles by leading local Communists in Hungary, Bulgaria and Czechoslovakia.

Nowhere in these reports is any attempt made to cover up failings and mistakes. The low standards of some of the lecturers in Prague is admitted just as frankly as the laziness of the Hungarian workers. Of the Workers' Party in Staro-Zagorsk it is said that "serious failures and shortcomings could be observed in its work which have now been eliminated by criticism and self-criticism." The errors and shortcomings are undoubtedly flaunted quite openly because there is never the slightest doubt that they will be rapidly eliminated. The prevailing note of *The Cominform Journal*, in fact, is a most incurable and unshakable optimism in the eventual triumph of Communism. Its pages provide the most remarkable evidence of what happens when individuality of thought and style are completely sacrificed to slogans and a uniform doctrine.

THE BUSINESS WORLD

Base Metal Prices and Policy

THE Minister of Supply's refusal last Monday to reopen the London Metal Exchange was the more disappointing because of its air of finality. This time there was no temporising, despite the Minister's use of the phrase "... I am at present unable to agree. ..." It was clear from the key of his remarks that "at present" might mean much longer than a period of months. If he is "unable to agree" now, he is never likely to be able to agree. So, after a year's deliberations on whether the market should be reopened, the Government has decided not to give substance to its oft-repeated claim that controls are not being maintained for their own sake. When base metals were extremely scarce after the war, it might have been argued that Government buying was a necessary policy to ensure supplies for British industry. But these conditions of acute scarcity no longer obtain. On that ground, at least, the time could hardly be more propitious for a resumption of private trading—under suitable safeguards, of course. That opportunity, however, has not been accepted.

The only acceptable reasons for refusing to allow the metal market to reopen—or for not stopping Government purchasing, which is the same thing—would be neither an overriding case on grounds of public policy or a conclusive demonstration that Government buying was cheaper. Neither case has been made out. Mr Strauss gave two reasons to Parliament. First, he claimed that a free market in non-ferrous metals would have to be so severely circumscribed in order to prevent a loss of dollars that any benefits which might be expected to accrue from a metal market would be nullified. The second (which he regarded as "even more important") was that the abandonment of bulk buying of non-ferrous metals from Commonwealth sources would seriously endanger Britain's supplies and make this country more dependent on purchases from dollar sources. "For these reasons," the Minister concluded, "I am at present unable to agree to the reopening of the Metal Exchange for the purchase and sale of copper, lead and zinc." Tin is excluded from his injunction; in the first place, it is purchased from sterling sources; and secondly there is still the possibility that an international tin agreement might be negotiated. In other and cruder words, if the resumption of private trading in tin might cause its price to rise and thereby secure more dollars, the Government would perhaps agree to a free market. But it is by no means certain that the United States would agree to the abolition of international allocation for tin or to an agreement which does not provide for an expansion in tin production and therefore a check to any raising of prices.

The more the Minister's arguments are examined, the less convincing they seem. To a large extent, they turn on the sources of supply of copper, lead and zinc for British consumers. Britain's annual consumption of virgin copper is about 360,000 tons, of which about two-fifths comes from the dollar area—Canada, Chile and the United States. Supplies from the United States largely consist of Rhodesian copper re-exported to Britain after electrolytic refining. Britain also consumes 210,000 tons of refined lead a year,

about a quarter of which comes from dollar sources, mainly Canada, while of the 225,000 tons of virgin zinc used each year in Britain, about one half comes from dollar countries. These imports from dollar sources are clearly necessary, whether they are purchased by the Government or through the metal market. If the exchange control were efficient, there would be no reason to fear any greater expenditure of dollars to pay for private purchases than has to be provided to pay for Government purchases. This is a point of principle which remains quite unaffected by the cuts in imports of dollar metals which the Chancellor announced on Thursday. It is difficult to believe that the exchange control need be so complicated as to nullify the many advantages which would result from the reopening of the London metal market. There are free dealings in wool, but the fact that a limited quantity of wool has to be purchased each year for hard currencies has not destroyed the advantages of the free market. There might be, of course, some risk that metals bought for sterling by non-dollar countries could be re-exported to the United States at a cut rate of exchange. This sort of trading has been common enough in wool, though not apparently to any great extent in rubber. Here again it is difficult to believe that, with the help of British merchants, this risk could not be reduced to a minimum, though it is bound to arise so long as exchange rates are artificial and bear no real relation to internal price levels. Even so, we merely have the Minister's *obiter dictum* that the dollar risk is of sufficient importance to justify the continuation of Government purchase of metals. It is not, quite frankly, a convincing answer.

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Mr Strauss's second argument seems even weaker than the first. If a free London market existed for metals, there would be some semblance of a world price. If demand was large in relation to the available supply, the price would rise. How would such a rise endanger supplies of base metals for Britain and make it more dependent on dollar purchases? If the United States was the main buyer, Britain and the sterling area would earn additional dollars; if the large demand originated in non-dollar countries, British manufacturers could secure adequate supplies by bidding up the price. Was there ever an occasion, when the free metal market was open, of unemployment being created in a period of rising prices because manufacturers could not secure adequate supplies of raw materials? This argument can be accepted on only one assumption—that the Government is reconciled to the British economy remaining permanently out of equilibrium with other countries. If the decision not to reopen the London Metal Exchange was in fact based on these two principal reasons, then the Ministry of Supply must be convicted of having taken an unimaginative and doctrinaire line, and of ignoring the clear demonstration that bulk purchase of metals has imposed a serious burden on consumers in this country which ill accords with the campaign to increase exports.

As if to lend point to these criticisms of price policy under bulk purchase, the Minister's announcement was followed by

the publication of a new schedule of prices for copper, lead and zinc. It has at last been decided, now that a free market is not to be re-instituted, to bring prices in Britain to parity with American metal prices, and to make them conform to movements in the New York market. Copper was reduced on Tuesday by £13 10s. to £104 a ton compared with the equivalent of £98 a ton in New York. The Ministry, however, was quick to raise the price by £3 10s. a ton on Wednesday following a similar rise in America. Lead was reduced by £6 10s. to £75 10s. compared with £72 5s. in New York, but on Thursday it, too, was raised by £5 10s. a ton to conform with an equivalent rise in New York. Zinc has been reduced by £20 to £58 a ton, compared with £50 in New York. The Ministry of Supply has thus followed the Raw Cotton Commission into phase two of the development of centralised purchase, by which prices charged to British consumers are equated to "world prices," and not to the prices paid by the purchasing organisation. The parallel is the more complete, because British metal users will in future have the chance of participating in a type of cover scheme; they will be able to book forward supplies of copper, lead and zinc on payment of a premium as an insurance against a rise in prices. Some facilities, though very limited ones, for hedging against a rise will therefore be available in future. Apparently, there is no need, in Mr. Strauss' view, for hedging facilities against falling prices, on the peculiar ground that "we do not expect manufacturers to gamble with raw commodities." That will be scant consolation for the manufacturer who, for entirely good reasons, has to hold stocks.

★

How far do these changes meet the general criticisms levelled against central purchase? Of all the disadvantages accruing to Government trading, two are vital. First, prices tend to lag behind those on the "world market"—such as it is in base metals. The new intention to keep the two sets of prices in line introduces yet another artificial element, for it can be done, in a falling market at least, only by meeting the Ministry's trading loss out of an Exchequer subsidy. Secondly, prices in a free market, reflect many people's appreciation of present and future trends in supply and demand. If one person's assessment is wrong the consequences need be of little concern. Under Government trading, however, decisions are made by a very small group of officials who may be right in their judgments, or wrong.

But the consequences of error may be serious because they affect total supplies of base metals for Britain, and because they may also have repercussions on the rest of the

trading world. In metals, there really is no proper world market to look to for guidance. Since the war, American prices for the three main non-ferrous metals have been taken as an index to world prices, but the New York market is dominated by a few large custom smelters and by integrated firms interested both in mining and in manufacture; it is far from being a satisfactory commodity market, in the same sense as the London Metal Exchange was. Price movements in New York tend to be rigid; and when supplies are short consumers are quite accustomed to paying premiums above the official quotations. Hence the Ministry of Supply's assessment of the "world market" must be largely in the nature of conjecture.

If, under their new price policy, the Ministry of Supply can, like the Raw Cotton Commission, keep the time-lag between the movement of its own prices and those ruling in the rest of the world down to a minimum period, then British manufacturers would no longer have to pay more for their raw materials, when the price trend is falling, than their competitors have to pay. But the losses which the Ministry will incur when prices fall will have to be met by the taxpayer. There will not be much chance of recouping these losses when prices are rising, because manufacturers can now buy forward at premiums of £2 10s. a ton for the second and third months for copper and £5 for four to six months, and £2 a ton for lead and zinc, with £4 for four to six months for zinc, but not lead. If the premium is higher than the prospective price rise, manufacturers are not likely to buy forward. If the premium promises to be smaller than the expected rise, the Ministry will make a reduced profit, and perhaps a loss.

If the new system of price fixing removes from manufacturers the burden of paying more for base metals than their competitors abroad, the cost will have to be borne by the Exchequer. It would seem that this week's price reductions might involve an Exchequer loss of at least £10 million, which will be hard to square with the Chancellor's undertaking that departmental expenditure would not be allowed to rise during this financial year. At June 30th, the Ministry of Supply held 170,000 tons of copper and was under contract for the delivery of a further 150,000 tons. The greater part of this copper was bought at a price "related to the New York export price of £130 12s 5d. a ton," compared with the new price of £107 10s. Losses of this character are inseparable from Government purchases when prices are falling. The loss to the Exchequer may be somewhat reduced if the Ministry raises prices quickly to match any rise in the United States, and reduces them only after an appreciable time-lag. But "economy" of this kind would merely ensure that metal users would get the worst of both worlds.

The new scheme offers the pretence of elasticity, which perhaps makes it preferable to the old system by which the Ministry charged "average prices" (whatever that concept may have meant), subsidising manufacturers when prices were rising and penalising them when prices were falling. But it does so at the cost of providing one more subsidy for a government trading organisation. If the manufacturer escapes the inevitable consequences of bulk buying on a

Gas Turbines for Industry—II

Gas Turbine Costs

DESPITE their imperfections, gas turbines have an extraordinary flexibility of size and arrangement, and they should have a comparably wide field of application. Most attention has been given to their use as a prime mover, in which they compete directly with highly developed steam turbines and diesel engines. But some technicians believe that it would be more useful to concentrate on applying gas turbines in process operations; they see big opportunities in using gas turbines in completely new production techniques. Some process uses are being developed. One large engineering concern is designing a gas turbine for use by Imperial Chemical Industries in a nitric acid production process which is expected to save between £10,000 and £15,000 a year in fuel costs. The Consett Iron Company is providing blast furnace gas for use by C. A. Parsons in evolving the design of a turbine to be powered by blast furnace gas; this may have applications in iron and steel smelting. By re-arranging the components, the gas turbine may eventually become the cheapest and most efficient producer of bulk oxygen yet known.

There are many other possibilities in using varying combinations of the four gas turbine components—compressor, combustion chamber, turbine and heat exchanger—for refrigeration, in oil pumping and cracking, and in drying operations, to name only a few. Their development ought to make a big contribution to industrial efficiency. The difficulty is to make their design and manufacture equally attractive to the engineering firms. Too often the potential market does not look large enough to repay the cost of development. Moreover, it is the public services—in search of a prime mover—

falling market, it is only because the taxpayer makes up the difference on the Ministry's trading account. To reopen the Metal Exchange would have been difficult; but nothing has been put forward to prove that it was impossible. The dollar shortage has once again been made the excuse for not restoring a more or less free and flexible market. If this is to be taken as an earnest of official policy in the next few months, it is to be deplored.

which have apparently taken the initiative in commissioning the first gas turbines. Of even greater significance than the money cost is the scarcity of engineers able to design a gas turbine. The Government-owned firm of Power Jets (Research and Development), Ltd., have done what they can to overcome the shortage by acting as consultants on gas turbine technology and by providing training facilities. But even given the training, engineers of sufficiently high calibre are rare, as some firms have found to their cost. To set any one of these men to develop an individual process may be to keep him from work of greater value to the firm.

The first British-built industrial gas turbines will be used to generate electricity. The case for their use in power stations is not strong. It is true that gas turbines have a lower capital cost than steam turbines, for they need smaller buildings and no boilers. But so long as they burn any fuel but coal, or until their efficiency is raised to 40 per cent, the overall cost per kilowatt will be higher than steam-generated power. To this, there is one exception. A steam turbine is not efficient as a small unit—a unit of less than, say, 15,000 kw generating capacity. Therefore, a gas turbine has advantages as a stand-by generator for peak loads, and it is with this object that the British Electricity Authority has placed its orders. If the gas turbine generator operates for, say, only 600 hours per annum, the fuel cost per kw generated by a steam turbine then falls so far that it offsets the difference in capital cost per kw of the two sets. Gas turbines might make an equal showing with steam for base load use were it possible to use their hot exhaust gases, for example in district heating. In areas of

limited water supply, gas turbines have an obvious advantage. There are also technical reasons for supposing that a gas turbine may be more suitable than a steam turbine for using heat produced by nuclear fission. The small nuclear power plant operating in the United States is not, however, believed to be using a gas turbine.

It would be a mistake to regard gas turbines and steam turbines as direct competitors in the race for technical advance. Improvements can be made in steam turbine efficiency simultaneously with advances in gas turbine

COMPARATIVE ESTIMATES OF ELECTRICITY GENERATION BY GAS OR STEAM TURBINE (Turbine-Alternator Set of 10,000 kw capacity)			
	Steam Turbine	Gas Turbine <i>Note: The estimates below are illustrative and not precise.</i>	
First Cost:—	£ per kw	£ per kw	
Turbo alternator set....	13	13?	
Station auxiliaries.....	5	3	
Boilers.....	13	...	
Buildings.....	12	6	
Cooling tower.....	3	1	
Total.....	£46	£23	
Fuel Cost:—			
Hours operated p.a....	6,000	6,000	
Fuel.....	Coal at £2 10s. a ton	Distillate fuel at £11 a ton	
Calorific value.....	10,000 BTU/lb	18,350 BTU/lb	
Thermal efficiency of plant.....	25 per cent	30 per cent	
Annual fuel cost per kw.	$\begin{aligned} &6,000 \text{ hrs} \times 3412 \text{ BTU/kw hr} \times \text{£}2.5 \\ &2,240 \times 10,000 \text{ BTU/lb} \times 0.25 \\ &= \text{£}9.15 \end{aligned}$	$\begin{aligned} &6,000 \text{ hrs} \times 3412 \text{ BTU/kw hr} \times \text{£}11 \\ &2,240 \times 18,350 \text{ BTU/lb} \times 0.30 \\ &= \text{£}18.3 \end{aligned}$	
If the gas turbine set burnt boiler oil at a cost of £4 16s. 6d. a ton			
	Annual fuel cost per kw =	$\begin{aligned} &6,000 \text{ hrs} \times 3412 \text{ BTU/kw hr} \times \text{£}4.825 \\ &2,240 \times 18,350 \text{ BTU/lb} \times 0.30 \\ &= \text{£}18.0 \end{aligned}$	



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technique. Many of the aerodynamic devices essential to a gas turbine and much of the work on high temperature operation have their value in steam turbine design. They have not been used hitherto because the gain in performance was not sufficient to cover the cost of development.

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Comparison between diesel engines and gas turbines shows the error of basing any case entirely on thermal efficiency. Diesel locomotives, for example, have a thermal efficiency of over 30 per cent. Nevertheless, some engineers are confident that gas turbine locomotives will supersede them with an 18 per cent thermal efficiency. Their chief argument is that a diesel engine spends one quarter of its working life undergoing maintenance, whereas a gas turbine locomotive might spend 2 per cent. On this point, it can be asserted with confidence that American railroads do not spend anything like 25 per cent of the working time of diesel-electric locomotives on maintenance, and secondly that the 2 per cent allowance for gas turbines must be largely a guess, as yet unsupported by much working experience. One Swiss-built gas turbine locomotive has been used by the French for some years quite successfully, and an open-cycle gas turbine built for locomotive work in America by the General Electric Company has completed its bench tests. The locomotive is expected to operate experimentally this summer on Union Pacific routes.

Lower capital cost, lower maintenance and smaller size weigh in favour of gas turbines for marine use, though there will not be much scope for their general application until they burn fuels cheaper than those used by diesel engines. Doubts about their reliability are a further deterrent. If a gas turbine goes wrong, nothing short of dismantling will set it right. The Admiralty is in a position to take this chance

and has commissioned a gas turbine frigate; in doing so, the Admiralty should provide valuable data for marine engineers. Few shipowners can take such a risk and it will be a long time before the engineer can promise that some risk is not present. Altogether, four marine plants are on order.

These deductions are based on present costs with gas turbines burning diesel fuel. If they could burn a cruder, cheaper oil—preferably a non-distillate—they would be able to compete with diesel engines on running costs alone. If they could burn coal, they could compete against steam turbines. There is no problem at all in getting a gas turbine to burn a coarser fuel and to raise adequate power from it. But coarser fuels contain a fractional proportion of ash which forms deposits on the turbine blades and eventually leads to breakdowns. If the constituent of the ash which causes sticking could be identified and isolated, it could be removed before the fuel was injected. The shape and spacing of the blades is also believed to have a connection with the formation of deposits. In America the General Electric Company's locomotive gas-turbine was run for part of its test on untreated bunker oil, and results were encouraging. Deposits formed only when the fuel was poorly atomised in the combustion chamber. In Switzerland, a non-distillate has been burnt for well over 1,000 hours without any ash formation at all, though there is a slight doubt whether it was using a comparable fuel. The Swiss success is believed to be wholly due to the shape and positioning of the blades. British experiments with crude fuels have not been conspicuously successful, but some of them were tried in conjunction with an unconventional turbine design and may, therefore, have failed for other reasons.

The burning of non-distillates is only a matter of time.

The need for it is very urgent. If the process so successfully developed by the Anglo-Saxon Petroleum Company for using heavy oils in diesel engines becomes general, diesel running costs will be so reduced that it may be very difficult to make out an argument for the use of a gas turbine in any field which could be as well served by a diesel engine.

Coal-fired turbines are more remote and may indeed not even be technically possible. American experiments with coal-fired gas turbines for locomotives met so many difficulties that research came to a standstill and only now is a fresh start being made. The British Coal Utilisation Research Association is working on the problem in this country. Devices to remove the ash from the combustion gases before they reach the turbine blades are now recognised as impracticable, but it is hoped that the rate at which ash deposits accumulate on the blades might be retarded to give reasonable running periods between overhauls. The prizes of success would be substantial. A coal-fired gas turbine, burning pulverised fuel, would be of particular interest to the National Coal Board. Gas turbines could be used at the

pithead to drive pit machinery and to generate bulk power, using fuel which might otherwise be unmarketable.

The choice of fuel depends ultimately on the standards of reliability which are required. There is some tendency to look on a gas turbine as a gas-driven version of a steam turbine; because of this association, plant engineers are inclined to demand 100,000 hours running from gas turbines, and they regard the necessity of blade cleaning as an unconquerable obstacle. If the mental association with steam turbines is discarded, then the prospect of regular cleaning and replacement of blades becomes no more formidable than normal maintenance and replacement for any piece of capital equipment; and the cost need be no higher in relation to first cost. If this new attitude towards the gas turbine were adopted, operating temperatures could straight away be raised without further development of design or materials. Equally, the objections to coarser fuels would disappear. An immediate gain in operating efficiencies and an immediate fall in operating costs would result. It now rests with industry to begin to exploit these promising advantages.

Business Notes

Dollar Import Cuts Now

The Government's assumption that the new programme of imports from dollar sources could wait until September has been quickly belied. With a speed which plainly suggested a sudden change of policy, the Chancellor announced to a gravely attentive House of Commons on Thursday a new programme of dollar imports for the year to June, 1950. That this action has been taken so quickly, when ten days ago it seemed to have been deferred, strongly suggests that the Government has no hope of something turning up by the autumn. Indeed, the fact that the Chancellor found it necessary to announce new cuts before the meeting of Commonwealth finance ministers had really got down to business may also lend itself to the interpretation that these discussions, too, offered no way out of the immediate dollar crisis unless Britain itself was prepared to make the first contribution.

Sir Stafford's new programme calls for a reduction in dollar imports to the United Kingdom from £400 million for 1948 to £300 million for 1949-50. The quota of dollars for tobacco is to be pruned from \$110 million to \$90 million, which is expected to entail a 5 per cent reduction in consumption. Reduced sugar rations and the reimposition of sweet rationing will together save 180,000 tons of sugar costing \$17 million. These cuts in consumption are, however, to be offset by increases in other foods "of a perishable character," including butter, meat and bacon. The rest of the cuts are in dollar raw materials. Timber will be reduced, though the housing programme is to be maintained. Paper and pulp from dollar sources is to be cut by one-third, though "the effect will not be great"—presumably the effect on total supplies rather than on average prices. A reduction of 25 per cent in non-ferrous metals from dollar sources is proposed, but here again it is thought that total consumption will not be affected—presumably because of increased supplies from other sources and of lower prices. No change is proposed at present for petrol, on the ground that this involves complicated international questions. Dollar steel is to be reduced, and the Chancellor was ungracious enough to charge the British steel industry to maintain its high rate of output "under the spur of nationalisation."

The nation has not yet heard the worst. For the revised programme involves a saving of only £100 million on dollar account, whereas the deficit is running at the rate of £600 million, before bringing Marshall aid into the account. Nor

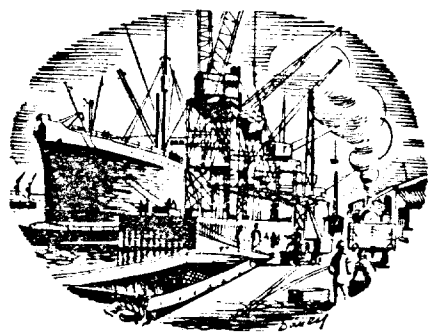
are the cuts likely to be so painless in practice as the Chancellor appeared to go out of his way to suggest. They will, at the very least, further increase the sterling cost of the raw materials of British industry, and increase by so much the already severe difficulties which British exports are meeting in foreign markets. They may be—indeed they are—quite inescapable; but they will not be taken in overseas countries as any contribution to the aims of freer trade which the Chancellor still professes.

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First Round in Dollar Talks

As for longer-term measures, no dependable evidence has emerged from the vital international discussions of the past week to show even the broad lines upon which the solutions may eventually be sought. This apparent inconclusiveness was to be expected. The scope of the tripartite talks of last week-end—between Sir Stafford Cripps, Mr Snyder and Mr Abbott—was, as intended, mainly exploratory; and, at least so far as the longer-term problems are concerned, the same has evidently also been true of the early stages of the conference of Commonwealth Finance Ministers. In the City, as in the Press, attempts have been made to extract firm conclusions by a microscopic scrutiny of the communique issued after the tripartite meeting; but at this stage it would be wise not to try to read too much into this text—if only because of the contradictions both within it and between it, and Sir Stafford Cripps's statement in Parliament ten days ago.

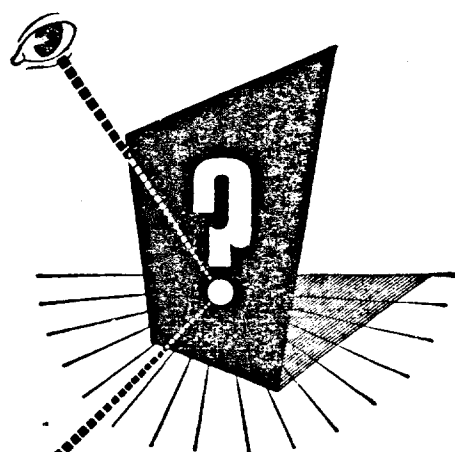
Outstanding among the matters on which the three Governments declared their agreement was the reaffirmation of the objectives of the International Monetary Fund agreement and of the Havana Charter—a statement of faith which was amplified by the "particular stress" laid upon the need for such solutions of the present problem as would maintain high levels of employment and enable world trade and payments to develop multilaterally. Significantly the first of these objectives was reiterated even more firmly by the Chancellor on Thursday. For Britain, however, the hard truth is that in the short run these are conflicting ideals—as Mr Harold Wilson's statement nine days ago, discussed in a later note, in effect admitted. The conflict becomes even sharper if the further conditions are added that living standards should be maintained (which Sir Stafford Cripps has done his best to reaffirm) and that there would be no currency devaluation (which was stated not to have been suggested among the unspecified



For Export

At the quay-side, the import-export procedure is reaching its final stages, but the earlier steps were equally important. Markets had to be found, references exchanged, restrictions complied with, payment arranged and documentation completed. At each of these steps the services of the Westminster Bank can usefully be employed. To help those who are engaged in foreign trade, the Bank has issued a booklet which may be obtained without charge at any branch. Ask for *The Foreign Business Service of the Westminster Bank*.

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short-term remedies discussed during the three-Power talks). The most that seems to be deducible at this stage is that Britain has certainly not rejected the multilateral approach to a solution; it has further agreed that "all parties" must review their policies to make a single multilateral system eventually possible—but it is too soon to assume that this signifies a readiness to make the drastic changes which will be needed to achieve the requisite reduction in British costs. Indeed, the Chancellor on Thursday merely repeated the hortatory comments which he made a week ago.

For the rest, it seems that, at least on the international plane, no major decisions are likely to be taken before the critical meetings in Washington which will precede the annual assembly of the IMF and International Bank governors in September. It has been arranged that in the meantime "technical and fact-finding" discussions shall continue between the three Governments in preparation for the September meeting. It has been agreed, too, to explore remedies "other than financial assistance such as that provided by the United States and Canada"—a statement which has been construed as implying that measures such as aid from the International Bank and accelerated stock-piling purchases by the United States may be among the short-term possibilities to be studied. Hopes of action by the second of these means have also been encouraged by President Truman's half-yearly message to Congress this week. Apart from possible short-term by-products such as these, it is clear that the prime importance of the meeting lies in the fact that from the outset the whole problem has been firmly put into its proper international setting. This is a real gain—though it carries with it the disadvantage that emphasis upon the international causes of the disequilibrium may divert attention, in Britain, from its need for making other unpalatable changes at home.

* * *

Family Crisis

More immediate consequences may perhaps flow from the Commonwealth talks, since their first objective is to ensure a curtailment of the volume of dollar expenditure by the sterling area as a whole. But, carefully though most of the assembling delegates guarded their tongues in public before the conference opened, it is certain that they have been outspoken behind closed doors since. It would be naive to suppose this to be another peaceful family gathering, demonstrating anew the solidarity of the sterling area. Even diplomatic language has been unable to conceal a general awareness of the extent of this latest threat to the material basis of family harmony. Still less should this meeting be conceived as a rallying of overseas members to the support of the senior member in its moment of stress. The ebbing away of the common pool of hard cash menaces them all, and the primary—though not necessarily the overriding—interest of each must be for its own livelihood. When the available resources are so slender, solidarity in the sterling club has perforce become a matter, not of family sentiment, but of hard calculation of the extent to which it serves the individual interest.

For example, India's Finance Minister, Dr Matthai, emphasised on his arrival that it was to India's interest, as the largest single holder of sterling balances, to see the position of sterling strengthened; India would therefore do its best to co-operate in finding a generally acceptable solution to the problem. But he added, inevitably and significantly, that there was a limit in dollar economy beyond which India could not go without jeopardising its own economy. Both India and Pakistan are acutely aware of the gulf which separates the standard of living in their countries from the standard in Britain. And it is becoming increasingly difficult to impress dollar economies upon them when the consequence is that they must rely still further upon sterling goods made more costly by Britain's social outlays. To judge from press com-

ments, the most violent reaction has come from Malaya, which, like other colonial areas, has been asked to suspend for the time being all licences for dollar imports which are not absolutely imperative. Malaya's retort, that rubber and tin are among the sterling area's principal dollar earners, and yet the country is not directly represented at the conference, is one which commands sympathy. It is perhaps significant that Mr Creech Jones, Secretary of State for the Colonies, was not included in the first list of delegates to the conference; that omission was corrected on the eve of its opening, and the importance of colonial produce was emphasised simultaneously. Finally, it may be noted that South Africa—which is no longer a member of the dollar pool—has remarked that if Britain could compete with American prices it could command a share of the gold which South Africa is at present expending on dollar imports. There is a lesson here for Britain, but one also for South Africa itself. At present, a diversion of gold-financed purchases from the United States to Britain would still leave the Union seriously short of sterling.

* * *

Sterling Area Balance of Payments

The hurriedly-assembled estimates of the balance of payments between the sterling area and the dollar area for the first half of this year which the Chancellor quoted in the House of Commons on Thursday plainly reveal the extent to which the intensified strain upon reserves has arisen from the transactions of the United Kingdom itself. The table reproduced below—other tables from the statement are reproduced in a subsequent Note—shows that the United Kingdom deficit with the dollar area accounted for £160 million, or two-thirds of the total net gold and dollar deficit of £239 million for the sterling area as a whole.

STERLING AREA GOLD AND DOLLAR DEFICIT: FIRST HALF 1949
(£ mil.)

	Jan.-June Provisional	Economic Survey	Difference
I. United Kingdom:			
Imports.....	- 207	- 207	—
Exports.....	+ 88	+ 100	- 12
Other payments and receipts (net).....	- 41	- 25	- 16
United Kingdom deficit with dollar area.....	- 160	- 132	- 28
II. R.S.A. deficit with dollar area.....	- 37	- 15	- 22
III. Gold and dollar payments to non-dollar countries.....	- 42	- 50	+ 8
IV. Total net gold and dollar deficit.....	- 239	- 195	- 44

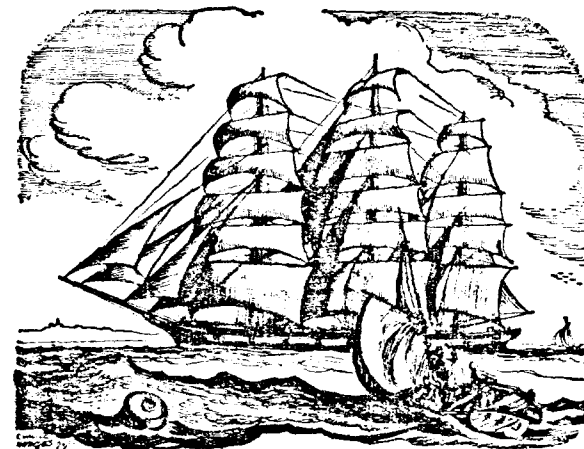
The United Kingdom dollar deficit proved to be £30 million larger than was envisaged in the Economic Survey, a deterioration which is attributable to a shortfall of £12 million in the value of dollar exports and to an even larger deterioration in the invisible account, which involved a net expenditure of £41 million in contrast with an original estimate of £23 million.

The increase in the deficit of the rest of the sterling area with the dollar area was proportionately larger than that for the United Kingdom but, even so, represented only two-thirds of the additional strain imposed by the deterioration in Britain's account. Rather unexpectedly, the aggregate payments made in gold and dollars to non-dollar countries were £8,000,000 less than had been expected. These payments, which absorbed £42 million, cannot be apportioned between the United Kingdom and the rest of the sterling area.

* * *

Pause in Markets

Though the news has been no better—indeed, with the proclamation of a state of emergency last Monday, it might reasonably be considered to be worse—selling has at least temporarily been more easily accommodated on the Stock Exchange this week. This fact must be largely attributed to technical factors. Last Sunday's communiqué from Chequers,



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replete with its multilateral platitudes, was hardly the signal for confidence; nothing but a reversal of the drain on gold and dollar reserves would produce that. Yet it did prompt enough bear covering early in the week, and jobbers apparently had some difficulty in finding stock to match. But despite this appearance of steadiness, investors remain only too conscious of the fact that an uneasy period faces the markets for the next month or two. This may be relieved by stout-hearted firmness in gold shares with periodic revelations of borehole results such as those provided by "Geoffries" this week. Occasional sallies towards a higher level of equity prices may also occur, given the present oversold condition of the industrial share market. Yet there can be no abiding confidence, either there or in the gilt-edged market in its present touchy state, that a rebound from present prices would get very far.

In these circumstances it might be regarded as optimistic to launch a new Colonial issue, and even daring, perhaps, for a foreign Government to attempt to raise new money in the London market on reasonable terms. But the uncertainties have not deterred the Northern Rhodesian Government from proceeding with the underwriting of a loan of £3,540,000 for a cash offer on Friday. The terms of this issue—3 per cent stock, dated 1963-65 at 97 per cent—have been given a good reception. The market has welcomed the closer redemption dates of the new loan compared with recent gilt-edged issues, and has noted that in order to hold the 3 per cent interest line even with dates in the middle 'sixties, it has been thought necessary to fix the issue price well below par. Part of the loan is offered for conversion to holders of the outstanding £1,250,000 Northern Rhodesia Government 5 per cent inscribed stock 1950-70 for which six months' notice of redemption is given and £100,000 is also being reserved, following the precedent of the recent Nairobi loan, for local residents in Northern Rhodesia.

If the conditions of the new Iceland loan, which is the first postwar issue to be made in London by a foreign Government, appear unusual, they present a good match for the security offered. The lists will open next Monday for £1,250,000 4½ per cent Iceland Government registered stock 1960-69 at 99 per cent. The issue itself is secured on ten trawlers which are at present on order to be built in this country for the Iceland Government, while the service of the loan will be at least partly furnished from the proceeds of the sale of Iceland's fish in this country.

Trade and Payments

Freeing European Commerce

The President of the Board of Trade, at the end of last week, made a long statement in the House of Commons on the British Government's proposals for relaxing restrictions on intra-European trade. These proposals were made to Britain's partners in the European Recovery Programme and form part of the general contribution to the debate centreing in the revision of the intra-European Payments agreement. Even after Mr Harold Wilson's statement, however, it is difficult to assess the real substance in these proposals. Mr Wilson described them as "a substantial step forward towards closer and more efficient economic integration in western Europe and towards a removal of obstacles from intra-European trade." The main intention is to remove or relax import licensing restrictions originally imposed to safeguard balances of payments but in many cases enduring well beyond the point at which they could be justified on this ground.

The proposals are for a "progressive freeing of European trade on a competitive and multilateral basis." The scheme remains a mere enunciation of principles which have yet to be supplemented by tangible proposals. Moreover, it is abundantly and painfully clear from Mr Harold Wilson's statement that escape clauses are provided for any country which refuses to take any action on the recommended lines. The measures

which are to be taken to relax restrictions on imports will only apply to sources outside the hard currency areas, and will only apply "to the fullest extent consistent with safeguarding the balance of payments" of the participating countries. Mr Wilson went out of his way to give the utmost precision to this point and to declare that Britain's payments arrangements with countries to which these relaxations might apply "must be such as to avoid any spending of gold and dollars by the United Kingdom."

Mr Wilson was also careful to point out that "in deciding upon the list of goods to be freed from import restrictions we shall have to bear in mind the legitimate interests of our own industries." The many reservations in the scheme hardly promise that it will be very effective in loosening European trade. And it was surprising that Mr Wilson, confronted by a supplementary question, was unable to name a single commodity, or a single country, to which this greater freedom of imports might be extended.

The Trade Spectre

The drain on Britain's gold and dollar reserves during the first half of the year revealed that all is not well with Britain's trade. Exports have been none too buoyant in recent months, although to judge from the preliminary figures for June the export drive as a whole is maintaining fair momentum. The total value of exports, it is true, fell by £8,000,000 to £143 million. But June was a short month with only 24 working days. The daily rate of exports, which can be taken as some measure of the effort made by the export industries,

BRITISH EXPORTS, JANUARY-JUNE, 1949						
	Jan.	Feb.	Mar.	April	May	June†
Total (£mn.)	159	141	160	137	151	143
Adjusted total* (£mn.)	159	152‡	154	149	151‡	155
Volume Index (1938=100)	162	143	162	140	153	144

* Total of each month adjusted to a standard 26 working days. † provisional.

was 2½ per cent higher than in May and 4 per cent higher than the low figure for April. Apart from January, the June rate was the highest attained since the war. But during the next six months, it will be difficult to maintain the current rate. To some extent, the closing of certain markets such as South Africa may be offset by the projected expansion in exports to Argentina, but only if British goods are competitive in design, quality and price. At least the volume of exports for the first half of the year (150½ per cent of the 1938 level) has equalled the target published in the Economic Survey.

The table showing British exports by destination for the first five months of the year provides part of the answer to Britain's gold loss. The monthly average was above that given in the Economic Survey, but exports to the western hemisphere

BRITISH EXPORTS BY DESTINATION: JANUARY-MAY, 1949 (£ mn.)			
	Jan.-May, 1949*	Monthly Average*	Economic Survey, Jan.-June Monthly Average†
Western hemisphere	113	23	27
Sterling area	395	79	73
EEC countries	193	38	36
Other countries	74	13	16
	775	155	152

* Based on export shipments.

† Based on export receipts.

were decidedly below expectations. And when the June figures for the destination of British exports are available, this discrepancy is certain to be even greater. The export figures published in the Trade and Navigation returns relate to export

shipments, whereas those in the Economic Survey refer to receipts. Thus there is more reason to suppose that the gap between actual and planned exports to the western hemisphere, will prove to be even larger than that shown in the table. It will also be interesting to see whether imports from dollar sources were larger than those planned for the first half of the year. In June, imports rose to a new record level of £201½ million making the total since January (valued c.i.f.) £1,120 million. The Treasury, however, has calculated the f.o.b. value of imports for the first half of the year at £950 million or £10 million less than the figure given in the Economic Survey, though these figures were marked "very provisional."

Anglo-Argentine Agreement—

Examination of the full text of the new five year trade agreement with Argentina shows that, on paper at least, it is more watertight than any early contracts. The five-year contract for meat is to be negotiated in London and, to prevent a repetition of what happened earlier this year, not only have the quantities been stipulated, but Britain is also to receive in any case not less than 85 per cent of the total quantity exported from the Argentine Republic to all destinations in any three monthly period. Experience of the Andes agreement evidently taught the British negotiators a lesson. Dr Ares, the Argentine Minister of Economics, has stated that the Argentine Government is to develop domestic agriculture and stock breeding. This is certainly a reversal of the Miranda policy. If the agreement works, then the British meat ration should increase and British farmers will get more feed for their stock.

The second signal feature of the agreement is the opening of the Argentine market to British goods. The accompanying table shows British exports to Argentina in 1947 and 1948 and the scale of exports anticipated in the first year of the new agreement. In addition to these manufactures, which are listed in considerable detail in schedule 3 of the agreement, Britain is to sell Argentina £29 million worth of petroleum and petroleum products. All categories of exports show a substantial prospective increase. The most notable, perhaps, is in textiles. Although before the war, Argentina was an important market for both Lancashire and Yorkshire, since the war

BRITISH EXPORTS TO ARGENTINA (£000's)			
	1947	1948	Under the New Agreement
Coal	3,453	3,755	8,500
Iron and steel manufactures	5,510	5,267	7,400
Machinery	11,778	8,949	14,000
Transport and equipment	1,346	13,103	24,000
Electrical goods	2,480	2,797	4,500
Chemicals, dyes, etc.	1,852	3,451	5,500
Cotton yarns and manufactures	1,361	3,184	4,000
Wool yarns and manufactures	1,419	1,860	2,875
Silk, rayon and other textiles	949	1,737	3,200
Textiles, glassware, etc.	978	1,772	2,500
Cutlery and instruments	602	1,161	2,000
Non-ferrous metals and manufactures	3,313	4,529	5,800
Other goods	34,801	52,541	92,575

* Excluding yarns.

Britain has been ousted by Italy, Belgium and France. To a large extent, this has been due to the Argentine Government's system of import licensing. Now British textiles are to be given their chance. There is no suggestion of a preferred market; the agreement merely provides that import licences will be freely granted up to the amounts stated. Exports of cotton goods from Britain have been set at £6,800,000 compared with £3,184,000 in 1948 and £1,860,000 in 1947 (the value of cotton exports to Argentina for these two years was wrongly given in the table on page 38 of the issue of July 2nd). Wool textile exports are also expected to be more than double last year's figure, while exports of other textiles are expected

to increase nearly fourfold. Coal exports will also be more than double last year's value while transport equipment (mainly ships, rolling stock and aircraft) will be nearly double and machinery exports 60 per cent higher than in 1948.

In the past, agreements with Argentina have resulted in disappointment, and this new agreement will therefore be welcomed, but with caution. If trade can be developed along these lines, both countries will benefit materially. Britain will get foodstuffs and raw materials without having to pay dollars, and Argentina will get petroleum, coal, capital equipment and consumer goods—an increased supply of the latter may play an important part in curbing Argentina's internal inflation. The agreement gives the opportunity to develop once more Anglo-Argentine trade. It now rests with exporters in both countries to make full use of it and with the two governments to keep the lines of trade clear.

—And Sterling Guarantees

Argentina has again succeeded in ensuring that any sterling it accumulates will be fully insured against the risks of devaluation. Yet another type of sterling has been created—Argentine "C" account sterling. Any surplus of sterling earned by Argentina since April 1st, when the last agreement ended, will be paid into the "C" account, and will carry a "revaluation" guarantee. Thus if sterling is devalued, but not the peso, or both currencies are devalued but sterling more than the peso, the loss to Argentina, calculated on the new sterling-dollar-peso rate, would be made good to Argentina in sterling.

At the same time, the exchange guarantees attached to Argentina's "A" and "B" account sterling are maintained. Sterling in the "A" account remains covered by a gold guarantee and the "B" account sterling by the existing revaluation guarantee similar to the new "C" account guarantee. Quite properly—since it is currently earned sterling—"A" account sterling can be used by Argentina to overcome any shortages that may arise in the new "C" account. But, rather surprisingly, it would seem that the "B" account sterling (which in the case of other countries holding "B" sterling is blocked and as a rule released only by fixed and published amounts) can be drawn on to replenish the "A" account and the new "C" account. Thus Argentina would still have plenty of reserves to fall back upon, should payments go in favour of Britain, before a sterling shortage would call forth a higher rate of Argentinian exports.

Anglo-Russian Negotiations

Trade negotiations between Britain and Russia are continuing, though not without difficulty. A contract has been signed with the Soviet Union covering coarse grains (mainly oats and barley with some maize) and, it is believed, wheat as well. Russia made it quite clear at the international wheat conference earlier this year that it had developed its transportation system and its harbour equipment to handle large quantities of grain, and that it was interested in exporting—at its own prices. No statement has been made about quantities or prices—indeed the existence of the contract has not been officially admitted. Prices in the contract made 18 months ago for coarse grains were claimed to be based on Chicago prices—when wheat was selling for \$3 a bushel. It is possible that the new contract involves prices higher than those currently ruling in Chicago. The Russians appear to have made the contract conditional on the signing of a general trade agreement similar to the earlier one. This is somewhat surprising, because most if not all of the sterling which Russia acquired from the previous sale of grain has been spent on buying rubber and wool, and Russia will apparently need sterling to meet the con-

tracts for British manufactures placed under the agreement of 1948. It was therefore thought that Russia might on this occasion prefer a straight sale of grain to a form of barter agreement. Russia could, of course, pay in gold, but would be more likely to convert gold into cheap sterling rather than use it for direct payment.

The implementation of the grain contract must await the second instalment of negotiations which are to be conducted in London and are likely to be prolonged. Meanwhile, trade negotiations with Yugoslavia are well advanced; both sides know the other's requirements, but detailed lists have yet to be drawn up, and a payments agreement will have to be settled first. Financial problems are also the stumbling block in negotiations with both Czechoslovakia and Hungary, but these are still in a very early stage. Development of east-west trade in Europe is important for countries on both sides of the iron curtain. Whether it can be put on a sufficiently sound footing depends less on economics than on politics. These new trade relations will have to rest on something firmer than the present unstable foundations if permanent benefit is to be derived from them.

* * *

Payment Talks with Pakistan and India

Since the assembly of Commonwealth Finance Ministers in London, it has become impossible to distinguish from the wider discussions the separate talks which had been planned between Britain and individual members of the sterling area. This is especially true of the negotiations with Pakistan and India. The Pakistan officials who have been discussing in London the new dominion's sterling requirements for the year from July 1st, have this week been joined by Mr Ghulam Mohammed, the Pakistan Finance Minister. Similarly, the Indian delegation which had been in London for many weeks but had participated only in exploratory talks, has now been joined by the Indian Finance Minister, Dr John Matthai. The difficult problems which confronted the separate negotiations at the outset have now been aggravated by the sharper evidence of strain upon the sterling area as a whole. Within the general negotiations for short-term remedies, there is likely to be some tough bargaining.

Pakistan's sterling needs are largely governed by its payment arrangements with India, and these arrangements have themselves to be reformulated for the coming year. Under an agreement which has just expired, Pakistan was prepared to hold the equivalent of £9,750,000 in Indian rupees but was entitled to demand sterling for any rupees accumulating beyond that level. Any excess accumulation up to £7,500,000 was convertible into sterling from India's No. 1 sterling account, but beyond that amount would be convertible only from the blocked No. 2 sterling account. Actually, India's deficit with Pakistan has not deteriorated to the point at which payments would be made from the No. 2 account, but India has been an important source of sterling for Pakistan. Hence Pakistan's arrangements with Britain are closely dependent on its own arrangements with India.

Last year Britain agreed to release £12 million from the Pakistan No. 2 account to its No. 1 account; of this total, £5,000,000 was an unqualified release, £2,000,000 was to replenish working balances, and £5,000,000 was intended to cover special expenditure upon refugees. Twelve months ago, after these releases, the Pakistan No. 1 account stood at some £25 million, but it has recently fallen to little more than £10 million. Pakistan has thus exceeded last year's sterling releases by some £3,000,000. While Pakistan has not run down its sterling holdings to anything like the same extent as India has done, its drawings have appreciably exceeded last year's agreed release, and there are expectations that it will press for higher sterling releases for the next twelve months. Furthermore, Pakistan is known to consider the £5,750,000 of dollars made available last year as inadequate to cover its prospective 1949-50 hard currency deficit.

Industry and Investment

Austin-Nuffield Broken Engagement

There were many who thought last October, when the technical collaboration between the Austin and Nuffield organisations was announced, that the two companies would have to go to a considerable way towards some pooling of financial interests if the plan was to succeed. Whether this conjecture has proved to be true, there is no means of telling. But certainly the pooling of information on technical matters, like production methods, costs and design, has now ceased, and "no further steps will be taken towards the pooling of production resources." The projected collaboration was never very clear in its details; it could have meant a complete merger; or it could have meant mutual agreement on the types of cars to be produced by the two concerns; or it might have represented nothing more than a promising idea which seemed worth trying. Now, it has been disclosed, "after preliminary investigations" the engagement has been broken off by mutual consent.

Perhaps this is not a matter for undue regret. Whatever the reasons may have been—personal issues, the prospect of greater competition abroad and perhaps before long at home, or the inadequate benefits which pooling may have promised to yield—there is probably more advantage to the country and to consumers in Austin and Nuffield being at arm's length, rather than arm in arm. The important question of greater standardisation of accessories and components is already covered by arrangements made by the industry's standardisation committee. Standardisation of detailed components, coupled with free competition in engine design, is likely to serve the export and home trades better than close co-ordination among the giants of the industry.

* * *

End of the Electricity Surcharge

The Minister of Fuel and Power announced in the House of Commons on Monday that last winter's surcharge on domestic consumption of electricity would not be repeated. This decision was to some extent foreshadowed by the report of the electricity sub-committee of the National Joint Advisory Council on the spreading of electric power loads next winter. The sub-committee found no evidence that the domestic peak load was at any time reduced by the imposition of last winter's surcharge. The proof can hardly be conclusive, for last winter was exceptionally mild. Equally, there is no proof that in a hard winter an extra charge on electricity would do much to limit domestic consumption in the peak hours. A surcharge spread over all hours is no substitute for a system of charges based on peak demand. And such a system is impossible without heavy capital expenditure on meters.

Mr Gaitskell stated that both the British Electricity Authority and the area supply boards were opposed to a second winter of surcharges and that most of the electricity consultative councils supported this view. The electricity supply industry lost goodwill among consumers as a result of last winter's experiment, and it may also have lost revenue. There was never any need to reduce domestic consumption of electricity outside the peak hours, which amount to only four hours out of the twenty-four. But a surcharge acts as deterrent throughout the day, and is likely to reduce consumption at times when the householder finds it easiest to economise; broadly speaking, this is not during the peak hours, but in the evening, when the supply undertakings have available capacity and are anxious to stimulate consumption. These arguments, coupled with some political pressure arising from the unpopularity and occasional inequity of the surcharge, have carried the day. Next winter, the electricity supply industry will once again rely on publicity to reduce domestic consumption in the peak hours. Exhortation, however, has proved less effective than economic pressure in the past.

Rayon in your bedroom

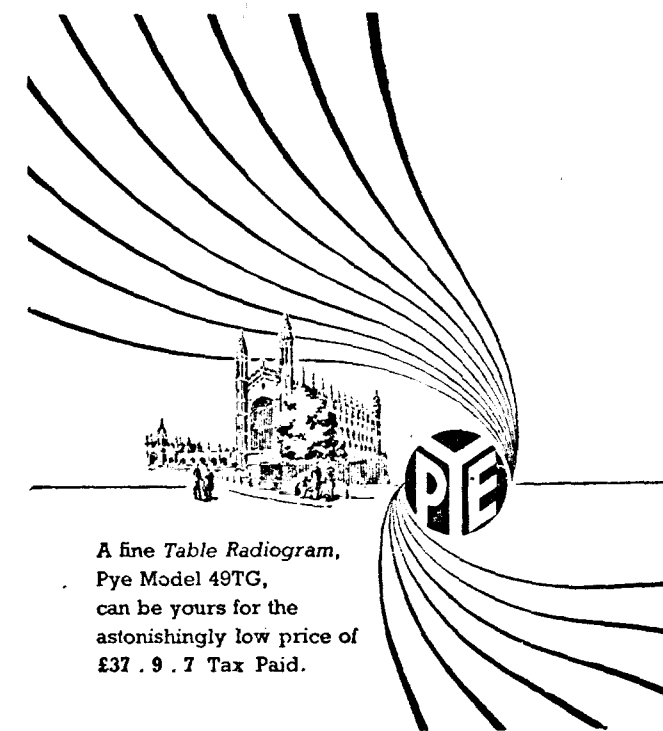
You can rely on rayon to add new beauty and comfort to your bedroom. Rayon may go to make your sheets and pillowslips, your bedcovers, chaircovers, carpets and curtains. And—of course!—rayon goes to make the most attractive and practical pyjamas, nightdresses, bedjackets and dressing gowns. In the furnishings of your home and in your wardrobe, the number of fabrics made with rayon, either by itself or used with wool, cotton or silk, is very high indeed. And the list is growing longer, as more and more the beauty of rayon becomes appreciated and its versatility realised.

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Over the year, domestic consumption takes 35 per cent of the total electricity generated. The domestic proportion of peak load demand on a really cold morning is probably above this average. Moreover, there are signs of strong and probably successful pressure to revoke the Electricity Supplies (Relaxation of Obligations) Order of February, 1948, which prevents electricity suppliers from installing any new service or apparatus for domestic purposes. This Order inconveniences householders by removing their free choice of equipment but if its revocation means the installation of more electric fires, water heaters and radiators, an increase in peak demand must inevitably follow. There is no possibility of sufficient generating capacity to meet maximum demand for several years. Unless there is mild weather or remarkable restraint in domestic consumption, industry must expect power cuts when winter comes.

* * *

Wheat Agreement in Force

The international wheat agreement has at last come into force. Twenty-two out of the forty-two countries which signed the agreement have so far ratified it and the new Wheat Council was formally constituted in Washington last week. Articles of ratification had to be deposited in Washington before July 1st when the agreement came into force, but subsequent ratification is permitted in certain circumstances. Italy has since joined, and Egypt is expected to come in shortly. The countries which have not yet ratified the agreement are mainly those of Latin America, whose legislative assemblies are not in session.

The Council has chosen London as its permanent headquarters and Mr F. Sheed Anderson, the head of the British delegation, as chairman for the first crop-year 1949-50. Both the Food and Agriculture Organisation and the United Nations suggested that Washington might be a preferable site. There are, however, some advantages in housing the Wheat Council in a consuming country, particularly as its most thorny problems are likely to be those relating to domestic support price policies. The maximum price of \$1.80 a bushel under the agreement is well below the American domestic support price and a subsidy will have to be paid by the American Government on export sales so long as this disparity exists. It is difficult to see how the price of wheat can move very freely under such conditions. Presumably the price will stay at its maximum level until large stocks have accumulated or price support policy is changed.

* * *

Deadlock over Development Councils

Last week produced another draft order for a development council—this time for the clothing industry. Last Monday was the final day for representations about the draft proposals for a development council for the wool textile industry. At meetings held in Bradford, Bristol and Edinburgh woollen manufacturers voted against these proposals, on grounds outlined in *The Economist* three weeks ago. A further appeal has been made by the industry to the President of the Board of Trade to modify the plan. Proposals for a development council for hosiery were published nearly a year ago, but there has been no further action. Discussions are still taking place between employers and unions in the pottery and cutlery industries; and the Board of Trade has had preliminary talks with the jute and the china clay industries.

Three councils have already been set up, for cotton (though this industry is a special case), for furniture and for jewellery and silverware. Broadly similar schemes for the wool and clothing industries have proved unacceptable, because these industries are not prepared to accept a statutory body of Government nominees, though the wool industry is prepared to work on voluntary lines to achieve the same objects. The clothing industry has rejected the Board of Trade's plans without putting forward any suggestions of its own.

Mr Harold Wilson has put the general case for the statutory form of development council in distinctly forthright terms:—

A statutory central body has, in my view, the advantages of being consistent with the machinery which Parliament has provided for this purpose, of ensuring greater continuity and security in the provision of funds for all required purposes and greater flexibility in their administration and use and, generally, of ensuring that the recommendations of the Wool Working Party's Report can be more fully secured, both now and in the future. . . . We have agreed to a number of voluntary organisations, but I am not prepared in every case to bow to the wishes of the employers and say there shall not be a development council in a certain industry.

This attitude, with its implication that there is no alternative to the statutory form of development council, is causing concern among employers' organisations. The value of development councils for some industries is accepted in principle. But they are peculiarly dependent on the co-operation of management. As the proposals stand at present, members of development councils will be nominated by the Board of Trade. Industry fears that a body so chosen will occupy an independent position between the industry and the Government—and nearer the Government than the industry. Ultimately it rests with individual managements whether the councils can do useful work or not. If there is a good prospect of securing voluntary co-operation, what is to be gained by imposing a statutory form of development council on an industry reluctant to receive it and unlikely to co-operate with it?

* * *

Unilever's Unidentical Twins

The preview of the provisional 1948 trading experience of the Unilever group given at the time of the new issue of convertible notes by N.V. in February threatened to dilute the news value of the preliminary profits statement. The prospectus stated that the consolidated results of both N.V. and Limited would together be approximately the same as for 1947. But the rise in the consolidated profits of the British company Limited from £17,508,356 to £19,378,852, and the offsetting decline from Fl.94,215,592 to Fl.66,065,984 in the corresponding profit of NV are distinctly remarkable. In the case of Limited these figures have been struck after providing £2,650,000 for fixed assets replacements reserve (against £2,000,000) and £2,265,000 for reserve against stocks, which is £970,000 less than in 1947. On the other hand, NV has provided Fl.15.2 million for replacement of fixed assets (against Fl.17.5 million) and Fl.20 million (against Fl.10 million) as reserve against stocks. These contrasts are of distinct interest, since they might be interpreted as reflecting the relatively greater problem presented to Limited in the replacement of fixed assets replacement. The concession of doubling the initial allowances in the Budget has in fact failed to resolve the dilemma posed by Sir Geoffrey Heyworth in his statement with the 1947 accounts.

The reduction in the profits of the Dutch company is partly accounted for by the heavier scale on which funds have been set aside for stock reserves, since the allocation has been doubled in the past year at Fl.20 million. Perhaps the fall in profits and the increase in the reserve may be associated with NV's exposure to falling prices in the United States.

* * *

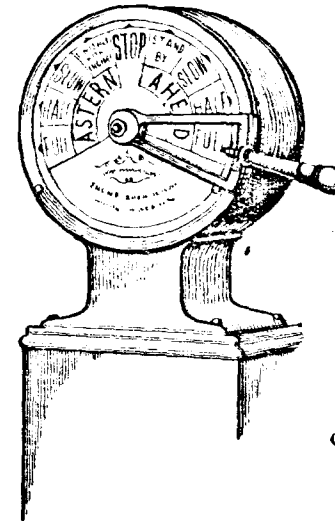
Shortage of Oils and Fats

Despite warnings by various eminent authorities twelve months ago that a world food shortage was still to be feared, food prices have been falling. In dollar markets the falls have been quite sharp; in sterling markets they have been less marked, but they are sufficient to show that the postwar peak in prices has been passed. Prices of oils and fats have followed this general trend, even though the forecasts of available supplies for the next three years suggest that world exports of oils and fats may still be appreciably below the 1938 quanti-

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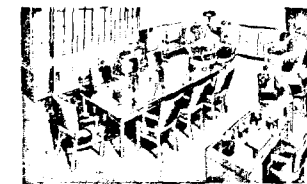
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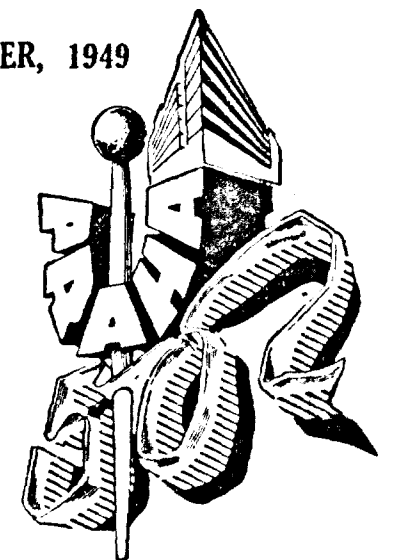
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ties. In a recent address to the Congress of the International Association of Seed Crushers, Mr J. C. A. Faure, of Messrs Lever Bros. and Unilever, Limited, has estimated that world exports of the principal oil-bearing materials and oils and fats (excluding butter, shortening, margarine and lesser drying oils) will amount to 3,214,000 tons this year compared with a preliminary figure of 2,933,000 tons for last year and 4,500,000 tons for 1938. Mr Faure's estimate for world exports in 1951 is no higher than 3,564,000 tons—an increase of little more than 10 per cent.

The gap between dollar and sterling prices for oils and fats is widening. Such a gap is common to many commodities, and it reflects the disequilibrium between the price and cost structures of the two areas. But the output of oils and fats (like that of other commodities) in the United States and the Western Hemisphere has expanded considerably during and since the war, whereas supplies from sterling and other non-dollar sources have yet to regain their prewar levels. Mr Faure pointed out that soya beans are no longer available from Manchuria or groundnuts from India. Exports of groundnuts from West Africa are hindered by the lack of transport, while in East Africa the harvest from the small area brought into cultivation has been disappointing, quite apart from the more fundamental causes of the slow development of this area as a large-scale producer of groundnuts and sunflower seed. Marshall aid helps to make up in part the deficiencies in oils and fats in western Europe through purchases from the dollar area. But until conditions of world trade become more normal, differential prices are likely to persist.

If this were the whole story, the prospects for future supplies of oils and fats to Britain and western Europe would seem bleak. There are, however, two mitigating factors which ought to be taken into account in any long-term assessment. The first, not referred to in detail by Mr Faure, is that production of oils and fats in many non-dollar countries has increased proportionately more than their exports. There is some reason to believe that as the world enters a period of price deflation, exports of oils and fats might expand more rapidly than output, except where shipment is hindered by transport difficulties. The second factor is the development of synthetic detergents. Expansion in output during and since the war has been greatest in the United States, though considerable progress has been made in Britain and other countries. Synthetic detergents offer definite advantages over soap in hard water districts, and they have also proved more satisfactory in certain industrial processes involving wetting and washing. Mr Faure conceded the importance of detergents, but he holds that "the tonnage of oils and fats that will be replaced by synthetics has been over-estimated." That may be so. But it may also be true that the relative shortage in oils and fats may be overcome more quickly than present forecasts of world exports might suggest.

* * *

Butlin's Hotels

Further information was provided at Monday's annual meeting of Butlin's, Limited, on the renting to the company of two hotels in which Mr William Butlin, the managing director, has a controlling interest. The statement of the chairman, Mr Ian Anderson, accompanying the report for 1948, had given only meagre news about them:

Your managing director has a controlling interest in companies owning two large hotels, namely, the Princess Hotel, Bermuda and the Fort Montagne Beach Hotel, Nassau. These hotels which are now in full operation, are leased furnished and equipped to your company for a period of 21 years.

It now transpires that the rent payable by Butlin's, Limited, amounts to £22,500 a year for the duration of the lease for each hotel. The total sum invested in the hotels by Mr Butlin and his associates was given as £1,250,000, so that the rent represents 3½ per cent on the capital outlay. Mr Butlin ex-

pressed the view that Butlin's, Limited, had made a good bargain by renting these hotels. Already they had brought in \$1,000,000; they represented a spreading of risks and were a valuable potential source of dollars for the country. A majority of shareholders at the crowded meeting were prepared to accept these arguments at their face value and leave the matter there.

Despite the increase from £772,410 to £784,078 in the consolidated trading profit of Butlin's in 1948, there was obvious apprehension that this level of profit cannot be maintained. Mr Anderson explained the reason for the much criticised cut in the final dividend for 1948 from 50 per cent to 10 per cent after the declaration of a 50 per cent interim. There had, in fact, been an increase from £51,841 to £127,712 in the amounts necessary for repairs, replacements and incidental expenditure at the holiday camps, while running expenses were also higher than expected. The dividend was only barely covered by earnings of 67½ per cent, and the company's liquid resources require strengthening. The policy of paying high interim dividends is rightly to be reviewed by the board. In future it is the intention of Mr Butlin to give his undivided attention to the affairs of Butlin's, Limited. He is resigning forthwith from the boards of Margate Estates and Belle Vue, Manchester. Moreover, he has offered to forgo his salary from Butlin's, Limited, until the company again pays a dividend of 100 per cent. It is therefore at least possible that his services will go unrewarded for some length of time.

* * *

Depletion Allowances for Overseas Mines

This week's publication of the report of the Departmental Committee on Taxation and Overseas Minerals (Cmd 7728) comes as something of an anti-climax since it is dated March 8th last and its main recommendations have already been embodied in the Finance Bill and were debated in the Commons a fortnight ago. It was indeed in response to pressure at the Committee stage that it has seen the light of day at all for Departmental Committees, without justification in this case, like to hide their lights under bushels. The report is a worthwhile document for it sets out with precision the considerations which have moved the Government to give taxation allowances to United Kingdom concerns in respect of capital outlay on mineral deposits which they acquire overseas. Once again, it has been shown that capital outlay is merely long-term deferred revenue expenditure and that, if true profits only are to be taxed, full allowance for the amortisation of the wasting assets should be granted. The 1945 Income Tax Act took an important step in this direction by granting to mining concerns depreciation allowances in respect of exploration, development and construction, but as Sir John Anderson then admitted, there was a hiatus in that Act because he was not able at that time to propose any relief in respect of the cost of the source itself. He added, however, that he would be willing to enter into discussions on this subject of depletion allowances with representatives of the overseas mining and oil industries; this invitation led to submissions by the British Overseas Mining Association, the Oil Industry Taxation Committee, and the Malayan Chamber of Mines (which are published with the report) and to the setting up of a small but powerful departmental committee.

The case for depletion allowances, as the representations show, hinged, on two main arguments—first, that the lack of depletion allowances has handicapped United Kingdom concerns in obtaining new concessions overseas in competition with foreign mineral companies operating under more liberal taxation codes; the latter were able to outbid British concerns since they were able sooner or later to charge depletion against taxable profits. Secondly, the mining spokesmen contended that minerals in the ground were the raw material of the mining concern extracting them, and that their cost should be a cost of manufacture just as the consumption of raw materials by a manufacturing concern; therefore, a depletion allowance

Abridged Particulars

Application has been made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the £150,000 4½ per cent. First Debenture Stock, 1970, about to be issued.

JEREMIAH AMBLER & SONS LIMITED

Authorised	SHARE CAPITAL	Issued
£300,000	in 300,000 5½ per cent. Redeemable Cumulative Preference Shares of £1 each ...	£300,000
£275,272	in 1,101,088 Ordinary Stock Units of 5s. each ...	275,272
£24,728	in Ordinary Shares of £1 each ...	—
£600,000		£575,272

Created **LOAN CAPITAL** *About to be issued*
£300,000 4½ per cent. First Debenture Stock, 1970 £150,000

The full advertisement shows (*inter alia*) that:

- REDEMPTION.**—The Debenture Stock now being issued will be redeemable (a) after the 31st December, 1954, at £103 per cent.; (b) by an annual sinking fund of 2 per cent. at £102 per cent. The Stock will ultimately be redeemed on the 31st December, 1970, at £102 per cent.
- BUSINESS.**—The Company and its subsidiaries are spinners of merino and cross-bred yarns, and the Company specialises in the spinning of yarns from mohair, alpaca, camel hair and goat hair. The spinning of these additional animal fibres is confined to relatively few firms, among which the Company is one of the leaders. The group are owners of four freehold mills in Bradford and a leasehold mill in Northern Ireland, which employs approximately 1,500 persons.
- ASSETS.**—The combined net assets of the group at 31st December, 1948, after taking into account the estimated net proceeds of the First Debenture Stock about to be issued amounted to £964,315, which is sufficient to cover the nominal amount of such Stock more than six times. In the Directors' opinion the amounts included in the above figure of net assets for Freehold and Leasehold Properties, £174,427, and for Plant and Machinery, £102,631, are appreciably below present values. The Freehold and Leasehold Properties are insured for £684,126 and the Plant and Machinery for £1,240,909, a total of £1,925,035.
- PROFITS.**—The combined trading profits before taxation were as follows:—

	£
31st March, 1940 ...	52,218
31st March, 1941 ...	67,555
31st March, 1942 ...	72,358
31st March, 1943 ...	88,979
31st March, 1944 ...	108,775
31st March, 1945 ...	134,967
31st December, 1945 ...	144,269
31st December, 1946 ...	153,951
31st December, 1947 ...	200,721
31st December, 1948 ...	200,619

The average combined profits before taxation for the ten years ended 31st December, 1948, amount to £122,441. These profits would be sufficient to cover the annual interest on the First Debenture Stock now being issued, requiring £6,375, NINETEEN TIMES. Adding to this interest the annual sinking fund provision of 2 per cent. and an allowance for taxation thereon, which together amount to £6,060 (taking Profits Tax at 10 per cent. and Income Tax at 9s. in the £), the total sum required for the service of the Stock now being issued is £12,435 in the first year in which the sinking fund operates. This figure is covered more than NINE TIMES by the average profit for the past 10 years.

The Full Particulars as required to be advertised in connection with the Application made to the Council of The Stock Exchange, London, for permission to deal in and for quotation for the £150,000 4½ per cent. First Debenture Stock, 1970, of the Company to be issued, may be had upon application to:—

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Not so funny for Mr. Nash!

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should be granted by way of natural justice. On the first point the committee finds that although—rather surprisingly—there is no concrete evidence that British mining concerns have in fact suffered from foreign pre-emption in recent years.

On the question of natural justice, the committee goes back to the cogent findings of the Royal Commission of 1920—that overseas, but not domestic, mining concerns have a case provided that there is no “unjustified loss” to the Revenue. There would be an “unjustified loss” if the cost to be amortised yielded an untaxable capital profit to a United Kingdom resident—this is the old difficulty of allowing as a revenue expense to Peter a payment which is a capital receipt to Paul. The committee's solution, so far as the cost of mining rights is concerned, is to grant a depletion allowance, neatly dovetailed into Part III of the Income Tax Act, 1945, on the capital expended on the acquisition of the rights by the first United Kingdom resident acquiring them. Although this conclusion (which is estimated to cost £1,000,000 a year) is to some extent disappointing to the industry, which hoped to obtain the allowance of the total cost to the operating concern, it must be recognised as inevitable unless capital profits on intermediate deals between United Kingdom concerns were to be chargeable for tax purposes. The committee has recommended and Parliament has granted depletion allowances on capital appropriately dehydrated. The decision will be welcomed by all who wish to see London retain its place as a great mining centre.

Shorter Notes

In reply to a Parliamentary question the Chancellor has stated that since the removal of the tax on bonus issues the Capital Issues Committee has sanctioned 115 applications with a nominal amount of £43,381,021; one application for a bonus issue involving £150,000 has so far been refused. But for these

bonus issue operations the capital issue market should lately have proved quiet indeed. Yet despite unfavourable market conditions recent new issues have gone relatively well, not, however, without requiring some adjustment in issue terms to suit the changed yield pattern. The Liebig Meat Extract offer, for instance, of 1,000,000 4½ per cent £1 preference shares has been over-subscribed and dealings opened at 1s. premium; the Associated Fisheries issue of 45,000 ordinary shares was over-subscribed. And the result of the Union Corporation offer to shareholders—made before the revived interest in mining shares—is not unsatisfactory, although underwriters had to take up 13½ per cent of their commitments.

Compensation values have been published for a further 116 securities of gas undertakings as determined under Part II of the Gas Act 1948 to be satisfied by the issue of British Gas 3 per cent 1990-95 stock at par.

In accordance with provisions under the Anglo-Polish Trade agreement a Polish delegation has arrived in London to continue talks on compensation due to UK residents for British property in Poland, nationalised by the Polish Government, and to arrive at a settlement of prewar Polish government debt held in this country.

Steel production in June was at the annual rate of 15,645,000 tons, the highest rate recorded for any previous June. In the first six months of the year a total of 7,949,000 tons of steel was produced compared with 7,565,000 for the first half of 1948. After allowing for the effect on production of holidays in July and August, the British Iron and Steel Federation considers that the official target of 15¼ to 15½ million tons for 1949 is likely to be hit.

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COMPANY MEETINGS

ROLLS-ROYCE, LIMITED

SUCCESS OF MARKETING EFFORTS

STEADY PROGRESS

MR ERIC SMITH ON AERO-ENGINE DEVELOPMENT

The forty-second annual general meeting of Rolls-Royce, Limited, was held on July 15th at the Midland Hotel, Derby, Mr E. C. Eric Smith, M.C. (Chairman of the company) presiding.

The Secretary (Mr G. D. L. Carnegie) read the notice convening the meeting and the report of the auditors.

The following is the Chairman's statement, which had been circulated with the report and accounts and was taken as read:—

The accounts which accompany this report cover your company's operations for the year 1948. The figures reflect the success which has followed the energetic marketing of your company's products throughout the world.

In the aero-engine field the careful spade-work of previous years has borne fruit in a substantial increase in export business of both piston and jet engines.

In the motor-car business we have to be satisfied with maintaining the level of the previous year, but this is no mean achievement in the face of the many restrictions both at home and abroad, restrictions which still show no signs of improvement. The contribution made by the motor-car business to our profits does, however, benefit from the fact that during this year we have not incurred any further substantial expenditure on new tools.

Our aero-engine division has made steady progress over a wide field of technical development. Every effort continues to be made to assist the civil operators by achieving a greater reliability for our piston engines, with consequent economies in operation.

THE MERLIN

The Merlin installation in Canadair IV aircraft continues to be the only British power plant in civil operation on Transatlantic routes, where it is giving a good account of itself in the hands of Trans-Canada Air Lines. B.O.A.C. have already taken delivery of the first of their new fleet of similar aircraft, which will add to the number of Merlins already in use by them and other operators throughout the world. Needless to say, the Merlin has taken its full share of work throughout the period of the Berlin airlift.

The Derwent jet engine has come into use in increasing numbers, both at home and abroad, and still offers scope for further development.

This year has seen the advent of the Dart gas turbine propeller engine which has been installed in the Viscount. This is the first aircraft of its kind in the world, and there are indications that this combination of engine installation and aircraft will set an entirely new standard in passenger comfort.

Much useful information is being gained by the flying of the Nene jet engine as the power plant of both Viking and Tudor aircraft.

THE AVON ENGINE

The Avon engine made its first public appearance at the S.B.A.C. Flying Display in September, 1948, and takes its place in the front rank of engines of its type which will be coming into use in increasing numbers.

In all fields of engine development the company, of its own initiative, continues to anticipate future requirements, both civil and military.

Our motor-car division has actively continued development work on the range of petrol engines, and these have now been specified by Government Departments for installation in a variety of prototype vehicles.

I have referred to the considerable expansion

which has taken place in the export sales of the aero division. In this field it gives me particular pleasure to refer to the good relations which are being built up with those who are operating our products and also with those to whom we have granted manufacturing licences. In particular, I would refer to our American friends, Pratt and Whitney Aircraft, with whom we have been working closely on a programme of development work shared between our two companies.

MANUFACTURING RIGHTS

The Belgian Government is now among those who have acquired manufacturing rights, while other Governments are interested in extending existing arrangements. You will no doubt have read in the press that since the end of the financial year under review we have invested some £50,000 in the Commonwealth Aircraft Corporation Proprietary, Limited, Australia—a token of our confidence in the future technical development of that country.

Our Canadian subsidiary company has traded successfully, and our associated company, Rotol, Limited, has also had a satisfactory year.

Park Ward and Company, Limited, has continued to meet the difficulties which I enumerated last year and which have seriously curtailed output of all coach-built bodies.

Renfrew Foundries, Limited, has shown some improvement in trading, and it has not been considered necessary to make any further provision against the value of your company's investment.

IMPROVED CASH POSITION

The accounts themselves appear in the same form as last year, and I therefore propose to refer specifically only to one or two points. As a result of successful trading, the cash position has improved. The need for more funds will depend on the rate at which it is possible to incur some of the expenditure for which reserves have been specifically created, such as deferred repairs, and the purchase of the capital equipment necessary to maintain the company's facilities in line with its up-to-date products.

Your directors have given considerable thought as to the manner in which the balance remaining at the credit of profit and loss account should be dealt with. In view of the present economic situation and the uncertainties of the future, they recommend the payment of a dividend at the same rate as that for last year and the carrying forward at the credit of profit and loss account of the balance of undistributed profits, rather than the appropriation of such profits to any specific purpose.

CALL FOR LONG-TERM PLANNING

Both branches of our business call for long-term planning, but it becomes increasingly difficult to foresee the conditions which we should be preparing to meet, particularly in connection with motor-cars where the continued existence of artificial restrictions of unknown duration still prevails. Whatever the future may hold, however, your Board is steadily pursuing the policy of ever improving the technical excellence of the company's products.

The report and accounts were unanimously adopted, and the dividend of 20 per cent, less tax, was approved.

The retiring directors, Mr E. C. Eric Smith and Mr W. T. Gill, were re-elected; and the remuneration of the auditors, Messrs George A. Touche and Company, having been fixed, the proceedings terminated.

TAYLOR WOODROW, LIMITED

A YEAR OF PROGRESS

The annual general meeting of Taylor Woodrow, Limited, was held on July 15, 1949.

The chairman Mr. Frank Taylor, announced that the gross profit for the year ended December 31, 1948, was £404,960. To this figure should be added £29,971 (making a total of £434,931) representing the profit on sales in 1948 of houses owned by the subsidiary company, I.W. Properties, Ltd. (now in voluntary liquidation). The gross profits for the year, therefore, had increased by £172,645. He said that the board recommended a final dividend on the ordinary shares of 12½ per cent, (less tax). This together with the interim dividend of 7½ per cent, already declared and paid made 20 per cent (less tax) for the year.

CONTRACTS IN THIS COUNTRY

Mr. Taylor gave details of some of the work undertaken during the year. This included the building of factories, power stations, gasworks, open-cast coal production and other important projects in the scheme of National Development. He declared that the construction company was now amongst the foremost civil engineering concerns in the country. He said the board appreciated the increasing mechanical factor in civil engineering plant, both at home and abroad, and explained some of the steps being taken to strengthen the plant companies accordingly. He also mentioned that reconditioned contractors' equipment was being exported by the plant disposal company to the five continents of the world.

Turning to estate development and house-building, Mr. Taylor regretted that there had been no change in Government policy. He said that the company was staffed and equipped to erect and complete at least 4,000 houses per annum to meet the needs of would-be owner-occupiers. The supply of houses could be satisfactorily undertaken by building contractors at no cost to the taxpayer and a change of heart in responsible quarters would do much to reduce the large number of house-seekers, many of whom were in urgent need of and willing to pay for accommodation.

WORK OVERSEAS

Reporting on his visits during the year to associated and subsidiary companies overseas, Mr. Frank Taylor said that he had observed excellent progress in housing and flat development by the associated company in New York. He had also carried out an extensive tour and survey of contracts in West, South, and East Africa.

In both West and East Africa the subsidiary companies were making good progress and had sufficient work on hand to keep them fully occupied for many months. Two particular contracts he mentioned were the laying of 127 miles of oil pipeline through virgin territory in the Mikindani area—an undertaking just completed—and a contract in Tanganyika in connection with the Groundnut Scheme. The magnitude of the latter was such that before commencing to prepare the ground for growing, a township ultimately capable of housing 22,000 people has to be built and equipped.

The chairman concluded his statement by thanking, on behalf of the shareholders, all the members of the staff, particularly those directors, executives and workmen who had uprooted their homes and gone abroad for the welfare of the company. He also thanked the company's employers and the employers' architects, consulting civil engineers and surveyors without whose kind co-operation, he said, the wheel of the organisation could not revolve so smoothly.

The report and accounts were adopted.

AMALGAMATED ROADSTONE CORPN., LTD.

SATISFACTORY IMPROVEMENT MR J. S. KILLICK'S STATEMENT

The thirteenth annual general meeting of the Amalgamated Roadstone Corporation, Ltd., was held on July 13th, in London, Mr. J. S. Killick, C.B.E., M.Inst.C.E., the chairman, presiding.

The following is a summary from the chairman's circulated statement and directors' report.

It is with very sincere regret that my colleagues and I have to report the death, in August last, of your late chairman, Mr G. F. Nalder. Mr Nalder had been your chairman since the company's inception.

The accounts and reports of the directors and auditors have been drawn in conformity with the provisions of the Companies Act, 1948, and clearly show the company's position.

The result of the year's trading, as shown in the accounts, was £256,016, and the net profit, after taxation, amounted to £94,016, revealing a reasonably satisfactory improvement over the figure of £54,879 for the previous 12 months. Your board feels that they are entitled to recommend that at any rate a modicum of this increased profit should be passed on to the owners of the company in the form of a slightly increased dividend, and they propose a final dividend of 6 per cent. on the ordinary shares, making, with the interim dividend already paid, a total of 10 per cent., against 9 per cent. for the previous year. It should be pointed out that this increase in profit was earned notwithstanding an increase in wages rates of approximately 12 per cent. during the year under review.

THE INCREASED CAPITAL

During the year the issued capital of your company has been increased by £1,000,000 Five per Cent. Cumulative Second Preference shares and £93,357 ordinary stock fully paid, which now rank for dividend. Part of this increased capital has and is being employed in modernising and mechanising the various units of your undertaking. It is not too much to say that when this essential work has been completed there will be no quarry undertaking better equipped to meet the demands of the highway authorities of the country.

You will notice that the provision for income-tax has increased apparently out of proportion to the earned profits, but this arises from the incidence of taxation consequent upon the liquidation of the British Quarrying Company and its subsidiary Quarries, St. Keverne and Associated Quarries.

"REASONABLY OPTIMISTIC"

Another point which perhaps should be referred to, and one which may be remembered, is that during the year the Ministry of Transport instructed highway authorities to make considerable reductions in both men and money to be spent on roads. This naturally affected your company in the last six months of the year in question, and will undoubtedly affect prospects for the first six months of the current year, but in spite of this your directors take a reasonably optimistic view and are of the opinion that, unless anything unforeseen occurs, the 1948-49 results will compare favourably with those of the preceding twelve months.

May I conclude by expressing my thanks and, I hope, yours to the whole of the staff and employees of the company, who have contributed and continue to contribute to the success of your undertaking.

The report was adopted.

BRITISH TIMKEN, LIMITED

MOST MODERN BEARING MANUFACTURING METHODS IN THE WORLD

At the twenty-ninth annual general meeting of British Timken, Limited, in Birmingham, Mr. Michael Dewar, chairman, said: Our total sales for the year 1948 actually increased by some 30 per cent. over those for the year 1947. Our bearings were incorporated to a greater extent than ever before in new designs of all types of mechanical equipment.

Particularly was there a very gratifying increase in the number of roller bearing axle boxes delivered to railways in many different countries throughout the world. A large number of our rolling mill bearings will be used in the new hot and cold strip mills being erected in South Wales.

We repeat our claim that nowhere in the world in any roller bearing factory can be found more modern, or more efficient machine tools and equipment than exist in the factories of this organisation, British Timken, Limited, and its subsidiary Fischer Bearings Company, Limited.

Increased profits are a reflection of the increased turnover, and the increasing efficiency of manufacture through modern and enterprising management.

Although your company's factories are still fully occupied, day and night, signs of a trade recession have undoubtedly multiplied, and we look to the immediate economic future with some apprehension.

Nevertheless, we have decided to continue our policy of expanding your company's manufacturing facilities in order that we may look beyond immediate difficulties to the time when we shall fight in the world's buyers' markets, unhampered by the stranglehold of Government controls and the overwhelming burden of taxation.

We look forward to a world of greater and freer trade, but with some knowledge that such freer trade is impossible under Socialism and under a system of managed currencies.

In this so-called "planned" economy, in spite of the scarcity of dollars in Europe, our associated French company is forced to purchase steel and bearings and machinery from the United States rather than England, and the French farmer, in spite of short time being worked in English tractor factories, has to purchase tractors from the United States.

In this so-called welfare state, managed currencies, and planned economies seem only to enable Governments to postpone the day of reckoning for their extravagances. Until the nations of the world again tie their currencies to some form of gold standard, thus requiring even Governments to count the cost, we feel little confidence in that expansion of world trade which alone will enable this country to support 50,000,000 people at a standard of living higher than their present output can really purchase from the rest of the world.

Free enterprise, of which your company is a part, is at present not only sustaining the country's economic effort, but carrying the growing inefficiency of nationalised industries. Remembering over the past few years that whenever our opinion has been in conflict with that held officially in Government Departments on matters appertaining strictly to our business, we have always been right, and the Government Departments have always been wrong, we look forward still more eagerly to a period when manufacture is left in the hands of those who have spent their lives in industry, and whose claim to conduct industry is not based on one victory at the polls.

The report and accounts were adopted.

ODHAMS PRESS, LIMITED

FURTHER PROGRESS

The twenty-ninth annual general meeting of Odhams Press, Limited, was held on July 8th in London.

Mr. Arthur G. Cousins, C.B.E., the chairman, in the course of his speech, said: Our total gross revenue amounted to the substantial sum of £13,188,674. Notwithstanding the effect of a ten days' stoppage at our Manchester works, which seriously affected the production of newspapers, the revenue for the year was half a million pounds up on the previous year. This rise in turnover was mainly due to the necessity of increasing our printing charges, to the increase in our advertisement rates, and to increased sales of our periodicals. The trading profit is slightly down by £42,501. In view of the difficult conditions experienced in 1948, this must be considered satisfactory. The net profit after taxation shows an increase of £107,364.

I think you will agree that the financial position of the company is strong and sound and that the year under review has been a successful and progressive one. I am optimistic as to the future of our great business. In the first half of the current year we have made satisfactory progress and I am hopeful that 1949 will be as successful as 1948.

Our chief periodicals continue to make progress. Among them I would mention *John Bull*, with a sale in excess of a million copies each week, *Illustrated*, also over a million each week, and *Woman* with a million and a quarter each week.

As to newspapers, *The Daily Herald* has a sale in excess of two million copies, and *The People*, our weekly newspaper, has a sale of well over four-and-a-half million copies, *The Sporting Life* also has a large and influential circulation.

The report was adopted.

FORSTER'S GLASS COMPANY, LIMITED

SATISFACTORY SALES

The thirtieth annual general meeting of this company was held on July 8th in London, Col. Charles E. Ponsonby, T.D., D.L., M.P., the chairman, presiding.

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

There is a decline in trading profit from last year's level. The two principal factors contributing to this decline have been the continuing tendency of costs, both of wages, and materials, to rise and the large increase in our repairs and maintenance expenditure.

After providing £31,039 for depreciation, as against £27,960, and after making provisions to meet the estimated taxation liabilities, the net profit is £49,107, as against £77,828. Your directors recommend a dividend of 10 per cent. and a cash bonus of 6½ per cent. on the ordinary shares—a total distribution of 16½ per cent.

The increased costs which have had to be met during the year have been considerable; coal, gas, electricity and transport have all advanced in price, and there have been increases in wages.

We have been able to carry these costs without any increase in selling prices, but our capacity to absorb continued increased costs in this way must be limited.

It will be remembered that after the fuel crisis of 1947 your directors decided to convert a portion of our plant to oil firing. We have experienced considerable delay on this project, due partly to the restriction of expenditure on oil-firing conversion schemes generally, and the restriction on dollar imports.

As far as the present year is concerned, production and sales are continuing at satisfactory levels.

The report was adopted.

AMALGAMATED METAL

EXTENSION OF ACTIVITIES

The twentieth ordinary general meeting of the Amalgamated Metal Corporation, Limited, will be held on August 8th, in London.

The following is an extract from the circulated statement of the chairman, Mr Walter Gardner:—

As you are aware, our group is seeking to extend its activities in directions other than metals, including the export trade, and the progress of affairs made by Drew Brown (Canada) and Sandilands Buttery and Company (Malaya), as well as the associates of the British Metal Corporation in Canada and India, has been encouraging, though naturally, in the current state of world trade, gradual. The British Metal Corporation (India), Limited, has just taken a new step in the opening of a branch office in Bombay. A further associate, the British Metal Corporation (South Africa) (Proprietary), Limited, has recently been formed in Johannesburg. The main business initially is that of sole licensees in the Union of South Africa and the Rhodesias of our subsidiaries, Colliery Engineering, Limited, and Aerex, Limited. With regard to C. Tennant, Sons and Company, of New York, business with them proceeds satisfactorily.

During last year the British Metal Corporation acquired the old-established business of Norman Hill and Company (Pty.), Limited, of Sydney, and the name of that company has been changed to the British Metal Corporation (Australia) Pty., Limited.

At home the business of Forest Hardwoods, Limited, shows satisfactory progress, though the possible limitation of felling of timber in this country may give rise to difficulties. Forest Hardwoods has acquired the old-established business of dealers and importers of timber owned by Mr Richard H. Keeping.

Colliery Engineering, Limited, has secured a contract with the Union Free State Coal and Gold Mines, Limited, of South Africa for the design and supply of a large coal-handling and preparation plant. I am glad to report that Huntington Heberlein and Company, Limited, metallurgical and chemical engineers, continues to be fully employed.

RUBBER POSITION

The rubber business of Henry Gardner and Company has been active in a reasonably free market. This freedom, however, has been overshadowed by legislation in the United States governing the compulsory use of synthetic rubber on grounds of national security. This legislation comes up for reconsideration in the first half of next year, and we hope that circumstances will enable the United States Government to remove or modify the legislation in a manner that would enable the natural and synthetic commodities to compete on a free basis.

The international Rubber Study Group estimates for 1949 a production of natural rubber of 1,575,000 tons and a consumption of 1,450,000 tons, indicating a surplus of 125,000 tons available for stock-pile purchases. This surplus should prove no greater than the requirements of national stock piles, and provided there is no great change in conditions either in Malaya or Indonesia, we are hopeful of a continuance of a satisfactory market during the current year.

At home there is a perceptible decrease of spending by the public. The world market is not expanding, but rather, consequent on the unending difficulties in the convertibility of international currencies, continues to contract. In any event, our conservative policy of building up substantial reserves puts us in a good position.

METAL BOX COMPANY, LIMITED

RECORD TURNOVER

SIR ROBERT BARLOW'S REVIEW

The twenty-eighth annual ordinary general meeting of the Metal Box Company, Limited, was held in London on July 14th. The year's results showed turnover reaching a new high level of £21,932,000 (£20,723,000), but profits (after taxation) at £653,372 were £16,367 less than in the previous year. The ordinary dividend was maintained at 20 per cent.

In the chairman's review which accompanied the statement of accounts, Sir Robert Barlow, after commenting on the accounts, proceeded with a general survey of the present situation. Tinplate shortage, he said, continued to impede development in this country. The company's policy had been to increase production efficiency, to reduce costs, and to stabilise prices. These efforts had, however, been submerged by the increase in steel prices, authorised on April 1, 1949, when tinplate had become subject to the largest rise in the company's history, and indeed to the greatest increase of any item in the whole steel range.

OVERSEAS DEVELOPMENTS

Overseas developments had again received full and active attention, and overseas prospects in general were most encouraging. The Metal Box Company of India had continued to do well. In South Africa, sales were increased and profits maintained. In East Africa, progress had been disappointingly slow, but the other assembly plants in Israel and Malaya continued to operate satisfactorily. A service station and supply depot was to be set up in the West Indies. In Australia, the company's associate, the Southern Can Company, continued to progress, and new factories were planned in New South Wales and Victoria. In co-operation with them technical help had been extended to the Union Can and Dominion Can Companies, while in New Zealand closer association had been arranged with Messrs. Alex. Harvey & Son. The Metal Box Company Overseas, Limited, had recently been formed for the better prosecution of the company's overseas interests, which were forming an increasingly high proportion of the Group's activities as a whole.

NATIONALISATION OF IRON AND STEEL

After referring to the opportunities for economy offered by standardisation, Sir Robert then dealt with the proposed nationalisation of the iron and steel industries.

We were moving rapidly back into a highly competitive phase of world trade, in which the paramount need would be to reduce costs and find markets, which required above all the freedom and the ability to make quick decisions and to take risks, neither of which could be said to be attributes of Governmental control.

"We are learning," concluded Sir Robert, "that it takes a long while before the organisation of a nationalised industry even begins to work smoothly and satisfactorily. The government already has great powers of control over the development and price structure of this industry, which has repeatedly declared its readiness to co-operate. This is not a moment to experiment on an industry so fundamental to our existence. Nothing should be done to distract the attention of those responsible for its management. The sellers' market is at an end. In my opinion, it would be folly to attempt nationalisation at the present time, the economic problems of which will require our utmost and united efforts to withstand."

The report and accounts were adopted. Complete copies are available on request from the secretary, Metal Box Company, Limited, The Langham, Portland Place, W.1.

TIMOTHY WHITES AND TAYLORS

INCREASED SALES

The twentieth ordinary general meeting of this company was held on July 14th, in London, Mr Louis Nicholas, J.P., F.C.A., the chairman, presiding.

The following are extracts from his circulated statement:—

The total sales of the company and its Retail Subsidiaries for the 53 weeks ending 1st January, 1949, showed an increase over those for the year ending 27th December, 1947, but the gross profit margin on sales as compared with the previous year has further decreased, mainly owing to the incidence of purchase tax.

The combined effects of increased costs and lower returns is reflected in the reduced Trading Profits of the company and its Subsidiaries which were £1,183,519 as compared with £1,490,201 for 1947.

Retailers are in an unfortunate position when purchase tax is reduced as customers expect to be given the immediate benefit and although retailers are not legally compelled to give effect to this reduction in the case of existing stocks, upon which they have paid tax at the higher rate, in practice competition forces them to do so. On the other hand, when tax is increased a larger sum for tax cannot be charged on any article sold than the purchase tax actually paid thereon by the retailer. Thus, under no circumstances can a retailer make a profit when the tax is increased, but may make a substantial loss when tax is reduced against which loss he can make no claim for refund of purchase tax paid. Discussions are proceeding with a view to devising a scheme to remove this injustice.

The dividend on the Ordinary shares has again been restricted to 32½ per cent.

The report was adopted.

VIROL, LIMITED

SATISFACTORY RESULTS

The forty-ninth annual general meeting of Virol Limited was held on the 12th July in London, Lord Luke (the chairman) who presided, said in the course of his speech:—

I am sure you will agree the results show that the company has had a very satisfactory year's trading. It will be very gratifying to the shareholders to know that in this our forty-ninth year of continuous trading our sales have shown—not only a record increase—but also the highest turnover in the history of the company.

We have obtained a very satisfactory increase in our overseas sales during the past year, but we begin to see signs that in spite of the foreign markets' desire for increased supplies they are having to cut down their demands on account of their internal economic difficulties.

The Profit on Trading of £80,646 reflects the increase in turnover offset to some extent by increased expenses.

After adding the net income from Investments and deducting Depreciation and Directors' Remuneration there is left a balance of £75,407 against £50,022 last year. Taxation absorbs £42,000 and after payment of the Preference Dividend the directors recommend an appropriation to General Reserve of £20,000 against £15,000 last year, and a dividend of 17½ per cent. on the Ordinary Shares being the same as that paid in 1948. The balance carried forward on the Profit and Loss Account will then be increased by £1,376 to £46,954.

The report and accounts were unanimously adopted.

The retiring director (Mr W. F. Lawson Johnston) having been re-elected, the proceedings terminated with a hearty vote of thanks to the chairman.

MINING TRUST, LIMITED

LORD CASTLE STEWART'S STATEMENT

The first annual general meeting of the Mining Trust, Limited, was held on July 12th, at Winchester House, London, E.C.2. Rt. Hon. The Earl Castle Stewart, M.C., chairman of the company, presided.

The following is an extract from the statement of the chairman which was circulated with the report and accounts:—

The balance-sheet covers a period from February 24, 1948 to December 31, 1948. The item "Other investments" totalling £1,113,883 comprises a holding of £916,632 Eight per Cent. First "B" Redeemable debenture stock of Mount Isa Mines, Limited, £480 Mount Isa Four and a Half per cent. debentures, and 843,147 shares in New Guinea Goldfields, Limited, all of which were acquired from the old company. It also includes £71,000 stock of Mount Isa Mines, Limited, which was purchased during the period under review. Unquoted investments of £120,118 include a holding of 397,520 shares in Saudi Arabian Mining Syndicate, Limited, 20,000 shares in Big Bell Mines, Limited, and 7,250 shares in Anglo-Westralian Mining Proprietary, Limited.

The profit and loss account showed a gross income for the period amounting to £208,995 and included a full year's income on the company's holding of Mount Isa debenture stock, two dividends totalling 17 per cent. on stock of Mount Isa Mines, Limited, and four dividends of 10 cents U.S. currency each from Saudi Arabian Mining Syndicate, Limited. After deducting expenses and providing for profits tax amounting to £28,310 and U.K. income-tax amounting to £78,897, there remained a net profit of £78,625 which was carried down to the appropriation account.

In the appropriation account a sum of £4,868 has been written off in respect of reconstruction and preliminary expenses. The proposed dividend of 4d. per share will absorb £54,505 net after providing for income-tax at 9s. in the £. The balance of profit carried forward in the balance-sheet is £14,761.

BRITANNIA LEAD COMPANY, LTD.

For the twelve months ended December 31, 1948, the company made a net profit of £51,791, after charging £50,795 in respect of taxation. £27,500 net was distributed as dividend to The Mining Trust, Limited.

Mount Isa Mines made a net profit for the twelve months ending June 30, 1948, of £A.872,921, after providing a reserve for taxation and debiting gross profit with £A.155,299 for interest on debentures and £A.240,000 to cover depreciation on buildings, plant, machinery. An interim dividend of 10 per cent. was paid on June 29, 1948, and a final dividend of 7 per cent. was declared at the annual general meeting held on December 1, 1948.

NEW GUINEA GOLDFIELDS, LTD.

During the year ended September 30, 1948, the company received the greater part of £A.411,724 in settlement of claims for war damage and the only amount outstanding was the sum of £A.5,810 in respect of work done in repairing roads. In addition, the company received £A.41,404 interest on deferred payments from the War Damage Commission and this sum (which is, of course, of a non-recurring nature) was credited to profit and loss account, bringing the net profit for the year to £A.27,503.

Other interests of the company are covered in the directors' report.

Your directors are of the opinion that the revenue of the company in this coming year will not differ very greatly from that which has been received during the year under review.

The report and accounts were adopted.

CENTRAL MINING AND INVESTMENT CORPORATION, LIMITED

CAPITAL INCREASE APPROVED

The forty-fourth annual general meeting of this company was held, on July 4th, in London, Sir Clive Baillieu, K.B.E., C.M.G. (the chairman), in the course of his speech, said:—

In the course of an admirable memorandum lately submitted to the "Commission on Conditions of Employment" in the industry, the Government Mining Engineer has discussed impartially the moot question of diverting labour from the poorer mines to the richer, wherever they may be, and has made out what appears to me to be an incontestable case for maintaining gold production from any mine so long as operations can be continued economically. New conditions and demands have not shaken the Government Mining Engineer in his belief that the closure of a mine for the purpose of diverting labour and plant to work in other properties, would be detrimental to the best interests of the State.

Particularly grave would be the responsibility of closing down and stripping, prematurely, a deep-level mine liable to benefit in life and profits from an increased price of gold. The loss to shareholders, the local community and the State would be irreparable. With the heavy call for fresh capital and other resources involved in the establishment of a new deep-level mine today, it would appear to be all the more important to win the utmost gold from the old mines whose capital expenditures are almost wholly behind them and to gain the maximum benefit from the shafts and equipment and buildings that exist.

ERFDEEL ASSAY RESULTS

Wide public interest has been aroused by the assay results reported recently for the third deflection in borehole E.D.5, on the farm Erfdeel No. 188, which lies some miles to the west of the proven field. The mineral rights of Erfdeel are held by the Free State Gold Areas, Limited. We have, at no time, held any shareholding in that company, but, in accordance with our policy to extend our interests in the Free State we engaged in intermittent negotiations during April and May with the controlling company, Union Free State Mining and Finance Corporation, Limited, with a view to acquiring the mineral rights of Erfdeel and certain adjoining properties. The Erfdeel negotiations followed those, with the same corporation and associates, which led to our acquisition of the control of the Union Free State Coal and Gold Mines, Limited, in March last.

At this stage I would only emphasise that these Erfdeel results can have no important bearing upon the prospects of the large area to the west, now under development, the favourable outlook of which I have already mentioned.

Your company, in common with many others engaged in diverse activities, has become conscious of a need for further capital. It seemed appropriate that the authorised capital should now be restored to the figure of £6,000,000, which was the authorised capital at the time the corporation was founded in 1905. By raising the authorised capital to £6,000,000 we shall have £1,600,000 of capital in reserve and the board will be able to arrange for the issue of the whole or some portion of that sum in accordance with the Corporation's needs from time to time.

The report was adopted and the increase of capital approved.

WALKER CAIN, LIMITED

LORD BROCKET ON BEER PRICES

The adjourned twenty-seventh ordinary annual general meeting of Walker Cain, Limited, was held on July 12th, in London. Sir Ernest Cain, Bt., deputy chairman, presided in the absence of Lord Brocket, the chairman, and read his speech, from which the following is an extract:—

The trading profit of £2,928,163 comprises 15 months of this company, 18 months of our principal subsidiary, Peter Walker (Warrington) Limited, and 21 months of our trading subsidiaries of Peter Walker (Warrington) Limited. Other sundry items bring the gross profit up to £2,968,674. From this are deducted various items, including taxation and debenture service, giving a net profit of £1,026,243. So far we have paid two interim dividends, totalling 15 per cent., and it is proposed to pay a final dividend of 7½ per cent. A highly satisfactory liquid position is disclosed in the consolidated balance-sheet.

Some few months after the beer duty was increased in the Budget of April, 1948, it was evident that the peak of production had been reached. The purchasing power of the public gradually reflected itself in the reduction in sales, which was noticeable in varying degree in all parts of the country. It is fairly obvious that even the present price of beer—reduced a penny a pint in the last Budget—is still too high.

The Licensing Bill, which came in like a lion, is going out like a lamb. The public have shown themselves in no uncertain manner to be opposed to the Licensing Bill because it appeared to them to be the first step towards nationalising the industry. It is gratifying to note that Government spokesmen have unequivocally stated that they do not intend to nationalise our industry.

The report was adopted.

NEW BROKEN HILL CONSOLIDATED, LIMITED

SUBSTANTIAL PROGRESS

The thirteenth annual general meeting of this company will be held on July 28th at 37 Dover Street, London, W.

The following are extracts from the statement of the chairman, Mr John R. Govett, circulated with the report and accounts:—

The year 1948 has seen a substantial measure of progress in the development and equipment of your property. Although in some respects the work is behind our original schedule, this has been due to causes which have been very generally experienced and were beyond the control of the management, who again deserve congratulation on the results that have been achieved. Throughout the year the prices of lead and zinc remained at high levels. This has added to our costs of development and construction, but on the other hand it has resulted, at the present stage of development, in a higher level of operating profit than we had reason to expect when our programme was originally planned. In these circumstances your directors feel they will have your full support in the substantial allocation of £200,000 that has been made to general reserve from the year's taxed profits.

In my statement at the end of May last year to members of the Zinc Corporation, Limited, I stated that a reaction in the prices then ruling was bound to occur sooner or later. We remain confident of a world level of prices which will return a reasonable reward to all concerned. The developments in the mine have at least fulfilled our expectations. There is no reason to doubt that the leases of New Broken Hill Consolidated enclose a mine that will be a worthy successor to the great past and present producers.

WIGGINS AND COMPANY (HAMMERSMITH), LIMITED

TURNOVER MAINTAINED

The twenty-first annual general meeting of this company was held on July 7th, at the Café Royal, Regent Street, London, W., Mr J. P. Evans, A.C.A., chairman and managing director, presiding.

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

When submitting my report to you a year ago, I mentioned that, with a restricted building programme, it would not be easy to step up our sales for the year now under review. I am, however, pleased to report that, in spite of all trading difficulties, we have maintained our turnover, and we have made several improvements in your company's organisation which will enable it to cater for a greatly increased turnover immediately the building industry is given an opportunity of unrestricted and untrammelled trading. In the meantime, the extra costs have somewhat reduced the trading profit.

To forecast the future is unwise, as well as extremely difficult, but I can only feel that as time goes on large sums of money will have to be spent on schools, hospitals and roads, and there is, in addition, a large unsatisfied demand for new houses and the improvement of older properties.

Your company has some £120,000 invested in the Binfield Brick and Tile Company, Limited, and until these works are able to produce at an efficient level the investment cannot be remunerative.

We are passing through difficult and somewhat depressing times, but I can assure you that your company's staff are doing all in their power to achieve satisfactory results, and I should like to thank them most warmly for their co-operation.

The report was adopted.

HUDSON BAY CO.

A PROFITABLE YEAR

The two hundred and eightieth annual general Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held in London on July 15th, Sir Patrick Ashley Cooper, the governor, presiding.

The following is an extract from his circulated statement.

It is with much satisfaction that your directors report another successful and profitable year of trade. As your company enters its 280th year the financial position is

NOTICES

LEEDS COLLEGE OF COMMERCE

Principal—E. V. Roberts, B.Com., A.C.A.

Applications are invited for the post of Lecturer in Statistics and Marketing, duties to start in September, 1949, or as soon as possible thereafter.

Candidates should possess a good honours degree; business experience is desirable. Salary according to the Burnham Scale (Men £300 x £15—£555; women, £270 x £12—£444) plus degree and training allowances and a special allowance of not less than £125 in the case of men and £100 in the case of women. The post may later be recognised as of senior assistant status, with a salary of £700—£800 for men and £560—£640 for women plus degree and training allowances. Starting salary according to approved experience.

Application form and further particulars may be obtained by sending a stamped addressed foolscap envelope to the Director of Education, Education Offices, Leeds, 1.

APPLICATIONS are invited from men graduates in History, Geography or Science, for appointment as a lecturer on various aspects of Wool, in all types of schools, training colleges, adult clubs and retail stores throughout the country. Lectures are illustrated with filmstrips and the work entails considerable mid-week travelling. Training will be given after appointment. Salary £400 by £20 to £600, with superannuation (after qualifying period), subsistence allowance and travelling expenses.—Applications should be made to the Secretary, International Wool Secretariat, Dorland House, 18-20 Regent Street, S.W.1.

PROGRESSIVE post in London required by Ex-Servicé University Graduate (26) with proved flair for efficient administration and organisation and good business sense. Possibility of rising according to merit more important than immediate remuneration.—Box 156.

BUSINESS MAN (43), with accountancy, secretarial and managerial experience seeks executive, administrative or secretarial position. Box 153.

sound, and at no time in our long history has it been stronger. The past year saw a further expansion of your company's business, the working capital employed in our various departments having again increased by nearly \$3 million. The financial policy which has been adopted over the past ten years has been fully justified.

An analysis of the composition of every \$100 of sales and other earnings is given below.

	Jan. 31, 1949	Jan. 31, 1948
Purchase of merchandise and cost of services	76.4	76.4
Salaries, wages, etc.	11.0	9.7
Advertising	1.0	0.7
Insurance	0.3	0.3
Repairs	1.1	1.4
General expenses (including rents)	4.4	4.9
Depreciation, etc.	1.9	2.0
Taxation, U.K. and Canada ...	2.5	3.3
Reinvested in the company.....	1.1	0.9
Dividends	0.3	0.4

The accounts reflect further progress and your board have every confidence in the competitive strength of your organisation and in its future.

The report was adopted.

SENA SUGAR ESTATES, LIMITED

LARGER PROFIT

The annual general meeting of Sena Sugar Estates, Limited, will be held in London on August 4th. The following is an extract from the statement by the chairman, Sir Francis O. Lindley, circulated with the report and accounts:—

Last year I foreshadowed some reduction in the sugar crop due to unfavourable rainfall, and the crop actually amounted to 52,403 tons, or 4,134 tons less than in 1947. This reduction in tonnage was offset by sales of sugar at more favourable prices than anticipated. The factories operated satisfactorily throughout the season. The quota of raw sugar allotted to our Lisbon refinery by the authorities was rather less than in the previous year, but we were permitted to import into Portugal a quantity of plantation whites at a higher price which improved our results in the Lisbon market. Once again our production was insufficient to meet the demands of the various markets which we have supplied in the past, and costs have continued to rise.

The profit on trading for the year amounts to £301,000 compared to £265,445 in the previous year, and the net profit comes out at £119,518 compared to £102,397. We propose to repeat the dividend of 12 per cent. on the ordinary stock which is the same as we have paid for the last five years.

As to future prospects, given adequate rainfall, the area under cultivation and our factory capacity should in future years give us some appreciable increase on our past production, but any large increase requires considerable capital expenditure and we cannot consider this until the Portuguese authorities give us some guarantee of their policy for a term of years.

MABIE, TODD AND COMPANY, LIMITED

RECORD TURNOVER

The first annual general meeting of Mabie, Todd and Company, Limited, was held on July 7th, in London.

Mr Harold Carey, chairman and managing director, presided and, in the course of his speech, said: The turnover for the year under review is the highest yet realised. The profit for the year shows an increase over the previous year of £15,046 before charging taxation, and £27,991 after that burden.

A satisfactory proportion of the improved turnover was provided by export trade. Apart from the work of our overseas subsidiaries, we have been active in some ten overseas countries, with satisfactory results. This business was the first fountain pen business established in this country and all evidence points to the fact that our products are still well to the forefront of the industry.

During the year the progressive policy of your company has been maintained. New models have been produced that live up to our manufacturing creed. These and further new products were exhibited at the recent British Industries Fair where they received favourable comment from those most knowledgeable men—the home and overseas buyers.

Since the war it has been extremely difficult, as you may imagine, to obtain sufficient materials to build up stocks to anything like the amount required to enable us to give a satisfactory service to our customers. This we have now been able to rectify.

Talking of the future, we cannot tell what is in store for us, but I do feel that we, in common with all other businesses, cannot expect in the near future to improve on the figures of the last two years.

The report was adopted.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Lecturer in Accounting in the Department of Commerce at a salary within the range £550/£50—£900/£50 £1,100 per annum; the initial salary to be fixed according to qualifications and experience. Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than August 6, 1949, by the undersigned, from whom further particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

June 15, 1949.

HIS MAJESTY'S COLONIAL SERVICE

Applications are invited for the post of Assistant Controller of Foreign Exchange, Singapore. Candidates, who should preferably be over 35 years of age, should be capable of taking charge of dealing, authorisations (including imports), credits and exports. The appointment is on agreement for three years, at a starting salary of £1,050 a year rising to £1,120 a year.

Cost of living allowance and expatriation pay plus a special Singapore allowance are payable. Quarters or a rent allowance in lieu are provided, and free passages for the officer, his wife and children (under 10 years). The salaries paid in Singapore are subject to local taxation only.

Forms of application should be obtained from the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, Westminster, S.W.1, within two weeks of the appearance of this advertisement.

EX-RAF man, 28, M.A. (Hons.) Oxon., some commercial and administrative experience, finding no scope for initiative or originality in family business, seeks industrial post where enthusiasm and hard work will be rewarded with good prospects.—Box 151.

COMPANY representative (30), two years with Colonial Company in London desires change to responsible post with oil or similar corporation as area representative or manager.—Box 157.

Statistical Summary

EXCHEQUER RETURNS

For the 9 days ended July 9, 1949, total ordinary revenue was £62,479,000, against ordinary expenditure of £60,709,000 and issues to sinking funds £31,000. Thus, including sinking fund allocations of £2,744,000, the surplus accrued since April 1st is £1,767,000 against £199,495,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to July 10, 1948	April 1 to July 10, 1949	Days ended July 9, 1948	Days ended July 9, 1949
ORDINARY REVENUE					
Income Tax.....	14,900,000	240,302	203,068	31,100	17,371
Sur-tax.....	105,000	19,350	24,200	1,109	1,600
Estate, etc., Duties.....	176,000	54,800	49,800	8,050	5,800
Stamps.....	48,500	16,485	14,000	1,800	1,300
Profits Tax.....	240,000	24,960	56,060	2,800	6,900
E.P.T. on.....	1,000	41,750	16,300	3,450	200
Other Inland Rev.....	25,000	80	70	5	...
Special Contributions.....	25,000	6,050	9,200	1,450	700
Total Inland Rev.....	208,550	403,777	372,698	49,755	33,871
Customs.....	829,650	234,829	220,243	21,087	18,189
Excise.....	663,600	190,600	162,103	7,009	6,100
Total Customs & Excise.....	149,250	424,829	382,346	28,087	24,289
Motor Duties.....	54,000	6,547	5,805	1,144	523
Surplus War Stores.....	44,000	19,095	27,901	386	18
Surplus Receipts from Trading.....	18,000	826	4,045	...	...
P.O. (Net Receipts).....	12,000	2,220	2,240	...	...
Wireless Licences.....	1,000	180	150	...	...
Crown Lands.....	20,000	4,697	5,370	2,595	3,103
Receipts from Sundry Loans.....	50,000	19,740	18,658	5,050	675
Miscellaneous.....	377,750	881,821	819,210	87,018	62,479
SELF-BALANCING					
Post Office.....	159,630	39,060	39,300	2,000	2,050
Income Tax on E.P.T. Refunds.....	5,700	2,306	2,094	148	309
Total.....	394,380	923,187	860,604	93,166	64,833

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to July 10, 1948	April 1 to July 10, 1949	Days ended July 9, 1948	Days ended July 9, 1949
ORDINARY EXPENDITURE					
Int. & Min. of Nat. Debt.....	485,000	119,212	115,241	10,388	8,960
Payments to N. Ireland.....	30,000	4,996	8,974	764	1,153
Other Cons. Fund Services.....	12,000	2,867	4,681	2,346	3,146
Total.....	527,000	127,076	128,897	13,498	13,259
Supply Services.....	278,156	551,897	685,762	51,700	47,450
Total Ord. Expend.....	330,856	678,973	814,659	65,198	60,709
Sinking Funds.....	...	3,443	2,784	1,059	317
Total (excl. Self-Bal. Exptl.).....	330,856	682,416	817,443	66,257	61,026
SELF-BALANCING					
Post Office.....	159,630	39,060	39,300	2,000	2,050
Income Tax on E.P.T. Refunds.....	5,700	2,306	2,094	148	309
Total.....	347,360	723,782	858,837	68,405	63,385

After decreasing Exchequer balances by £405,596 to £3,121,846, the other operations for the week increased the gross National Debt by £15,527,494 to £25,321 million.

NET RECEIPTS (£ thousand)			
	1948	1949	1950
Land Settlement Facilities Act, 1919 and 1921.....	10	...	...
Title Act, 1936, Sec. 26.....	215	...	...
NET ISSUES (£ thousand)			
Interest outside the permanent debt charge.....	1,095	...	...
Post Office and Telegraph.....	750	...	...
E.P.T. Refunds.....	379	...	...
Overseas Trade Guarantees.....	10	...	...
Housing (Scotland).....	503	...	...
New Towns Act, 1945 S.12(3).....	180	...	...
Local Authorities Loans Act, 1945 S.3(1).....	5,700	...	...
Development of Inventions Act, 1948, S.11(1).....	50	...	...
Coal Industry Nationalisation Act, 1946, S.34(1).....	2,000	...	...
Atomic Energy Act, 1947.....	2,300	...	...
Overseas Resources Development.....	1,100	...	...
War Damage: Board of Trade.....	3,000	...	...
Finance Act, 1946 and 1947, Postwar credits.....	344	...	...
Total.....	17,611	...	...

CHANGES IN DEBT (£ thousand)

2½% Def. Bonds.....	514	Treasury Bills.....	10,298
Tax Reserve Certs.....	5,261	Nat. Savings Certs.....	1,400
Other Debt.....	7,103	3½% Def. Bonds.....	824
Internal.....	15,355	3½% Terminals.....	1,323
Ways & Means Advances.....	15,355	Amortisation.....	1,323
Treasury Deposit Receipts.....	9,500	Other Debt.....	8,359
	37,738		22,209

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposit Receipts	Total Floating Debt
1948				
July 10	2210.0	2625.9	282.3	1429.5
Mar. 31	4418.4	343.5	...	1135.5
Apr. 1	2210.0	2221.4	369.6	1109.5
" 15	2210.0	2221.4	369.6	1109.5
" 23	2210.0	2236.2	386.8	1114.5
" 30	2210.0	2217.5	393.4	1112.5
May 7	2210.0	2251.2	331.6	1089.5
" 14	2210.0	2234.0	335.5	1117.0
" 21	2210.0	2244.0	322.8	1139.5
" 28	2210.0	2249.0	306.7	1139.5
June 4	2210.0	2245.4	322.1	1134.5
" 11	2210.0	2247.6	334.5	1164.5
" 18	2210.0	2257.5	330.8	1204.5
" 30	4417.8	329.9	...	1243.5
July 9	2210.0	2255.2	345.2	1253.0

TREASURY BILLS (£ million)

Date of Tender	Amount	Average Rate	Per Cent Allotted at Min. Rate
1948			
July 9	170.0	276.5	10 1-48
Apr. 8	170.0	288.5	10 2-83
" 14	170.0	294.4	10 2-60
" 22	170.0	299.0	10 2-84
" 29	170.0	301.5	10 2-44
May 6	170.0	318.3	10 2-22
" 13	170.0	302.0	10 2-53
" 20	170.0	300.0	10 2-56
" 27	170.0	288.5	10 2-19
June 3	170.0	312.8	10 2-28
" 10	170.0	301.1	10 2-68
" 17	170.0	276.6	10 2-92
" 24	170.0	269.9	10 2-52
July 1	170.0	294.9	10 2-48
" 8	170.0	299.1	10 2-26

On July 8th, applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 42 per cent of the amount applied for at £99 17s. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 5d. and above in full. £170 million (maximum) of Treasury Bills are being offered for July 15th. For the week ended July 15th the banks will be asked for Treasury deposits to the amount of £55 million (maximum), at 6 months.

NATIONAL SAVINGS (£ thousand)

	Week Ended July 2, 1948	July 2, 1949	Total, Apr. 1 to July 2, 1949
Savings Certificates:-			
Receipts.....	2,100	2,000	31,500
Repayments.....	3,100	2,853	33,990
Net Savings.....	Dr. 1,000	Dr. 850	Dr. 2,400
Defence Bonds:-			
Receipts.....	755	630	9,775
Repayments.....	559	581	9,725
Net Savings.....	196	49	52
P.O. and Trustee Savings Banks:-			
Receipts.....	11,319	10,914	170,142
Repayments.....	13,894	14,750	177,999
Net Savings.....	Dr. 2,575	Dr. 3,836	Dr. 7,857
Total Net Savings.....	Dr. 3,379	Dr. 4,637	Dr. 10,205
Interest on certificates repaid	558	573	6,761
Interest accrued on savings remaining invested	2,321	2,365	33,194

BANK OF ENGLAND RETURNS

JULY 13, 1949

ISSUE DEPARTMENT

Notes Issued:-		
In Circulation 1288,797,723	Govt. Debt.....	11,015,100
In Bank: Department.....	Other Govt. Securities.....	1338,187,571
61,450,110	Other Secs. (other than gold).....	787,375
	Com. (other than gold).....	9,956
	Ant. of Fid. Issue.....	1350,000,000
	Gold Coin and Bullion (at 172s. 3d. per oz. fine).....	217,333
		1350,247,833

BANKING DEPARTMENT

Capital.....	14,553,000	Govt. Secs.....	332,723,941
Reserves.....	3,688,023	Other Secs.....	34,215,510
Public Deposits.....	36,468,599	Discounts and Advances.....	11,500,792
U.M. Trans. Special Acct.....	8,963,916	Securities.....	22,634,918
	27,804,843		
Other Deposits.....	378,303,365	Notes.....	61,450,110
Bankers' Balances.....	289,299,636	Coin.....	4,603,395
Other Assets.....	89,003,729		432,992,947
	432,992,947		432,992,947

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

COMPARATIVE ANALYSIS (£ million)

	1948	1949
Issue Dept.:-		
Notes in circulation.....	1271.9	1277.9
Notes in banking department.....	28.3	22.4
Government debt and securities.....	1399.2	1299.2
Other securities.....	0.4	0.4
Gold.....	0.2	0.2
Public debt, per fine out.....	172.3	172.3
Banking Dept.:-		
Public Accounts.....	14.1	8.6
Treasury Special Account.....	13.5	21.2
Bankers' Balances.....	303.3	291.9
Other Assets.....	88.3	90.4
Total.....	405.3	412.8
Securities:-		
Government.....	364.1	338.9
Discounts, etc.....	10.2	22.7
Other.....	21.2	35.1
Total.....	395.5	396.7
Banking dept. res.....	29.0	25.7
"Proportion".....	7.1	6.5

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

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

	July 13, 1948	June 28, 1949	July 12, 1949
Cereals and meat.....	120.3	140.8	140.8
Other foods.....	138.8	147.3	147.3
Textiles.....	145.6	178.9	177.9
Minerals.....	245.9	248.5	237.4
Miscellaneous.....	157.8	147.8	148.0
TOTAL INDEX.....	163.3	167.2	165.6
1913=100.....	224.7	230.1	227.8

GOLD AND SILVER

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

	SILVER	GOLD
1949		
London New York Bombay		
per ounce per ounce per 100 tolas		
July 7	d. 43 1/2	Rs. 150 1/2
" 8	43 1/2	150 1/2
" 9	43 1/2	150 1/2
" 10	43 1/2	150 1/2
" 11	43 1/2	150 1/2
" 12	43 1/2	150 1/2
" 13	43 1/2	150 1/2

Investment Statistics

Company Notes

London Portland Cement.—The dividend of 20 per cent to 25 per cent for the year to March 31, 1949. Net profit was £565,811 (£390,575) after deduction of £174,334 (£420,000) for taxation.

Read and Co.—Including exceptional dividend of £2,752 net, the ordinary dividends in 1948 was £1,287. The dividend on the ordinary stock is maintained.

Read and Co.—Including exceptional dividend of £2,752 net, the ordinary dividends in 1948 was £1,287. The dividend on the ordinary stock is maintained.

Hill Top Foundry.—Profit before depreciation and taxation of Hill Top Foundry increased from £41,482 to £45,023 in the year to March 31, 1949. A dividend of 1s. per share has been recommended (same).

Kaye and Stewart.—Trading profit of Kaye and Stewart expanded from £219,116 to £254,698, and net profit from £70,136 to £90,473 in the year ended March 31, 1949. The dividend is unchanged at 20 per cent.

Austin's of East Ham.—Group profit before taxation of Austin's of East Ham declined from £89,064 to £72,900 in the year to March 31, 1949. The dividend of 20 per cent is the same distribution as the previous year.

Vallambrosa Rubber.—No dividend is recommended by Vallambrosa Rubber for the year to March 31, 1949 (15 per cent for 1947-48).

Electric Construction.—Combined net profit increased from £101,586 to £135,931 in the year to March 31, 1949. The dividend of 12½ per cent is repeated.

Truman, Hanbury, Buxton.—Consolidated trading profit of Truman, Hanbury, Buxton declined from £1,235,839 to £1,128,515 in the year to March 31, 1949. Group net profit amounted to £429,820 (£439,394). The dividend of 48 per cent on the ordinary stock is unchanged.

Thompson (John).—Total sales of Thompson (John) in 1948 were £7,077,931 (£4,658,694) and combined trading profit £777,261 (£430,545). Dividend is 22½ per cent (same).

Whitehead Iron and Steel.—Net profit after taxation of Whitehead Iron and Steel increased from £292,106 to £326,263 in the year to March 31, 1949. The dividend of 30 per cent is unchanged.

Anglo-Egyptian Oilfields.—Total income of Anglo-Egyptian Oilfields increased from £4,367,011 to £5,244,580 in 1948. Leases and royalties absorbed £940,641 (£561,715), drilling, production and general field expenses £1,324,359 (£721,434), refinery operations £1,152,739 (£895,240), depreciation £458,700 (£385,312) and taxation £690,000 (£980,000). Net profit was £241,274 (£194,877). Net current liabilities at December 31, 1948, were £2,901,545.

John Brown.—Consolidated balance of trading account of John Brown after crediting £250,000 from general reserve amounted to £1,965,816 and total profit (including £295,931 relating to previous years) to £2,511,526 in the year to March 31, 1949. After charging, *inter alia*, £455,055 for depreciation and £972,078 for taxation net profit was £988,388. Net current assets were £7,892,113 including £1,271,963 quoted investments and £1,884,069 cash at March 31, 1949.

British Plaster Board.—Group trading profit of British Plaster Board increased from £1,079,395 to £1,371,036 in the year to March 31, 1949. Net profit amounted to £1,119,704 against £813,665. Net current assets at March 31, 1949, were £2,050,428 including £455,395 cash and £701,325 investments.

Pinchin, Johnson and Associates.—Group net profit of Pinchin Johnson amounted to £597,123 in the year to March 31, 1949. A dividend of 25 per cent is recommended for the year compared with 24 per cent for the previous 15 months.

Telephone Rentals.—Net profit for 1948 was £322,034 compared with £264,381 in the previous year.

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E. W. MORGAN, Secretary.

Registered address:
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OTHER NOTICES APPEAR ON PAGE 165

The Economist

Established 1843

August 13, 1949



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LEADING ARTICLES

- Britain in the Pillory - - - 329
- Diplomacy under Strain - - - 332
- Murder - - - - - 333
- India's Economy - - - - - 335

NOTES OF THE WEEK - - - 337

Europe at Strasbourg; United Nations Record; Malaise at the Docks; Crime in London; Inquest on a Policy; President Quirino in Washington; Indonesian Republic in Sight; The Nation's Health; Benefits of Hospital Patients; Israeli Diplomacy; Rome-Belgrade rapprochement; Who Should Teach the Technologists?; Unity, Duality or Trinity in Schools; New Government in Bulgaria; Dr Livingstone, I Presume!

LETTERS TO THE EDITOR - 345

BOOKS AND PUBLICATIONS - 348

AMERICAN SURVEY

The New Prometheus - - - 350

Fresh Look at China; Compromise on MAP; Paying for Foreign Aid; Turn in the Tide?; Government Intervention; Getting the Byrd; Cheap Fuel for New York.

THE WORLD OVERSEAS

Italian Uncertainties - - - 355

Austria Prepares for Freedom—II; Anglo-Brazilian Trade; Co-operative Farming in Eastern Europe—1.

THE BUSINESS WORLD

Utility Ukase - - - - - 363

Industry's Rising Stocks - - 365

BUSINESS NOTES - - - - - 367

No Resistance Yet; Sharing Marshall Aid; Boosting Unrequited Exports; Dollars for Ceylon's Central Bank; Declining Trend in Exports; Peak Dis-saving; Unilever's Assets; Sterling and Dollar Prices; Compulsion or Co-operation for Wool?; "Chartered's" Mineral Rights; Coal Output in the Doldrums; Shipping and the Argentine Agreement; Colonial Sugar; Problems in Rubber; Dollars and Tobacco; Should Minerals be Nationalised?; Softwood and Housing; Realities from the Rand; Shorter Notes.

COMPANY MEETINGS - - - 377

INVESTMENT STATISTICS - - 382

STATISTICAL SUMMARY - - - 383

Vol. CLVII No. 5529
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1.
Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3.
BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Britain in the Pillory

THE decision of His Majesty's Government to put the dollar crisis into cold storage for the time being has been successful in so far as they themselves and the country at large are concerned. Ministers have dispersed to various centres of rest and recuperation and John Bull has gone to the seaside. But the decision to leave the country apparently without a policy to utter or spokesmen to utter it has had much less success abroad. In Europe and in the United States the silence has been filled by a steadily swelling chorus of criticism and attack. Britain's partners in the Marshall Plan have been quick to pin upon their neighbour sole responsibility for the refusal of Europe's trading deficit to shrink. It is British bilateralism, British non-convertibility, the overvaluation of British sterling that has brought Europe to its present plight, and these policies in their turn—here the criticisms are taken up with even greater emphasis in the United States—spring not from any economic necessity but from a blind doctrinaire preference for socialism, planning and control.

The change in the climate of opinion has been sudden enough to disturb the British. Only six months ago they were taking their bow for a balanced budget, both at home and in trade overseas, and were using the occasion for a little lecturing to their more frivolous neighbours on the virtues of thrift and planning. Today, the roles are reversed and the British have shot to the bottom of the Marshall class. This in itself is not a cause for serious alarm. Gusts of irritation and criticism have swept across the Atlantic partnership before now without doing it irreparable damage. On the contrary, past criticism has often provided healthy reminders of the way in which the nation should not go. There is, indeed, plenty to criticise in the policies of His Majesty's Government and there would be no possible course for complaint, if it were not that the critics seem, with some consistency, to be laying hold of the wrong end of the stick. They say (the American critics in particular) that Britain's woes have a simple origin in the socialist doctrines of the Labour Government—which is untrue. They say (the European critics in particular) that the British people are making less effort to get out of their troubles than the other peoples of western Europe—which is not only untrue, but unfair and grossly insulting.

One difficulty in countering the anti-socialist type of criticism lies in finding exactly what the critics have in mind. Some mean socialism in the narrow sense of particular socialist policies practised by the Labour Government. For instance, Senator Kem and those who join with him mean that Britain's balance of payments difficulties—or, more accurately perhaps, Britain's slowness in emerging from them—are due in large part to the specifically socialist measures that the present Government has taken and that a non-socialist government would not have taken. This is not true. The most clearly "socialist" of the Labour Government's measures are the nationalisation

schemes, and whatever they may do to the national economy in the long run, they have certainly not yet had time to exert any effect on the ratio between imports and exports. Indeed, in the two largest cases it may even be that things would have been worse without nationalisation. Coal would have been scarcer and quite possibly dearer; and it is almost certain that railway rates would be higher than they are now.

The doctrinaire socialism of the present government is also sometimes said to show itself in the trade policies pursued in Britain, the careful control of commodities by licensing, the bilateralism dominating all commercial exchanges save those in the sterling area. These policies are certainly unpleasant; but they are not the avoidable aberrations of doctrinaire socialists. British commercial policies, with a few exceptions, are imposed by the facts of the case. Perhaps the best proof of that is to point out that when the United States Government comes up against comparable problems, as in Germany and Austria, it reacts in much the same way. The Joint Export-Import Agency—which is virtually western Germany's Board of Trade—has been under predominantly American influence for the last two and a half years. No agency has pursued a more rigorous bilateralism. The various "offset agreements" which regulated German trade have proved to be as near barter deals as any made since Dr Schacht and American policy in relation to "non-essential imports" has made Mr Harold Wilson look an apostle of liberalism, and American insistence upon the exact balancing of accounts has been complicated by the fact that the currency used for settling trade deficits has been the scarcest of all currencies, the dollar. If this is socialism, it can only be said that the United States has been as much its practitioner as Britain.

*

It may be, however, that when they speak of "socialism," the critics have in mind, more vaguely, the policies of the welfare state. If so, their criticisms have much more substance. Not that there is anything wrong in principle with the welfare state. It is a universal and praiseworthy humanitarian ambition to protect individual human beings against suffering caused by economic misfortunes. Every modern state is a welfare state; as Mr Bevin said the other day, there are few clearer examples than the way American legislation has protected the farmers of the United States against the rigours of the economic climate. What can justly be held against the British welfare state is only that it has chosen the wrong time to take such long strides forward. Every manifestation of the welfare state—both by the benefits it confers and by the taxation it levies to pay for them—necessarily weakens the link between a man's own output and the material reward he receives and therefore has repercussions on the efficiency of the national economy. What can be alleged against the British welfare state is that it has ignored these repercussions just at a time when the situation of the country required that more attention than usual should be paid to them.

If this is the criticism, then it is justified. But this is not "socialism"—not, at least, in any sense in which "socialism" is a controversial term. The welfare state is not controversial; it is accepted by everybody, including the United States Senate. There is no disagreement between the political parties in Britain on it—as the Conservatives are at great pains to insist. If a retreat is now obviously necessary in Britain, it is only a retreat, and a temporary one at that, and not an abandonment.

It is not merely misleading to use language suggestive of some cardinal difference of principle when what is meant

is only a difference of judgment about degree—it is also dangerous and obstructive. What is necessary for the full restoration of economic health to Britain is nothing as simple as the mere supersession of one political party by another; it requires the re-shaping of a national frame of mind that governs all parties. This task is not impossible, and has already made some progress. The facts of the case are so cogent and so compelling that once they are allowed to emerge clearly, a sensible, level-headed people like the British will certainly pay them heed. There is a distinct possibility of the whole British people, with some unanimity, turning on to a new course and pursuing it in agreement—provided that the argument is logically based upon concrete facts. After all, there is nothing in what is needed that would be impossible for a far-sighted and realist Labour Party to swallow. But if the attempt is made to put all the blame on one party to the exclusion of others—which is not true—and to find the remedy in a complete abandonment and reversal of everything that it has ever stood for—which is not necessary—then the only result will be to solidify in resentful opposition what is bound, at the lowest, to be a large minority of the British people.

It is reported that the critics of Britain sometimes use quotations from *The Economist*—which has certainly been critical enough of His Majesty's Government—to support their arguments. It is always flattering to find oneself quoted abroad. But those who pay this journal the compliment of setting any store by its views might care to note that, in its opinion, Britain's present difficulties are not due to anything that can properly be called socialism; they are not due, save in a minor degree, to policies of the Labour Government that would have been substantially differently applied if another party had been in power; and to make the present crisis the excuse for an anti-socialist campaign will hinder rather than help towards its solution.

The second fashionable line of criticism suffers from as much loose use of words as the first. This is the criticism which is being heard with such emphasis in the Organisation for European Economic Co-operation in Paris and taken up with such enthusiasm in Belgium, Italy and France. Britain, so the line of argument runs, has by its low production, its rigid controls, its bilateralism and its overvalued sterling ruined the expansion of either European or world trade and is thus primarily responsible for the fact that the Marshall countries cannot cover their dollar deficits and that the shadow of the dollar shortage lies darkly across all hopes of further European recovery. The best answer to this is to quote the facts, as set out, for example, in the *Economic Bulletin for Europe*, published by the United Nations' Economic Commission for Europe. The figures of industrial production in the chief Marshall Plan countries are as follows:

I—INDICES OF INDUSTRIAL PRODUCTION.

First Quarter of 1949, as Percentage of 1938

Belgium	122	Netherlands.....	122
Denmark	135	Norway	130
France	124	Sweden	147
Italy	90	United Kingdom.....	131

There is nothing here of which Britain need be ashamed. But total industrial production, though it is a fair measure of aggregate "effort," is only indirectly relevant to the major problem of postwar Europe, which is the balance of payments. The best way of testing what has been done to overcome that is to set out the figures of exports and of imports by volume. That country might perhaps be thought to have done most to master its problems which had most sharply reduced imports and most sharply increased exports. The

third column of the following table therefore shows the ratio of exports to imports:

2—EXPORTS AND IMPORTS BY VOLUME First Quarter of 1949

	Exports	Imports	Export Index divided by Import Index
Belgium-Luxbg.	114	97	118
Denmark	84	107	79
France	127	106	118
Norway	91	109	84
Sweden	65	103	63
Switzerland	113	121	94
United Kingdom ...	156	82	190

Does this look like slacking? Or perhaps an even closer test is to show what percentage of its dollar requirements each country is earning by its own exports to dollar markets. Not every country, of course, should be expected to cover the whole, or even the same proportion, of its dollar requirements. But each country might reasonably be expected to show some improvement in the ratio since the prewar position; the last column of the following table is therefore the most significant:

3—IMPORTS FROM AND EXPORTS TO THE DOLLAR AREA

	Trade with Canada and USA, April, 1948-March, 1949		Proportion of Imports Covered by Exports		Change from 1938 to 1948-49
	Imports	Exports	1948-9	1938	
Belgium-Luxbg.	\$ 355	\$ 138	39	55	-16
Denmark	125	15	12	18	-6
France	594	82	14	39	-25
Italy	595	95	16	73	-57
Netherlands	355	39	11	42	-31
Norway	120	35	29	46	-17
Sweden	160	74	46	64	-18
Switzerland	231	114	49	80	-31
United Kingdom ...	1,565	559	36	27	+9

There could hardly be a more triumphant statistical vindication of the commercial efforts that Britain has been making. So far from "dragging its feet," Britain is the only one of the Marshall countries that is earning a higher proportion of its dollar requirements than before the war. Nor has the relative position changed significantly since March; the fall in European exports to the dollar area has been as universal as it has been severe. The pound sterling may, indeed, be overvalued, and British prices may be too high; but it is very difficult, in the light of these figures, to believe that other

European countries are any less at fault in this respect.

Why, then, does the British crisis appear to be so much more severe than that of other countries? Part of the reason is simply that it is more fully discussed. The practice of economic analysis and criticism has been carried much further in Britain than in other European countries, and if anything is wrong here, it emerges very quickly into a very bright light of publicity. In point of fact, there are very few criticisms about the economic position of this country that could not be made, if the materials for criticism were equally available, of many, if not of all, the other western European nations. Another part of the reason is to be found in the fact that Britain is far more dependent on international trade than most other nations, and any sickness in international commerce therefore has a more immediate and profound effect here than elsewhere. Again, Britain is affected by the fact that it is banker to the whole sterling area, a function whose value is beginning to be appreciated even in Washington. And finally, since frank speaking is the order of the day, it may be mentioned that Britain for six years spent its financial and commercial assets in the common cause. Other European nations, though they suffered in other ways, were able through neutrality or occupation to preserve their assets.

The economic difficulties which are besetting the Atlantic world and which threaten, if they are left unchecked, to undermine all the work of political and economic consolidation achieved in the first year of the Marshall Plan, cannot be solved by the action of any one power. To concentrate so great a barrage of criticism on Britain may leave in government and business circles in the United States and in Europe the illusion that all that needs to be done is to modify this or that defect of British policy and then once again all the pieces on the economic chessboard will fall back into place. Nothing could be further from the truth. The change in the relationship between the old industrial nations of Europe and the new industrial giant in the New World has been on the way for the last thirty years. The wars have accentuated but not caused the trend. It has been masked since the end of the conflict in part by American generosity, in part by the world's desire to buy anything it could at whatever price. Now, in 1949, the underlying maladjustment between Europe and America is emerging like a reef hidden for a time under a spring tide. To choose this moment to pin all blame for a vast shift in the world's economic surface to the actions of one power not only shows a quite distorted sense of proportion. It makes virtually certain that none of the right solutions will be applied. There is a month to go before Sir Stafford Cripps and Mr Bevin pay their fateful visit to Washington. It is to be hoped that in the interval calmer tempers and saner judgments will prevail.

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Diplomacy under Strain

IN a more civilised age the arrest of the Chargé d'Affaires of a British Legation in the streets of the capital city where he was posted, the endeavour of the police to get him to sign a paper admitting a criminal act, and the subsequent demand by the Government concerned for his recall on the basis of totally unsubstantiated allegations circulated in an officially controlled press, would have seemed a serious matter, even amounting, in the language of diplomacy, to an "unfriendly act." But today, so accustomed has the British public become to such incidents, that the affair of Mr Sarell's arrest by the Rumanian security police on July 7th has barely evoked comment in this country. It is nevertheless the most outrageous in a series of direct and indirect attacks on British missions in several countries which have not only created a very unpleasant atmosphere for members of the Foreign Service serving in them, but have raised the question whether the code under which diplomatic relations have been carried on between civilised sovereign states for the last three centuries is not in danger of breaking down over a large part of the world.

This is a matter of more importance than is perhaps generally appreciated. The conventional usages of diplomacy and the niceties of protocol may often appear to the layman unduly fussy and trivial, and productive of conflicts which could easily be settled with a little common sense. Yet their maintenance is essential to the successful conduct of relations between states, just because the "sovereigns" who deal with one another through the channels of formal diplomacy are heavily armed beings living in a state of anarchy, with strong desires and short tempers—even when these passions of national egoism are not further inflamed by hate-forming ideologies. In regular diplomatic intercourse according to fixed rules of etiquette lies such hope as there is of restraint and co-operation among nations; without it neither occasional conferences of Foreign Ministers nor emergency "gesture" missions nor participation through delegates in public international councils and assemblies can have any foundation on which to achieve success.

The lynch-pin of the system of international diplomacy, as it has been evolved in modern European history, and extended to the whole world, is the principle of the personal immunity of diplomats from arrest or legal proceedings in the country in which they are stationed. All other aliens, whether residents or temporary visitors, are subject to the laws of the state within whose frontiers they are found; they can be arrested by the police, brought to trial in a court of law, and, if found guilty, sentenced according to the law, just as if they were natives of the country. But the diplomat is subject only to the laws and police of his own country; he has a special extra-territorial status which is designed to safeguard him from any possibility of violence or persecution in the performance of his duties as the representative of his Government. It has not always been so; there have been times when an envoy risked his life if his message was not to the liking of those to whom it was addressed. But gradually the code of diplomatic immunity was built up and accepted as the rule of intercourse between the principal nations of Europe. It came to be so much taken for granted that professional diplomats were hardly able to imagine a different state of affairs.

It was always, of course, recognised that the system was liable to abuse. It was not designed to enable diplomats to go about committing theft or murder nor yet to take

part in conspiracies and rebellions against the Governments to which they were accredited. A Government, however, which considered that it had evidence of such acts by a foreign diplomat, had always a remedy, even though it could not arrest and try the offender; it could present the evidence to the latter's own Government and ask for his recall. In such cases, for an adequate reason, recall was the normal course, for each diplomatic service had its discipline and standards of behaviour, which made a real breach of the law—or at least discovery of it—a serious matter for the offender with his own superiors. But it was the convention that these matters were dealt with privately between Governments; what was not done was to take police action against diplomatic staffs and fill the newspapers with public accusations without even an attempt to prove the charges in diplomatic correspondence.

The scope of diplomatic immunity has never, in the past, been defined in a way acceptable to all nations, and the practice varies considerably with regard to what are called the "minor personnel" of embassies, including clerks, typists and telephonists. The British practice has been to extend immunity widely to embassy staffs in London, but some nations have always insisted on confining immunity to diplomats in the full sense of the word. The issue has grown in importance with the increasing range of official relations between states, which now attaches to diplomatic missions commercial, publicity and other representatives unknown in the days of Castlereagh. The minor personnel of embassies are not exclusively nationals of the country to whom the embassy belongs; they may be natives of the country in which it is situated. All these people, if not covered by immunity, are subject to the police and judiciary of the country in which they are residing. But it has hitherto been customary for a Government to notify a foreign embassy at once of a warrant for the arrest of any one of its employees, with details of the charges, and to enable members of the embassy to see the accused and arrange for his or her legal defence, particularly in any case which may affect relations between the two Governments.

The partial contemporary breakdown of this system of international law and custom has been due to the nature of modern totalitarian regimes and especially that of the Communist party-state which now prevails in several European countries. In these states it is natural to the temper of the revolutionary ruling party to regard the established conventions of international intercourse as merely paraphernalia of the *ancien régime* which should never be allowed to stand in the way when the interests of the party are at stake. A Czech Communist newspaper recently informed its readers that diplomats of the Western nations did not represent their peoples, but were merely "spies sent by the ruling classes." Such an attitude is hardly conducive to a willing observance of the customs by which friction in diplomatic relations was formerly kept to a minimum. Moreover, the Communist state relies for the maintenance of its power on a secret police which is placed above the law and is permitted to use for the extraction of "confessions" from its prisoners, techniques of interrogation almost certain to produce sooner or later any results deemed politically desirable. As the party in its propaganda to the masses is continually harping on the theme that all

political dissidents of whatever party or opinion are merely agents of imperialist foreign powers bent on the destruction of the peace-loving peoples, there is a strong incentive for promotion-seeking policemen to provide suitable evidence in support of these theses, even if they are not actually directed by higher authority to do so. Such a situation inevitably produces incidents which impose a severe strain on diplomatic relations in any case none too easy to conduct.

In the Wildash case last March the British Military Permit Officer in Prague (whose task was to issue permits to Czechs for passage through the British Zone of Germany) was arrested by the Security Police and held for seven hours for interrogation. Four Czech employees of the office were arrested at the same time. Mr Wildash was not covered by diplomatic immunity, but he was a British official with consular rank. All the conventions governing such a case were violated by the Czech authorities. The British Embassy was not notified of his arrest, and Mr Wildash was never told with what offence he was charged, but was informed that unless he answered all questions put to him, his wife would be arrested as well. In the end he was released on the intervention of the British Ambassador, but was ordered to leave the country within 24 hours, and the Czech Foreign Minister refused to see the Ambassador who wanted to discuss the matter with him. An official statement was then published in the Czech press declaring as a fact that Mr Wildash had been engaged in plotting against the Government with a Czech terrorist organisation, although no particulars or proofs of this serious charge had ever been submitted, as usage required, to the British Government.

In the case of Mrs Firth in May, a Polish-born woman, married to a British subject and employed by the British Embassy in Warsaw, was arrested by the Polish Security Police, without any notification to the Embassy, and has been held in prison ever since, despite protests made by the Ambassador after it was discovered what had happened to her. She had no diplomatic immunity, but there was a plain violation of diplomatic custom.

In the more recent Sarell case in Bucharest there was a direct infringement of immunity for Mr Sarell, the British Chargé d'Affaires, was held for over two hours by the police,

Murder

THERE is no such thing," said Sir Hartley Shawcross at the trial of John George Haigh, "as a nice murder." Few statements could be more obvious. Yet, in any discussion of the merits of setting up different degrees of murder, the truism is often forgotten. Some murders are patently less heinous than others, but that does not alter the fact that, even when the motive is most easily comprehended and circumstances provide every excuse, murder remains the most horrifying of all crimes. The first public inquiry of the Royal Commission on Capital Punishment, under Sir Ernest Gowers, was held last week in a necessarily detached atmosphere which tended to conceal much of the horror of the subject. Similarly, Sir Frank Newsam, in giving evidence to the Commission on behalf of the Home Office, described murderers as "broadly speaking, not people of bad character," presumably meaning only that they were guilty of no other crimes. But, no matter what the cause, the killing of any individual by another is a crime which no civilised society can tolerate, and the effects of which are far more damaging than those

of any other crime. All murders are sordid, most are violent and bloody, none can be condoned.

What purpose, therefore, is served by trying to distinguish one murder from another? The simple answer is that, although the question of abolishing capital punishment has been shelved, society nevertheless feels that the law which prescribes punishment by death as the only sentence for murder needs to be modified. The present attempt to define degrees of murder is thus merely another way of attempting to set up alternative forms of punishment to that of death by hanging. Hitherto the punishment has been mitigated by the exercise of the royal prerogative of mercy in special cases. The work of the Royal Commission boils down to an attempt to translate the rules which guide the use of the royal prerogative into criminal law and so give the courts some of the latitude now only enjoyed by the Home Secretary. It will examine the practicability of setting up two degrees of murder and it will review the Macnaghten Rules which embody the law with regard to pleas of insanity.

It is well that the British public should be aware of the conditions under which the nation's diplomacy now has to work in the countries of eastern Europe and understand how far the new tyrannies have gone in breaking down not only all respect for human rights within their own domain, but also the conventions of international intercourse which formerly seemed secure even amid the greatest strains and stresses of power politics. It is not the British way to work up petty incidents into great international issues or to act in such matters on quick emotional impulse. It is the policy of the Foreign Office to maintain diplomatic relations wherever it is possible, both in the hope that they may soften the acerbities of conflict which threaten the peace of the world and in order to retain the means of getting some small knowledge of what is going on in countries virtually closed to normal independent inquiry. But there are limits to what it is right for representatives of His Majesty's Government to endure, and perhaps it might be well to give some indication that there is a point at which diplomatic relations would be broken off if there were to be no improvement in the attitude of certain totalitarian regimes towards envoys in their capitals.

"Not even the Devil knows what's in a man's mind." This sums up the chief difficulty in classifying the degree of evil of a murder. A police officer investigating a murder case can usually determine how, when and where it was committed. He sometimes knows with reasonable certainty the extent to which it has been premeditated, but the motive more often than not remains the dark secret of the murderer. Moreover, motives, even when they are known, are extremely difficult to prove, and no court can ever be certain that it has heard the whole truth. Haigh's last victim was killed apparently for the sake of furs and jewels worth little more than £100; Cummings, who killed three women and attempted to kill two others in London in 1942, did so for an even smaller sum of money. It is difficult to believe that gain was the only motive in each case, but the medical advisers to the Home Secretary could find no sign of insanity in either man and there was no evidence to show any other motive. No detective worth his salt ever bases a case against a murderer on motive alone. At best, an overwhelming motive for committing a particular murder is but one pointer among many to the identity of the murderer; at worst, the motive can be so improbable as to make even established facts appear doubtful.

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Yet, if a jury is ever to be asked to assess the degree of evil in a murder, the motive for the crime will inevitably weigh heavily in their deliberations. There are, however, almost as many different motives for murder as there are murderers, and it is extremely difficult to draw up a guide like the Macnaghten Rules by which motives could be classified into one or other of the two broad categories necessary. The Home Office has made an analysis of all murders since 1900, showing among other things the victims of murderers divided into 18 different groups. This analysis, with some amalgamation of categories, is shown in the following table:

MOTIVES OF MURDERERS, 1900-1948		
No. of Murderers Sentenced to Death for Murder of:—	By Men	By Women
(a) Wives and husbands.....	206	11
(b) Parents.....	18	1
(c) Sweethearts, mistresses or lovers.....	290	4
(d) Children over 1 year of age in sexual assaults.....	30	0
(e) Other children over 1 year of age.....	43	40
(f) Women, other than those above, in sexual assaults.....	41	0
(g) Men and women during robberies.....	150	7
(h) Men and women, other than those above, in quarrels or for revenge or jealousy.....	105	2
(i) After drink.....	26	0
(j) Police and prison officers.....	19	0
(k) Miscellaneous.....	74	1

From this table it is possible to come to some very rough general conclusions about the more usual motives for murder, but that is all. If anything, the table emphasises the difficulty of separating, empirically, one set of motives from another.

Figures like these, of course, do not tell the whole story; the relation between murderer and victim is only a guide to what the motive of the murder might have been, it is in no way conclusive evidence. Yet the table shows some surprising facts. The *crime passionnel* appears to account for more than half the murders; murders committed during robberies account for less than a quarter, while murders as the result of taking drink amount to little more than 3 per cent of the total. Women, on the whole, show up far better than men; the majority are guilty of the murder of children which in most cases, if not in all, are probably covered by the infanticide acts and which are committed during an

abnormal state of mind. The value of the table, however, is sociological rather than legal. It does not simplify the task of defining degrees of murder other than to show that if motive were to be the touchstone, very few murders in England would qualify for classification in the second degree.

It is as difficult to determine the extent of premeditation as to decide upon the motive. In some murders, where there have been extensive preparations beforehand, premeditation can be clearly established, but in most the murderer simply takes advantage of a favourable opportunity. If there is no evidence of previous preparation, it is almost impossible to prove how long, if at all, a murderer has brooded over his crime. Even the evidence of a quarrel with the victim—days, weeks or months before the crime—is not conclusive. The murderer can claim that the quarrel was patched up and nobody but the victim can prove otherwise. Moreover, some murders, such as those committed in the course of a robbery, are definitely unpremeditated, but they are often the most reprehensible of all.

If, indeed, there is a case for establishing a second degree of murder, it can only be done with regard to the objective circumstances of each case. The law, as it stands today, recognises two forms of homicide—murder and manslaughter. Generally, murder is killing with intent to kill; manslaughter is killing by accident. Where there has been extreme provocation, the charge of murder is sometimes reduced to one of manslaughter; but the extent of provocation is always a matter of fact and not of opinion, and as such it can be proved or disproved with comparative ease. It would therefore be a simple matter to classify as second degree murders all those which, because of extreme provocation, would normally be reduced to manslaughter. The only reason for making the change, however, would be to make the law appear more tidy; the result, in terms of punishments, would be the same as it is now.

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If the question of capital punishment is to be left in abeyance for the time being, the only other major change which is worth discussing is the amendment of the law relating to pleas of insanity. The present law was laid down in a set of judges' answers to questions by the House of Lords in the appeal of Macnaghten in 1843. (Macnaghten was a madman who attempted to assassinate Sir Robert Peel but killed his servant instead.) The Rules which were then established confirmed previous decisions that the burden of proof of insanity rests with the defence, and stated that the jury should be told that a plea of insanity could only be upheld if it was proved that, at the time of the crime, either the accused did not know what he was doing or that he did not know that what he was doing was wrong. In theory a plea of insanity can be made to any crime, but in practice, since the success of the plea means an indefinite stay in the criminal asylum at Broadmoor, the plea is normally only put forward in cases of murder.

Where the insanity is obvious, the Macnaghten Rules are perfectly satisfactory. They are clear, they are simple and they can be easily applied. But sanity shades off into insanity by an infinite number of gradations, and the time is long overdue for the law in England to recognise, as the law in Scotland has done for some decades, that between murderers who are completely responsible and those who are completely irresponsible there is a third class of those who are only partially responsible. In Scotland, this third class are found guilty of "culpable homicide," which is not punishable by death. The state of mind to be proved in a plea of diminished responsibility is not clearly defined, but

it has been put by the Lord Justice Clerk (Lord Alness) in a case in 1923:

that there must be aberration or weakness of mind; that there must be some form of mental unsoundness; that there must be a state of mind which is bordering on, though not amounting to, insanity; that there must be a mind so affected that responsibility is diminished from full responsibility to partial responsibility.

The extension of the Macnaghten Rules to take in this third class of murderers may involve a number of difficulties in the initial stages, but experience in Scotland has shown that the application of the plea of diminished responsibility is not beyond the wit of most juries. There will, in any event, still be the royal prerogative to remedy injustices if they occur.

India's Economy

THE new Anglo-Indian Financial Agreement, providing for increased sterling releases in Delhi's favour (on which some comment is made in a Business Note on page 368) has focused attention on India's economic difficulties. The two years since partition have served to consolidate the political structure of the new Republican Dominion of India in a way that is almost miraculous. They have not, however, seen the same progress made in building up the new India's economy. And, as Mr G. D. Birla, the Indian industrialist, pointed out last week, this contrast now threatens to become so strong that if not checked, economic deterioration bids fair to undermine a great deal of the political success so far achieved. The full extent of India's economic setback has not yet emerged. But, even before the sterling area's critical dollar shortage, events had moved far enough to upset, perhaps irrevocably, many of the delicate balances so carefully preserved for so long by India's two dominant leaders, Pandit Nehru and Sardar Patel.

Themselves mutually opposed on economic principles, Nehru and Patel have moved continuously between apparently irreconcilable forces. They have already become the heroes of a revolution of independence—without ever quite keeping their promise to their followers that independence would constitute the millennium. They have had to live up to Nehru's socialism without ever quite abandoning the practical capitalism of Patel. They have had to keep alive the hopes of worker and peasant for a higher standard of living, without ever finally destroying the confidence of the industrial capitalist or the loyalty of the small landowner. They have had to be ruthless with the Communists without ever giving way to Right-wing extremists like the Hindu Mahasabha. They have had to assert India's new place in the outside world, without ever really having the military force or the money or the political message with which to back it up. All these things they have done by means of consistent compromise, and with such skill that they have reached a position where they are widely regarded as the natural future leaders of non-Communist Asia.

But it now seems likely that the first stage in India's development is in fact over—in three respects. First, on the home political field, as the inauguration of a new constitution draws nearer, democracy must either establish itself or go under. And the forces now at work behind the rifts between Congress leaders and their rank and file, on the one hand, and between Congress itself and public opinion on the other, seriously threaten to make much further political compro-

The question of degrees of murder or of degrees of responsibility is, in the end, a question of punishment. So long as death is the only form of sentence, so long will the law appear unjust. The brutal killing of a prostitute in the North of England at the end of 1948 resulted, for instance, in a verdict of manslaughter; the jury held that the assailant was provoked because his victim had stolen some of his money. The more or less accidental killing of a well-known artist in London by a terrified thief at about the same time resulted in a verdict of murder and the thief was sentenced to death. If there were no capital punishment, such discrepancies might still exist, but they would not disturb public opinion so much. At least there would be a better chance of securing more uniformity in administering the law than there is at present.

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Mahatma Gandhi always tried to avoid undue discussion of economic subjects by those around him; he felt—perhaps rightly—that inevitably bred disagreement. The effect of his influence, reaching down to the present, explains in some degree how it is that matters have gone as far as they have, without more being done to tackle them. Reduced to the level of personal problems, the economic stringency consists of the fact that, although he has safely emerged from the first anxious days of independence, the ordinary Indian is basically short of food and cloth, his two primary needs. Prices have risen threefold since 1939. Industrial production has declined. Agricultural output has not kept pace with the rise in the population. And conditions are such that new enterprises, which might bring the ordinary Indian more food and cloth he needs, are not pressed ahead because neither the money nor the necessary capital equipment is forthcoming to implement them.

The nature of India's economic troubles may be summarised under four headings—the budget, the balance of payments, costs, and capital investment. In the current year there is an estimated deficit on combined capital and revenue account of Rs.130 crores out of an expenditure of Rs.519 crores (about £390 million). Taking the budget as a whole, this is mostly due to heavy defence and capital expenditure. The present army of 300,000 is just twice the size of the old British-run Indian army; and in the 1948-49 budget, defence expenditure was no less than 47 per cent of total outgoings.

India has an intractable and rising payments deficit. In 1947-48 it was Rs.37 crores and in 1948-49 about Rs.95 crores—although unofficial estimates reckon it was really more. Food imports now cost about eight times what they did before the war and amount to a seemingly irreducible minimum of 3 to 4 million tons of grain a year. Delhi considers that it cannot afford to cut them whatever happens

—not least because food prices account for 60 per cent of the cost-of-living index, and any drop in imports would push prices, and so wages, up at once. But the only alternatives are either to cut other imports or to increase exports. Delhi is now anxiously pruning its import plans, with the professed objectives of reducing dollar purchases by 25 per cent and of limiting to the agreed £150 million over the next two years the sterling purchases to be financed out of India's accumulated balances in London. But any cuts in imports are necessarily inflationary in effect.

On the export side it is again inflation which has already added to India's problem. Present industrial costs of production have removed the chief competitive weapon of many Indian goods — their cheapness. These extra costs are mainly due to wage awards which have taken little account of industry's capacity to pay, to a multitude of government controls administered by inexperienced officials, to inadequate means of transport as a result of wartime over-use of the railways and their present inefficient management, and to the effects of partition, which have erected artificial fiscal barriers between India's industries and their raw jute and cotton resources in Pakistan. It might be argued that if Indian export prices are too high the right course would be to devalue the rupee. But on export grounds alone this would at present be unwise, since there is an unsatisfied foreign demand for some of India's other products, such as cotton goods, manganese and mica; in the case of the minerals, lack of transport is the bottleneck. After re-examining some of the possible means of correcting its present payments unbalance, Delhi has in fact determined to concentrate on improving transport facilities on the particular railways and at the ports where ores are loaded.

Any such steps, however, are less important than the difficult prospects facing the jute industry—which accounts for some 35 per cent of all foreign exchange earnings and perhaps 60 per cent of the incoming dollars. It is said that nearly every jute mill in India is probably losing money today. Looked at from the national standpoint, the industry is in trouble on the supply side because India now has to import the raw material instead of growing it internally. Looked at from the industrialist's standpoint, partition has pushed up raw jute prices beyond all need, and a high cost structure has completed the damage. Yet on the sales side the prospect is even worse. While the world's use of packages has increased, particularly in the United States, jute has not shared in that increase. More and more consumers have switched to substitutes, until experts predict that, unless the price of jute can be brought down sensationally, jute

products will have lost ground permanently to their rivals.

Lastly, there is India's failure to save and invest. Delhi disputes the current view that India is dis-saving at the rate of 1 per cent per annum, but admits that the domestic capital market is dead. It is characteristic of the depression that the Indian Stock Exchange last year did the smallest volume of business in its history. Private capital is scarce because, among other things, high taxation and the methods of the tax gatherers have frightened crores of savings underground: the Princes, formerly an important source of funds for capital issues, are now pensioners or hoarders; threats of nationalisation by many Congress leaders have frightened investors: the Punjab, an important savings centre in the old days, is

now divided and impoverished: and life insurance business is seriously dwindling. Public investment is being curtailed owing to inflation. A Cabinet Standing Committee, set up to determine priorities, recently slashed Provincial authorisations by a third.

These, then, are the signs of fundamental economic disequilibrium in India. And they are certainly easier to define than remedy. But if the Indian leaders really mean to hold back the Communists in their own country and to go on to assume the leadership of anti-Communist Asia, there must be at least three minimum objectives of policy. First, they must obviously come to terms with Pakistan. News from Kashmir has lately improved; but only by ending once and for all the odious tension between

the two Dominions can India's leaders go through with the severe cut in defence expenditure, which is absolutely essential to a properly balanced budget. Better blood with Pakistan would also promote a better handling of the jute question by both Dominions.

Secondly, of course, food production must be increased. A 10 per cent rise would do the trick: it could eliminate the payments deficit by 1952, even allowing for population increases. But it will never be effected without better and more honest administration in the lower civil service. Pandit Nehru's latest scheme for growing new types of crops like sweet potatoes would be excellent if every village could be made to do it. Much also turns on tightening up methods of grain procurement and providing incentives for the farmer.

Thirdly, India must win more foreign capital. The experts well know the need, and even public opinion is at last dropping some of the slogans of nationalism and nationalisation with which it hailed the dawn of independence. But foreign confidence must be established both in India's stability and its fairness. And this can only be done by the Indian leaders themselves coming off the fence, and making their programmes and their terms plain to all.

	Cost of Living in Bombay (1937=100)	Currency Supply at End of Period ('000 Million Rupees)	Foreign Exchange Reserves at End of Period (Million U.S. Dollars)	Balance of Trade in Merchandise Monthly Averages; Net Exports + and Net Imports — (Million Rupees)		
				With Sterling Area	With United States	With Rest of non-Sterling Area
<i>Yearly:</i>						
1938 ...	100	3.0	211	— 2.4	+ 1.7	+ 7.5
1945 ...	222	13.1	5,040	+ 31.9	— 19.6	— 30.9
1946 ...	244	13.4	4,905	— 6.3	+ 19.8	— 2.5
1947 ...	263	13.4	4,590	+ 13.0*	— 36.4*	+ 0.6*
1948 ...	286	12.9	3,099	— 12.3†	— 25.8†	— 9.2†
<i>Quarterly:</i>						
1948 1st	261	14.2	4,618	+ 28.6	— 24.0	+ 17.9
" 2nd	280	13.8	4,641	— 23.1	— 26.9	+ 32.4
" 3rd	301	13.2	3,325	— 10.3	— 32.6	— 15.2
" 4th	301	12.9	3,099	— 3.3	— 17.8	— 44.9
1949 1st	294	12.8	2,854	— 83.6	— 36.4	— 80.2
" 2nd	...	12.6	2,503	...	...	...

* Average for first seven months only. † Average for nine months April to December. These statistics are, of course, complicated by the partition of India. In July 1948, a part of the foreign exchange reserves—which are practically all sterling and include some long-term assets—were transferred to the State Bank of Pakistan. Beginning August 1947, trade figures cover the Dominion of India only, excluding Pakistan; beginning March 1948 trade with Pakistan as a foreign country is included and from June 1948 the trade of Kutch.

NOTES OF THE WEEK

Europe at Strasbourg

The Consultative Assembly of the Council of Europe opened in Strasbourg with dignity and effect. M. Herriot's inaugural speech managed to be considerably less platitudinous than might have been expected on such an occasion. He may have seemed to the more cautious delegates a little over-courageous in the tasks he set the Assembly. Can it envisage at its first session the task of planning and organising a common economic policy for Europe and giving that policy the political backing which alone will make it successful? But M. Herriot was right to seize the nettle of German participation at this first session and to declare, with tact but with realism, that the full entry of Germany into the community of Europe must wait upon some evidence that its government and people accept the ideals of freedom and law and international solidarity upon which the Council and Assembly of Europe are based. The rabid nationalism and the political irresponsibility evident in the political campaign for Sunday's elections in western Germany are hardly reassuring.

M. Herriot also did well to stress the peaceable intentions of the Assembly. "We are not declaring war on anyone," he said, "all the doors are open towards the east, towards all those who today refrain from taking their place among us." Such is undoubtedly the sentiment of the gathering. They have come together to find better ways of living together themselves, not of resisting other states' activities. It is therefore a pity that the first decision of the Council should have been to admit Greece and Turkey along with Iceland. If there is to be genuine economic consolidation, it must have reasonable geographic limits and the inclusion of Greece and Turkey, in spite of all M. Herriot's declarations, can only suggest that opposition to Russian expansion is a more important function of the Council than the realisation of common economic and social policies. This is not the case, but it would have been wiser, surely, if the western European nations, while maintaining close and friendly links with Greece and Turkey, had not included them in this first attempt to achieve closer political union.

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United Nations Record

In the course of the last twelve months, four international conflicts have been either resolved or adjourned. In Kashmir, the dispute between India and Pakistan has so far been kept from a violent solution and a plebiscite in the disputed area is nearly in sight. In Indonesia, the Dutch after an attempt to solve the problem by force have returned to the path of negotiation, and a round table conference in The Hague between Dutch and Indonesian representatives is shortly to take place. In Palestine, the Jews have won the war but have been restrained by outside pressure from making at least some of the conquests their armed superiority might have encouraged them to attempt. In Berlin, the Russians have acknowledged defeat and raised the blockade of the city. In theory, each of these conflicts might have led to general war, although in practice no great power is ready at the moment to take such a risk. Even in Greece where the Russians back the rebels and the Anglo-Americans the Greek Government—an unresolved conflict incidentally barely mentioned in the Secretary General's report—there has been little risk of a wider war, since no great Power seeks to precipitate it.

For all four resolved conflicts, Mr Trygve Lie claims the credit in his annual report on the activities of the United Nations. The United Nations has helped "to end or prevent wars involving 500,000,000 people" and the report describes the establishment of the State of Israel without general war

as "one of the epic events of history." Mr Lie could perhaps be more modest in his claims. The part played by the United Nations has in each conflict been determined by the attitude of the Powers involved. The United Nations machinery has been used with considerable usefulness, but in no case has it been decisive. Kashmir is its best achievement—so far. In Indonesia, American pressure and physical necessity brought the Dutch back to the conference table. In Palestine, the Jews secured their aims by war, tempered only by American restraint. In Berlin, the Russians were defeated in a straight trial of strength and used the United Nations as a meeting place only when the triumph of the airlift over the winter had shown the uselessness of the blockade to extort concessions from the west.

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Nobody denies that the United Nations has in each case performed some function. It has kept full publicity on each danger point. It has saved face. It provided the Russians last April with a discreet back door to the statesmen of the west. But Mr Lie has pitched his report on a much higher key. From the claim that the United Nations has prevented these conflicts, he passes on to denounce—even if obliquely—attempts to organise security in any fashion exterior to the United Nations and to declare that regional pacts are not necessarily in accordance with the United Nations Charter. Then, not content with raising his opposition to regional organisations in his report, the Secretary General pressed home his attack in a speech given last Monday in Bergen in the course of which he again appears to have attacked the regional basis of the Atlantic Pact.

It cannot have escaped Mr Lie's attention that the implications of the Atlantic Pact in the shape of the Arms Bill were at the time of his speech under discussion in the American Senate and that one of the arguments used by hostile Senators against the whole conception of American aid to Europe was precisely the claim that the Atlantic Pact was inconsistent with the Charter of the United Nations. One can pass over without comments the Secretary General's determination to lump Russia and the west together as equally responsible for such conflicts as the Berlin blockade. "Impartiality" must, it appears, be purchased at such a price. But surely to intervene in the efforts of the western Powers to organise their own defence in perfect conformity with Article 51 of the Charter lays the Secretary General open to criticism which will damage not only his own reputation but the reliability of the organisation he represents.

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Malaise at the Docks

When the recent strike at the London docks came to an end, it was not by reason of a solution of the points at issue, and the statements of the strike leaders made it clear that it would be only a question of time before trouble broke out again. Last Sunday, only two weeks after the resumption of work, the committee which conducted the strike in July began to show the hand that it intends to play. At what the *Daily Worker* calls "a representative gathering of several hundred stevedores"—actually a meeting of 300 out of the 2,700 dockers—Mr Timothy and the other strike leaders resolved to constitute themselves a permanent London Port Workers Committee. Their objectives are to remove Lord Ammon and his colleagues from the Dock Labour Board, and to secure the ejection of Mr Arthur Deakin as general secretary of the Transport and General Workers' Union. Fortune has also presented them with an excellent bone to worry in the shape of the dismissal by the Port of London Authority of six men for absenting themselves without good cause during the strike.

PLA employees are on a quite different basis of employment from the dockers, and the PLA regards itself as fully entitled to discharge men for breach of contract, a view that the Ministry of Labour is bound to support.

The threat of a withdrawal of labour unless the six men are reinstated is probably an empty one, since about half the London dockers have lost anything up to four weeks' pay (a loss softened by PAYE rebates and holiday money). The strike committee is unlikely to release a damp squib and to issue a strike call which would not be answered by the men. More probably their tactics are to keep themselves in the public eye, and to gain strength from the gratuitous publicity which the London evening newspapers seem only too ready to afford them. In the meanwhile thoughtful people of all parties are pondering upon the action that can be taken to prevent recurrent trouble in the docks. One Labour Member of Parliament in a letter to *The Times* has suggested that the best way to restore the authority of the established unions would be to go back to direct negotiation between employers and the unions instead of having them jointly represented on the Dock Labour Board, thus restoring to the union leaders their proper function. In view of the ambition of the unofficial strike committee to wrest the leadership of the dockers from the official unions and to carve out a new union of dockers, it is ironical to note that the International Labour Office this week announced that Britain is the first country to ratify its convention on Freedom of Association and the Right to Organise.

* * *

Crime in London

The criminal statistics for the whole of England and Wales in 1948, which were commented on in *The Economist* of July 30th (page 234), have been followed by the publication of the report of the Metropolitan Police Commissioner for the same year. From the accompanying chart it will be noted that although, for the country as a whole, there has been a steady increase since the war in the number of indictable offences, the peak year for London was 1945 and since then its yearly total has slowly fallen. In other respects, it has had the same experience as the rest of the country. Offences against the person, a category which includes crimes of violence and sexual offences, rose from 2,493 in 1947, to 2,595 last year. And London, like the rest of the country, shows another rise in crimes by children and young people.

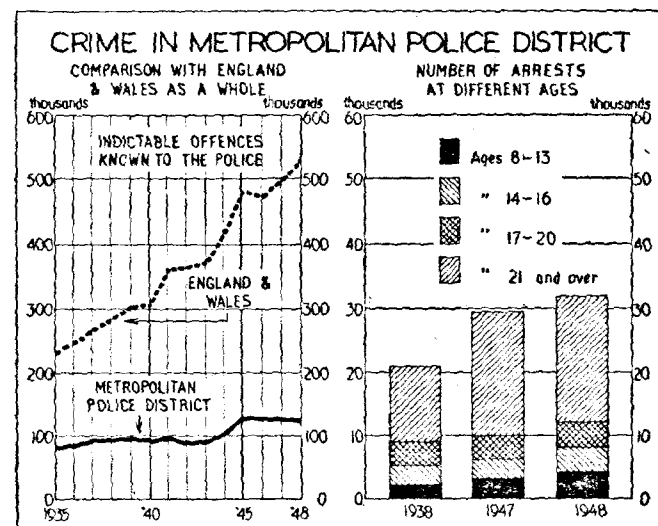
The Police Commissioner's comments on this rise in juvenile crime have provoked more discussion than anything else in his report. He declared that almost all experienced police officers are agreed that

some children's courts entirely fail to impress on the young offenders brought before them the seriousness of their acts, and that repeated bindings over or probation orders only serve to engender a contempt for the law.

To this the magistrates concerned have a ready retort in asking what they are expected to do. To send a child away from home to an approved school for two or three years is no light step, especially if it is the lack of a stable home in the war years that is a factor in its delinquency. Moreover, approved schools could not take in greatly increased numbers of children without diminishing their usefulness to those who need their treatment most. Sending a child to a remand home for a short period is never regarded as satisfactory. There is no corrective treatment, and the child may be contaminated by more serious offenders. There remains binding over and placing on probation, combined with a reprimand. But the very large numbers that are dealt with in this way, particularly if the same child is so treated more than once (a serious omission in the report is statistics of how many children commit more than one offence), tend to produce a familiarity that breeds contempt. A more effective method of correction may be the attendance centres, to be introduced experimentally under the new Criminal Justice Act. "Keeping in" a child for a few hours once a week, when it would normally be going to the

cinema, may well have a more restraining influence than repeated magisterial wiggings.

It is still not certain, however, that there is cause for excitement in the statistics of juvenile delinquency. It ought to be remembered that in 1948 every child in the age group concerned—8 to 16 inclusive—had lived over five years of its life



during the unsettlement of war. If one considers what this entailed—the separation and absence of parents, air-raids, evacuation and the very scanty education that many of the children were given—it is a matter for congratulation that the postwar figures for juvenile delinquency are not a great deal higher.

* * *

Inquest on a Policy

The long-promised White Paper on United States relations with China—called by some the State Department's "alibi"—has now been published in Washington together with a covering letter from Mr Acheson to the President. It is a two-edged document, as might be gathered from the variation in the news headlines in the British press; thus the *Daily Mail* headlined it, "America Drops Chiang," while the *Daily Express* announced, "US Hits at China Reds." The *Daily Worker* found the report so little to its liking that it relegated it to a back page. The report, indeed, gives no support to those who hold that the Chinese Communists are "different" or that their victory brings no detriment to the United States; they are declared to have "forsworn their Chinese heritage and publicly announced their subservience to a foreign Power." Nevertheless, the main burden of the report is the exposure of the sins of the Nationalists, who are charged with most culpable failure to make proper use of the American aid which has been given to them, and it is plainly indicated that they must expect nothing more from their former patron.

The White Paper is essentially an attempt at accounting to the American people for very large sums of money expended in support of a policy which has ended in disaster. Since VJ Day the American Government has authorised grants and credits to China to a total of some \$2,000 million, an amount "of proportionately greater magnitude in relation to the budget of that government [the Chinese] than the United States has provided to any nation of western Europe since the end of the war." In addition the United States has sold to China surplus war supplies of a procurement cost of over \$1,000 million for \$232 million. Americans naturally ask why so great an expenditure has produced so little result, and the Secretary of State answers: "Nothing that this country did or could have done within the reasonable limits of its capabilities could have

changed that result; nothing that was left undone by this country has contributed to it."

Undoubtedly the apathy, corruption and inefficiency of the Kuomintang and its military forces have been major factors in the defeat which has overtaken their cause; they have been a sore headache to those who tried to help them. But the State Department's disclaimer of responsibility goes too far. No serious effort has ever been made to control expenditure or to see that American supplies actually reached the armies in the field. It has always been held that any kind of inspection would infringe China's sovereignty and discredit the Nationalist Government in the eyes of the Chinese people. But the fact of American aid was not concealed, and Chinese national pride was not spared in the patronising public statements made by Generals Marshall and Wedemeyer after their missions to China. The Americans acquired the reputation in China of unlimited intervention, while in reality they did not interfere even to the extent of preventing their supplies from being sold for private profit by government officials. For the anti-Communist the story should serve as a classic example of how not to do it.

* * *

President Quirino in Washington

The publication of the American White Paper on China just preceded the arrival of President Quirino of the Philippines on a visit to the United States. In accordance with the custom which allows occasional addresses to Congress by foreign statesmen, President Quirino has made speeches to both the Senate and the House of Representatives and has expressed his views on the need for a Pacific Pact, thus making a direct appeal to the American legislature and public opinion and to some extent by-passing the Administration.

The political situation involved in his visit is a complicated one and must be somewhat embarrassing to President Truman and Mr Acheson. There is no doubt that they would like to see some kind of combination to resist the spread of Communism in the Far East and are anxious to maintain the best of relations with the Philippine Republic, which has not only a special sentimental hold on Americans as an ex-American territory and war-time ally, but also provides the sites of the American naval bases nearest to the Asiatic continent. On the other hand, the White Paper appears to imply a repudiation of General Chiang Kai-shek and the Chinese Nationalist regime by the Truman Administration, whereas President Quirino's Pacific Pact scheme includes Nationalist China and has in fact arisen from his recent conversations with General Chiang. President Quirino's political outlook is thus nearer to that of the Administration's Republican critics than to that of Mr Acheson, and his arrival in Washington appears to have been a reinforcement to those Americans who hold that the President must definitely make up his mind whether he is opposing Communism in China or not.

So far the Administration has made no clear statement of the policy it intends to pursue in China in future; the five "basic principles" enunciated by Mr Acheson at his press conference on August 5 are too vague to commit the United States to any specific course of action. It is known that there is now as there has been ever since 1945, a group in the State Department which holds that America can make friends with a Communist China and detach it from the Russian orbit. But Mr Acheson's letter to the President has at least verbally denounced the Chinese Communists, and it will not be too easy to persuade the American public that Communism in the Far East is a menace which must be vigorously resisted by the United States and yet that no material or moral support may be given to the only organised force which is still holding out against it in China. The Presidents of the Philippines and Korea—with it is rumoured, the approval of the Japanese Government and General MacArthur—want to keep General Chiang Kai-shek in the

picture, and pushing him out of the picture may prove to be a difficult task for the American Government, even after all that has happened to disappoint the hopes originally placed in him. The trouble is that he exists, whereas the prospective Chinese Tito is still merely a dream. A bird in the hand is worth two in the bush, even though it may be only a very bedraggled specimen.

* * *

Indonesian Republic in Sight

Two main steps have now been taken towards holding a joint Dutch and Indonesian conference at The Hague. The first of these is agreement between the Indonesian Republicans and Federalists on the shape of the provisional government which they want for their new Federation—to be called *Republik Indonesia Serikat* (the Republic of the United States of Indonesia). Secondly, both Dutch and Republicans have at last agreed on the precise measures to be adopted to implement the cease-fire; this now takes effect in Java from midnight on August 10th and in Sumatra from midnight on August 14th.

Events in Indonesia have proved often enough that it is usually useless to prophesy from one week to another what will happen next. But at this point certain facts are clear. One is that there is now more chance than ever before of bringing the United States of Indonesia into being within the next few months. Another, however, is that there is still no fixed date by which this can be expected to happen. The likely course of events is that, if the cease-fire is effectively observed, the conference at The Hague will begin in about two or three weeks. It is expected to last about two months; then another six weeks would probably be needed to ratify its conclusions. That will be the moment at which the actual transfer of sovereignty to the new federation would take place.

A flag is nothing if not a symbol. When the red and white of the old Indonesian Republic floats over the government buildings of the new federation—perhaps in a few months' time—it will be hard not to regard it as the symbol of Jogyakarta's success. For the agreement reached on August 2nd between Republicans and Federalists for a provisional government to take over eventual sovereignty from the Dutch, implies acceptance of the Republic as the main basis of the new state. Furthermore, the provisional government itself is to consist of a president elected by the delegates recently assembled at Jogyakarta, together with a five-man cabinet, of whom three members will be appointed by the president, and two elected by the three already appointed. Clearly, much will depend on who is chosen as president. The chances are that although the Federalist delegates are in the majority, this advantage will be outweighed by the personalities of the Republicans. In that case, it would be surprising if the president turned out to be other than Dr Soekarno.

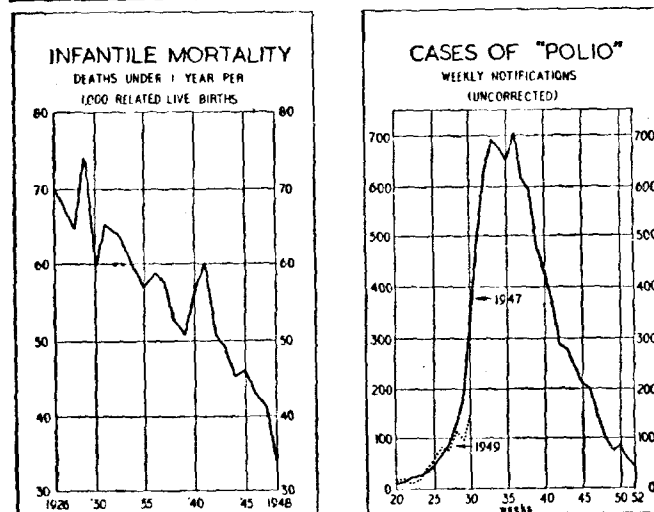
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The Nation's Health

The Ministry of Health's annual reports for England and Wales suffer from being out of date by the time they are published; for instance, the latest [Cmd. 7734] ends its story on March 31, 1948, and its statistics only cover the calendar year 1947. Since then, a new low record has been achieved for the infant mortality rate, which puts the already good result for 1947 in the shade. Moreover, the national health service, which has now been in operation for over a year, is not discussed in the report except for the preparations for its introduction.

Yet there is still a great deal of interest even in the figures for 1947. It will be remembered that, so far as climate—an important factor in the national health—is concerned, it was a year of extremes. It began with a period of severe and prolonged cold and went on into a prolonged and unusually hot summer. It was also a year of economic crisis, which, together with the drought, made food restrictions more rigorous than at any time during the war. Bread had already been

rationed when the year opened; in September the meat ration was reduced; in October the bacon ration was halved; and in November potato rationing was introduced. In spite of all this, in spite, too, of the highest birth rate since 1921, the infant mortality rate, usually regarded as the most sensitive index of a country's well-being, fell from 42.9 in 1946 to 41.4. The severe winter was probably responsible for the slight rise in the crude civilian death rate, 12.3 per thousand of the population against 12 in 1946, and for the small increase in deaths from tuberculosis. The death rate from tuberculosis, however, still compared very favourably with the prewar rate. The only disquieting features of the history of epidemic disease in 1947 were an outbreak of smallpox with 78 cases and 15 deaths—which is chiefly interesting because since then compulsory vaccination of infants has been abolished—and the first big outbreak of poliomyelitis (infantile paralysis) that this country had had. The course of this epidemic in 1947, described in the report, is of topical interest because of the fears of another



poliomyelitis epidemic this year. The weekly notifications for the two years beginning in the middle of May are shown in the second chart, from which it will be seen that so far this year's weekly rise is not so steep or so consistent as in 1947.

On the whole, however, the picture of the national health, presented by the statistics of this report, is extremely good. But it leaves one wondering why, now that the health of the average individual is better than it has ever been, he should find it so difficult to do a hard day's work.

Benefits of Hospital Patients

The National Insurance Advisory Committee has issued a report on what sounds a most abstruse subject—the preliminary draft of the national insurance (overlapping benefits) regulations—but which happens to be of general concern. The point at issue is whether the insurance benefits of people receiving treatment in hospital should be reduced and if so at what point in their stay in hospital.

The preliminary regulations that are now in force have caused much indignation among those who have had their benefits reduced in accordance with them. Why, they say, should this happen when the health service is a free service? Are we not, by this reduction, being charged for our maintenance in hospital? The principle, however, behind the main social security scheme is that people should not be provided for twice for the same contingency. The ordinary sickness benefit of 26s. a week is intended to contribute towards a person's normal needs, including his board and lodging. If his board and lodging are being provided by another of the social services—that is, the hospital service—there is a clear case for a reduction in the insurance benefit. The strict application of the principle might, of course, create hardships, so the advisory committee recommends that there should be no

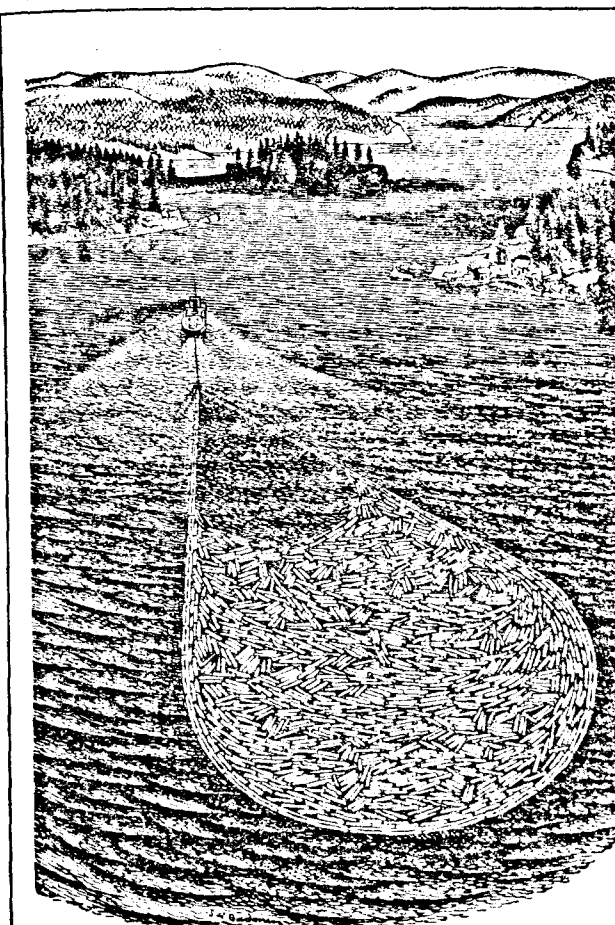
reduction in benefit until a person has been in hospital eight weeks. After that, and for the remainder of the first year in hospital, the 26s. weekly benefit should be reduced by 5s. for a person with dependants and 10s. in other cases. At the end of a year, persons without dependants are to have their benefits reduced to 5s. a week, while those with dependants will receive 5s. a week for themselves, the balance of 16s. between this sum and the 21s. which they were receiving formerly being paid straight to their dependants. The committee recommends, however, that persons not receiving benefits for dependants and who, therefore, will probably have no home to return to, should have the second reduction in benefit placed to their credit and paid out on their discharge from hospital to help resettle them in ordinary life.

The saving to the national insurance fund from the preliminary regulation now in force is just over £3,000,000 a year. The committee's recommendations will reduce this to just over £2,000,000. It is a tiny saving when set against the hospitals' expenditure on patients' food of about £18 million a year. But it may have a salutary effect in reminding people that there is a limit to the spending of the welfare state. What is quite wrong is that there is no similar provision for a reduction in benefit under the National Insurance (Industrial Injuries) Act. Thus, of two patients in the same hospital ward, the one suffering from an accident or disease contracted at work will not have his benefit reduced while the other will. The already big anomalies between the two insurance schemes in the amount of benefit are thus made more apparent than ever.

Israeli Diplomacy

A high official of the Israeli Foreign Office is on his way to Moscow and at first glance this trip, which was announced at the end of last week, looks like a snap of the fingers at the western Powers on the Security Council. Only two days previously, their delegates had, despite Israeli protests, supported Dr Ralph Bunche's contention that, now that armistices have been signed with all Israel's neighbours, the arms embargo upon the Middle East should cease. But in fact the visit was planned earlier, and signifies no sudden huff. Its purposes are two: one is to see if direct dealings with Moscow will produce an order to Rumania and Hungary to become more co-operative about permitting the departure of Jews. The other is to display the Government's determination to remain faithful to the foreign policy which it presented to its people in March—a policy of "friendship with all peace-loving states, especially with the United States of America and the Soviet Union." Lately, it has been leaning rather heavily to the American side.

Misunderstanding of the gesture is excusable because, diplomatically speaking, the Israelis have been overplaying their hand about the arms embargo. For one thing, they themselves have made a mockery of it. From being, on the first day of the Palestine war, a Power that was unable to reply when the Egyptians bombed Tel Aviv from Spitfires, they have become, thanks to American dollars spent largely in Czechoslovakia, the best armed Power in the Middle East. For another, they do not scruple to vaunt this fact in the quarters which suit them. For purposes of home morale, they displayed not only their newest tanks but also their Liberators at a recent Army Day parade. For a third, none of their neighbours—except the least likely to attack them, which is Egypt—have a piastre in the Treasury to spend on the "armaments race" that the Israelis say they fear. They are doing themselves more harm than good by pressing for the retention of the embargo, for as long as it lasts traffic and trade of all kinds will not return to normal in the Middle East. In particular, the Israelis will not get what they so greatly need for the benefit of their balance of payments—a normal movement of shipping through the Suez Canal. At present, immigrant ships from the east have to travel via Gibraltar and there is no passage for tankers carrying crude oil to the idle refinery at Haifa.



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At Lausanne, by contrast, the Israeli delegates have made some strenuous efforts to propose, through the medium of the United Nations Conciliation Commission, conditions of peace which the Arab delegations could accept. These last, though in a more conciliatory mood than they were, are still embarrassed by the fact that they have not told their home publics the whole truth about their discomfiture in war. They are, therefore, finding difficulty in signing anything called a peace treaty. The Israelis have suggested that the document shall for the present be called a protocol, and be temporary in nature. They have also said that they are willing to take back 100,000 of the Arab refugees, provided that the Arab states will, firstly, make corresponding offers and, secondly, accept this gesture as an integral part of the peace settlement. The fact that the four Arab delegations accepted these conditions without reservation is the first evidence from the Lausanne front that diplomatic tact, when practised, pays its users.

* * *

Rome-Belgrade Rapprochement

The trade agreement that was finally signed by Italy and Yugoslavia on August 4th has political as well as economic significance. The meaning of the agreement is that both countries, while still claiming the territory of Trieste, do not intend to upset the present *modus vivendi*, under which the territory is divided between an Anglo-American and a Yugoslav force of occupation with ERP filling the financial gap in the Anglo-American sector until transit traffic can be revived. The Italians suspended the trade treaty when Marshal Tito introduced the dinar into his zone of Trieste at the beginning of July—presumably as a gesture to offset his loss of Carinthia in the Austrian Treaty negotiations—and followed up this act by a speech at Pola in which he reaffirmed Yugoslav claims to the whole area. However, calm counsels prevailed. The Italians re-examined the Pola speech and found reassuring statements in it, which were confirmed in an interview between the Italian Ambassador and the Marshal.

The trade treaty follows a series of minor agreements between Rome and Belgrade, which have all shown a conciliatory attitude on the part of Tito. Both sides stand to gain considerably from the £17,500,000 trade exchange now arranged, which represents a big increase on the pact of 1947. Italy will receive timber, copper, bauxite, some maize and lead. The American ERP administration is said to be willing to allow the counter-part fund to be used for buying the lead, which is in excess of Italy's needs. From Italy, Yugoslavia will receive machinery, including immediate deliveries of electrical equipment, machine tools, chemicals and textiles, as well as lemons and oranges, which Yugoslavia probably does not need.

Count Sforza said recently that "trade with Yugoslavia is essential to Italy's economy." Tito's needs are at least as great, and certainly more urgent. The American loans which he may receive are not likely to approach the sums which he requires to meet the Cominform blockade, and the International Bank does not move quickly. In the meantime, Yugoslavia's gold reserves are at an exceedingly low ebb.

* * *

Who Should Teach the Technologists?

Ever since the Report of the Percy Committee on Higher Technical Education was published in 1944 there has been a continuous argument whether advanced technological studies should be carried on inside or outside the universities. As evidence of the unsatisfactory state of affairs at the present time, the Advisory Council on Scientific Policy in their second report published recently [Cmd. 7755] recommend that 100 men a year should be sent immediately for full courses at the best technological institutions abroad. This is not because variety of training is required, but because this country cannot provide nearly enough of the requisite quality. While this is going on the Council states categorically that the necessary post-graduate education in applied technology—such as is

supplied by the Massachusetts Institute of Technology—can only be met in this country by the universities, and that the encouragement of higher education in the applied sciences should be entrusted to the University Grants Committee instead of to the Ministry of Education and to the local education authorities. To implement this it is recommended that colleges of applied science should be set up with suitable governing bodies of their own "but closely welded into the universities."

Such a form of organisation raises a host of problems of its own, but the Council's proposal reveals its dissatisfaction with the progress now being made in improving higher technical education. The central and regional organisations set up as the result of the Percy report have been labouring painfully into existence, with very little to show for their effort. Hence the impatience of the Advisory Council. It appears that the new proposals are to be accepted to the extent of making immediate provision for advanced work in technology at a small number of universities. The local authorities will be disgruntled, but it is probable that the needs of the nation will be better served.

* * *

Unity, Duality or Trinity in Schools

The doctrine that the second best for the many must always take precedence over the best for the few has been given startling endorsement by the chairman of the London County Council Education Committee, Mrs Helen Bentwich. There has been a good deal of controversy recently over the LCC's proposals to devour the playing fields of three schools, Parliament Hill, Wandsworth and the Strand School, Brixton, by building huge comprehensive schools (combined modern, technical and grammar schools of 1,500-2,000 pupils) upon them and to swallow the grammar schools into them. In defence of the LCC's policy, Mrs Bentwich, writing in *The Times Educational Supplement* of July 23rd, has said that if the space requirements of the comprehensive schools are to be met

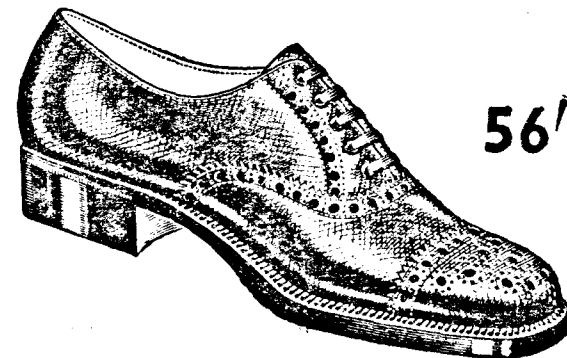
... the relatively generous provisions of playing fields which a very few schools have been privileged to enjoy in the past cannot continue. ... The amenities of these schools will be in the future less for the few, but they will be infinitely greater for the larger number.

Could there be a clearer example of the process of levelling down? Sites for new schools are indeed difficult to find in London, but the difficulty becomes a virtual impossibility if they must house up to 2,000 children.

Middlesex County Council, on the other hand, decided recently to reverse its policy on Comprehensive Schools. This arises from the change in the political colour of the Council in the April elections. When in power the Labour Party favoured comprehensive schools, but of a more modest size than the LCC, that is to say, with about 600-900 pupils. While such modesty is admirable in itself it gives rise to great difficulties in keeping the grammar school element in the school large enough to maintain high standards in the sixth form, which is, after all, the crown and glory of a grammar school education. As the result of fears on this score the Ministry of Education would approve of only three experimental comprehensive schools of this size, and the fate of the other secondary schools in the development plan of Middlesex remained in the balance.

Now the Conservative majority on the Middlesex County Council has swept the comprehensive scheme away, except for the schools which are already in operation. They have also swept away one very misbegotten child of the Ministry—the separate technical school. In future a tripartite system will give place to a bipartite system, with the more intellectual children going to the grammar schools, where provision will be made available for the more academic side of technical and scientific education, and with the less intellectual children going to the modern schools. These schools, unlike the old elementary schools will make proper provision for practical courses.

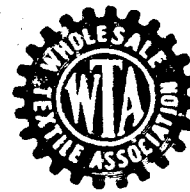
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New Government in Bulgaria

The crisis in the leadership of the Bulgarian Communist Party started last April when Dimitrov left on his last journey to Moscow and his most trusted friend and acknowledged successor, the deputy Prime Minister, Traycho Kostov, was arrested for "anti-Soviet activities." From the scramble for power which followed, the Soviet nominee, Valko Chervenkov, has emerged triumphant. He is now a deputy Premier and Secretary-General of the Communist Party. (The actual Premier, Vassil Kolarov, who is seventy-three, has been repeatedly reported ill in the last three months. He did not emerge from his confinement even for Dimitrov's funeral.)

Chervenkov became a member of the Central Committee of the Party only in 1945, on his return from Moscow, where he had been since 1923. His biographers now try to describe him as a Bulgarian Communist leader after World War I, but this is rather a difficult task as Chervenkov was then less than twenty years old. In fact nothing was known about him till he married Dimitrov's sister in Moscow, in the thirties, and became Dimitrov's bodyguard. Bodyguards of Communist leaders living in Moscow are usually the most trusted agents of the NKVD, and Chervenkov appears to have been no exception. At Dimitrov's funeral he gave a solemn oath promising "loyalty to the last breath" to the Soviet Union and "the leader of the whole progressive humanity, the great Stalin."

The choice of the new Foreign Minister is also very significant. Vlado Poptomov is a Macedonian revolutionary who, like Chervenkov, has been a Soviet citizen for the best part of his career as a Communist. He was the assistant head of the Macedonian department of the Comintern. Hitherto, Poptomov has been editor-in-chief of the Sofia Communist paper, *Rabotnichesko Delo*, and chairman of the federation of Macedonian Clubs in Bulgaria—a militant organisation which not only advocates openly "the overthrow of the Tito clique" but has also been sending armed Macedonian bands into Yugoslav Macedonia regularly in the past years. Most of

these bands, however, were quickly caught and liquidated in a true Stalinist fashion by Tito's police.

Chervenkov has dismissed Professor Ivan Stefanov, Minister of Finance in all Dimitrov's Cabinets, and the only financial expert of the Communist party. He was well known for his moderate views. His place is now taken by Petko Kunin, a former tailor's apprentice who has studied "economics" in Moscow. Anton Yugov, the dreaded Minister of the Interior (Police) is elevated to the post of second vice Premier. The Ministry of the Interior goes to the former Police Chief, Russi Hristozov, a fanatical thirty-five-year-old Communist tough, who was responsible for the unofficial mass "executions" of Communist opponents in 1944 and 1945.

This new team, however ruthless, faces some difficult problems. In his first speech before the Communist Central Committee, Chervenkov appears to be really worried about the chaotic economic situation of Bulgaria and particularly the desperate position of the peasants. For instance, he admitted that the government had "fastened the screw too tightly in our relations with the peasants. We have in fact applied methods appropriate for war Communism only. We must unloosen the screw now and switch over to methods which will win the peasant and induce him to improve and to increase his produce."

* * *

Dr Livingstone, I Presume!

The discovery of tigers in Africa by the Public Relations Department of the Colonial Development Corporation has caused some more disrespectful hilarity at the expense of Whitehall's hard-working purveyors of information. They are also criticised for representing a journey along a major road from a port with "a bank, a hotel, a club, a golf course, churches and the other appurtenances of civilisation" as an adventurous plunge "through lion and elephant country over an almost non-existent track into the heart of Africa." But the sentiment of the public will surely warm to these flights of fancy and justify their authors against the censures of their ungenerous critics. If we are going to have a Colonial Development Corporation and to spend our national wealth on the development of Africa, let us at least have some return for our money in poetry and romance.

What does it matter whether *felis tigris* is actually to be found on the soil of Africa or whether it haunts only the remoter East? Let Africa have its tigers; they are more acceptable to the imagination than the "appurtenances of civilisation" now to be found all the way from the Cape to Cairo. Let the Dark Continent be dark once more; let the bold explorer seek again the sources of the Nile or follow the rumour of King Solomon's mines into the unknown lands beyond the mountains. The public relations officers of the Colonial Development Corporation have judged correctly what the public wants; they know that it would hear of elephants and savages and primeval forests, and takes no pleasure in learning that the literacy rate has been raised two per cent among the Banyankole or that the federated trade unions of the Congo Pygmies have applied for membership of the WFTU.

Nor is there any reason why the new romantic vein in Whitehall public relations should be confined to Africa. It might well be extended to home affairs and help to glamorise activities of civil servants which may otherwise seem dull and prosaic. Surely it would increase the news value of our state administration if we were to hear from a hand-out of the Ministry of Health that one of its officials had just completed a journey from Bournemouth into the heart of Wiltshire through the fox and badger country of the New Forest, where garage attendants have to arm themselves with spanners to keep off the bears. The nation pays a lot to its PRO's; it has a right to expect from them occasional peeps through magic casements into fairy lands forlorn.

Letters to the Editor

Comparative Costs

SIR,—I was very much interested in reading the leading article in your issue of July 9, 1949, wherein you pointed out the need to get the cost of production down before any appreciable improvement in the standard of living can occur. You cited figures showing how it takes the average British production worker almost twice as many weeks to buy certain articles at the present time as compared with prewar, and, specifically, that it takes the total wages (minus income tax) of an average British production worker for a period of 55 weeks at the present time to buy the cheapest British automobile as compared with 39 weeks in prewar years.

I became curious as to what the situation was in the United States on that specific point, and made a check. I found that by making the same assumptions as were made in your article, namely, taking the price of the cheapest model, a two-door sedan, of one of the most popular makes of cars in the United States, and comparing the present with prewar prices, and taking the average weekly earnings for all manufacturing industries (assuming income tax payments for a family of four persons) which amounted to \$52.34 per week at the present time as compared with \$23.62 in 1939, I arrived at the following conclusion:

	F.O.B. Retail Price*	All Manufacturing, Net Spendable Weekly Earnings†		Weeks Work Needed to Equal Car Price	
		Single Worker	Family of Four	Single Worker	Family of Four
1939.....	\$ 644	\$ 23.58	\$ 23.62	27.48	27.43
1940.....	699	24.69	24.95	28.31	28.02
1941.....	754	28.05	29.28	26.88	25.75
1946.....	1,152	37.65	43.13	30.60	26.71
1947.....	1,152	42.17	47.65	27.32	24.18
1948.....	1,219			28.91	25.54
1949.....	1,219	46.60	52.34	26.16	23.23
	1,315			28.18	25.09

* Does not include transportation charges or state and local taxes.
† Prices were increased on August 1, 1947 and 1948.
‡ Net spendable weekly earnings are obtained by deducting from gross weekly earnings, social security and income taxes for which the specified workers are liable.

It would take all the wages of the average production worker 25.09 weeks at the present time to pay for a car, as compared with 27.43 weeks to pay for a 1939 car at the then-prevalent wages. This indicates that, even though the prices have increased greatly in the United States as compared to prewar days, salaries and wages have kept pace with the trend, so that as far as purchase of automobiles is concerned the time required to earn the funds to pay for a new car was actually less than in prewar years.—Yours faithfully, O. P. PEARSON

19395 Strathcona Drive, Detroit 3, Michigan

Are Profits Too High?

SIR,—In your article "Are Profits Too High?" the argument is presented that the total income of 2,608 companies, £1,115.1 million (a), is not excessive, bearing in mind what they did with it. In part, they used it to pay tax, £446.7 million (b).

Is not the tax payment a function of the total income? The companies did not "have to find £446.7 million" in the same sense that they were obliged to provide for repairs or depreciation. They had to find (b) partly because their total income was (a). It cannot be claimed, in part, that (a) is not too high because (b) has to be paid out of it. If the total income had been lower, the tax obligation would be less.

The amount of tax paid therefore cannot be used in part

justification of the amount of total income. The companies are not obliged to earn high income in order to pay tax. Indeed, it can conceivably be argued that the payment of a large amount of tax is a necessary corrective to a high level of total income. It might even be claimed that lower total income would permit lower prices and that the benefit to the consumer would outweigh the loss of tax yield.

Your thesis that profits in general are not too high is not invalidated, but the case is overstated unless an adjustment is made for tax.—Yours faithfully, GLYN PICTON

Porthcawl Hotel, Porthcawl

[The article did not attempt to argue that high profits are justified by high taxation. Profits and taxation obviously move together. But critics of the one often forget the impact of the other.—EDITOR.]

Devaluing the Pound

SIR,—Have you ever felt unwell on board a crowded steamer? You are almost sure that sooner or later you have to step up to the rail and you know that afterwards you will be much better, perhaps even quite well. Still, you struggle desperately to postpone the inevitable, especially with all those people looking on. Perhaps they will be sick before you, or the sea may calm down suddenly.

It is a mistake to wait too long, for your prestige may suffer even more if you can't get to the rail in time.—Yours faithfully, ALFRED L. MARK

39 Hill Street, Mayfair, W.1

Television

SIR,—I could wish that in your article in last week's issue on the future of television you had found it possible to devote a little more space to the problems of television and the cinema in relation.

Two facts, I believe, stand out:

(a) In a two-dimensional viewing medium, the prepared film will always have the advantage over the transmitted studio play, if only because it is freer to move both in space and in time.

(b) Neither the film industry nor the television industry alone can produce a film which will recoup its total cost from only one medium of exhibition within the United Kingdom.

What is to be done about that? I doubt if your analogy of the arranged marriage is quite the most appropriate. Rather it is a case of arranging to get both horses harnessed to the one shaft and facing the same direction.

Can the BBC manage this? Or does it not need some more powerful influence than any yet applied?—Yours faithfully,

3 Hans Crescent, London, S.W.1.

ERNEST WATKINS

South-East Asia

SIR,—To your readers in the east, your editorial of May 28th must have come as an agreeable surprise.

To stem Communism in south-east Asia, as elsewhere, it is essential that economic attraction as well as armed defence be both available and publicised. But pride must be considered at every turn. "Remember that the pride is more important than the stomach." One country after another has shown that a leader who appears dependent upon foreign power tends to lose, by the measure of that dependence, his grasp upon his people's support, however substantial may be the economic advantages from the alliance. Chiang Kai-shek

The Loyal Irish

The Queen's visit to Ireland, her affable conduct, and the warm-hearted reception she has received from the Irish, are the all-absorbing topics of the week. Wholly to pass them by without a word might be considered inexcusable, and yet we can add nothing to the elaborate details which have already been perused in all the morning journals. One fact is plain: all doubt of the loyalty of the Irish must now be considered a grievous error. To display more enthusiasm—to crowd with more delight round the Queen—to follow her steps and gaze on her with more admiration than the Irish, is impossible. Her Majesty, and all about her, must be convinced that she has than them no more devotedly loyal subjects. A want of loyalty, in truth, has never been characteristic of them, nor of men in their condition. They see in Her Majesty, the great Chief of all the chiefs they have ever been taught traditionally to admire, and they transfer to her the guarded and hoarded feelings of ages. A want of loyalty is more characteristic of an advanced people, who have compared the influence of individuals with the power of general laws over society, than of men in the condition of the Irish. . . . The loyalty of the Irish is less surprising than the opportunity they have had to exhibit it. Her Majesty's visit will dissipate prejudices in several quarters. A better feeling will be excited towards them in those who share their loyalty, but have suspected the Irish; and the hearts of the Irish will warm towards those who show confidence in them. The visit will carry with it the blessings of removing many suspicions, and of making Her Majesty's subjects know, love, and respect each other.

The Economist

August 11, 1849

was not the first example of this. Mao Tse-tung may not be the last. Heads of military missions will do well to brood upon this if their good intentions are not to become decisive ammunition for subversive minorities.

As regards economic attraction, it would be admirable if substantial public works could be developed by international finance and technology. But it would be well to anticipate whether such projects would be directed by organisations with Oriental experience or fettered by apron strings from Western capitals. South-east Asia cannot afford that substitution of political passion for costs of production which afflicts Socialist England.

Meanwhile, thought might be given to some simpler steps. The word "exploit" has been too loosely used in connection with western investment in Oriental areas. There is no justification for its survival as a Communist lever. How many directors of western projects in south-east Asia have acquainted themselves with the percentages of profits that are expended, on the one hand, in wages and salaries to Asiatics, in local taxes and profits ploughed back to provide further employment, and, on the other hand, the percentage of profits remitted overseas to absentee stockholders? Of these how many have acquainted the public? If figures of this sort were pooled and publicised without disclosure of individual cases, they would furnish a record with which Communism cannot compete.

In this connection, your editorial of May 28th omits all reference to the Philippines, although over 95 per cent of the Philippine population of 19,234,182 are of Malayan origin, and the Islands are a geological extension of Indonesia and less than three flying hours from Hongkong.

Despite the stresses and scandals of an election year, some agrarian discontent and lawlessness on one island, and war damage immeasurably greater than was suffered by Hongkong or Malaya, the people of the predominantly Christian Republic of the Philippines today have a higher percentage of literacy and a higher standard of living than any other in south-east Asia, and, whatever threats may lie ahead, the Philippine Republic is a livelier illustration of partnership with the west and a likelier bulwark against Communism than most of the regions you enumerate.—Yours faithfully,

Ayala Building, Manila.

GERALD WILKINSON.

Czechoslovak Justice

SIR,—You may be interested to hear of a case of judgment passed by the High Court of Prague and the way modern "jurisdiction" in Czechoslovakia is applied to foreign claims.

At the end of 1938 I was entrusted by a reputable Czechoslovak public company of the metal and engineering trade to work out a technical and financial scheme for the establishment of a subsidiary company in Great Britain. The compilation of that scheme was connected with elaborate technical work,

numerous journeys abroad and manifold negotiations. The establishment of the factory did not materialise, owing to the sudden outbreak of war in September, 1939.

After the cessation of hostilities the company for which I worked was nationalised and the payment of the submitted bill was rejected. As a British subject resident in this country, I was compelled to go to court. The court accepted all offered proofs such as my having done some work for the company in this country on account of a special full power of attorney, and my having incurred certain expenses. The court, however, contended that my claim was not to be lodged against the new national enterprise, although the entire property, with all its assets, belonging to my employer, was transferred to the ownership of that new enterprise.

According to the present Czechoslovak law, the new national enterprise, in which the property of the nationalised company has been incorporated, is committed to take over all liabilities of the previous company. Notwithstanding this the court has found that my claim could only be raised against the company, deprived of all its assets by nationalisation. That company may eventually receive compensation, but whether such compensation will ever be paid remains to be seen.

Although this judgment is a travesty of justice, the solicitor representing the case cannot recommend an appeal against this decision due to the fact that, unbelievable though it may seem, the Czechoslovak Supreme Court has confirmed similar decisions since September, 1948.—Yours faithfully,

R. STEIN

7 Rivermead Court, Hurlingham, London, S.W.6

The Role of Pakistan

SIR,—I really cannot understand where the anti-Pakistan policy of Britain and the British press will stop. In the last issue of *The Economist* you have come out with another suggestion that Pakistan should concede a port on the Makran coast as a sea outlet to Afghanistan. All these suggestions which appear in the British press to stabilise the turbulent situation in the Indian sub-continent or on the borders are always at the cost of Pakistan's economy or territory. The attack of India on Kashmir was a blow to the territorial integrity of Pakistan and could easily lead to the collapse of this newly-born state at one stage. But Britain, claiming herself to be the Mother of the Commonwealth, always adopted an indifferent attitude. The release of sterling balances to India while refusing all kinds of material and technical help for the development of Pakistan resources is enough to show the anti-Pakistan attitude of Britain. Pakistan has to find friends—friends not only in name but in actions and relations as well. The forthcoming visit of Mr Liaquat Ali Khan to Moscow will definitely bring something more realistic and will be more appealing to the Pakistan mind than the mere membership of the Commonwealth.—Yours faithfully,

MUSHEERUDDIN ANSARI

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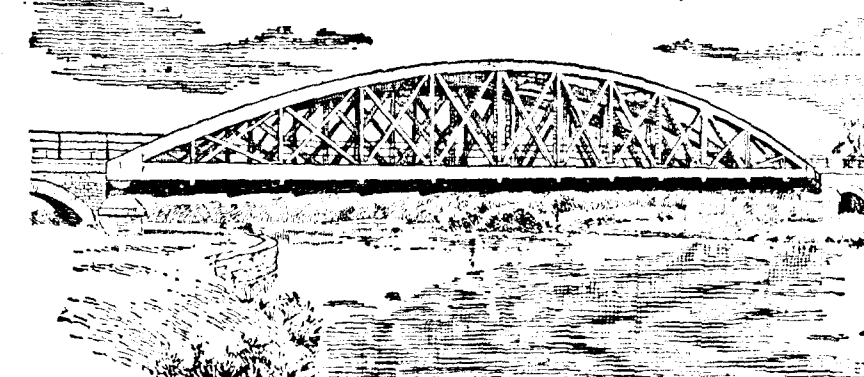


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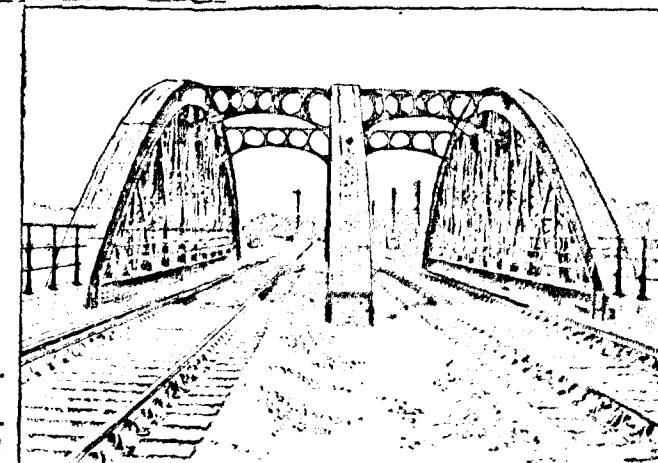
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Books and Publications

Political Pamphleteering

"Pax Britannica." By F. A. Voigt. Constable. 576 pages. 25s.

THIS book, by one of the most experienced and learned of British commentators on international affairs, is a brilliant piece of political warfare. Whereas the historian, even of recent or current events, is concerned with causes, effects and the course of events, the political warrior is out to prove a case. The enemy must be utterly blackened, and all compatriots of the warrior who have consciously or unconsciously acted to the advantage of the enemy, must be portrayed as contemptible fools or traitors. On the other hand, all who have fought on the warrior's side against the present enemy—though not necessarily against earlier enemies—must be as white as snow.

The enemy is Communism and the Soviet state. Mr Voigt well understands, and skilfully explains, many aspects of both. He analyses the precise and special meanings in Communist terminology of such words as "democracy," "election," and "peace." He shows how the Soviet leaders consider the citizens, and especially the "workers," of all other countries bound by an overriding loyalty to the Soviet Union, the "most advanced" state in the world, the "fatherland of the toilers." All who oppose Soviet policy anywhere in the world, whatever their nation, are guilty of treason. Mr Voigt supports his argument with quotations from Stalin and examples from Comintern history—both subjects of which the British public is still woefully ignorant. Perhaps the only weakness of this section of the book is that the author is too kind to Lenin, in whose career much may be found of the special forms of fraud and violence of which Stalin is the greatest living master.

This part of the book is so good that the defects of the rest are the more regrettable. The chapter on Poland is useful, though one wishes that more had been said of the activities of the Home Army. The treatment of Yugoslavia is much less satisfactory. Tito's propaganda grossly exaggerated the achievements of the Partisans and made many false accusations against Mihailovic. It does not follow from this that the Partisans did not seriously fight the Germans, or that Mihailovic did not for long periods deliberately sanction close military collaboration between his forces and those of both Italian and German invaders. Many British officers and officials were misled by "revolutionary romanticism" and did not understand the true nature of Communism—whose fault was it that this was so little known between the wars in Britain? Some may even have deliberately helped Communism. But policy decisions were taken not by them, but by the War Cabinet, after consulting with its highest military and diplomatic advisers. And Soviet domination of Eastern Europe was decided partly by the American veto on the plan for an invasion of south-east Europe, and partly by the decisive action of King Michael of Rumania—itsself the result of long exhortations by the western Powers. The interplay of military and political factors was much more complicated than Mr Voigt seems to realise.

His chapter on Greece is better but it is also rather one-sided. He too readily accepts the view of the Greek monarchists, and says nothing of the stupid persecution and cruelties which in 1946 and 1947 drove thousands of non-Communist Greeks back under Communist leadership. Altogether he shows little sign of understanding the Balkan background or the economic and social conditions of Eastern Europe, the soil in which the Communist seed struck roots.

In his concluding chapter Mr Voigt has some excellent things to say on the "priority of defence over opulence," and on the folly of refusing to consider war a possibility if war is to be avoided. His book may be warmly recommended to those who already know something of Eastern Europe. It will not fail to stimulate even those who strongly disagree. But beginner students should read it with caution.

Russian Background to the East

"Soviet Russia and the Far East." By David J. Dallin. Hollis and Carter. 398 pages. 30s.

OF all the areas in which Soviet expansionism presents problems, the Far East remains even today the most perplexing. Mr Dallin, a Menshevik émigré whose writings have won him something of a reputation in the USA over the last few years, has attempted to provide a historical background against which these perplexities can be profitably studied. This consists of two works. The present one—originally published in the United States last year—and a more recent one dealing with earlier periods under the title of "The Rise of Russia in Asia," so far unpublished in this country.

"Soviet Russia and the Far East" takes up the story in 1931 and carries it forward to 1948. But the book is unevenly balanced, since the period before World War II is dealt with in a rather summary fashion. As a historian, Mr Dallin has obvious merits which are not in the least outweighed by his equally obvious defects. The latter (as earlier books of his have shown) are concerned mainly with a comparative indifference to the distinction between established historical facts and reasonable probabilities. His writings tend to take the form of a series of categorical statements presented with equal assurance, so that the reader is left to look for the appropriate footnote in order to discover to what extent they may be accepted at their face value. It may, for example, be true that in 1932 the Russians set up a "secret Provisional Government for the (Russian) Far East" in case the Japanese severed connections between that area and Moscow, but we are not told how Mr Dallin got admitted to the secret. It may also be true that in 1939 the Russians tried to get Great Britain and France to extend the contemplated agreement to the Far East, but it would be interesting to know upon what Mr Dallin bases an assertion for which so far there is no supporting evidence. Mr Dallin is probably right in attaching importance in the history of wartime diplomacy to Allied fears of a separate peace between Russia and Germany. But it is not made clear whether he thinks there is evidence now to justify what the Japanese believed at the time, namely that there were secret negotiations between the two countries taking place in Bulgaria in the spring of 1943.

Mr Dallin's merits are his ability to appreciate with critical detachment the foreign policies both of his native and of his adopted country. His hostility to the Soviet regime does not blind him to certain inadequacies in the American response to the Soviet challenge—for example in Korea. His hostility to Chinese Communism does not prevent him from doing justice to the genuine idealism that has in part inspired it, nor does it induce him to pretend that its Chinese opponents are democrats *sans peur et sans reproche*. On the other hand by a convincing accumulation of evidence he does dispose beyond all reasonable doubt of the nonsensical view that Chinese Communism is "an agrarian movement" with little or no connection with Moscow. The over-riding merit of the book is that by taking Soviet policy, and not "China" or the "Far East" as his guiding thread he can juxtapose against a background of world diplomacy, events in China proper, in Japan, Korea, Mongolia, and Sinkiang, and use events in each to illuminate developments elsewhere. This is not to say that the whole thing is one vast well-oiled machine. Mr Dallin shows us occasions both in China and in Korea, where the local Communists have been momentarily out of step (as Mr Pollitt was once out of step); but if they are wise—and they usually are—such leaders are not out of step for long. Whether this state of affairs will continue, whether Communists in government will be as faithful to their Marxist and Muscovite background as Communists in opposition, is not a question for historians. Mr Dallin offers little prophecy and no advice. But he has written a useful book.

In the Steps of Adam Smith

"Price Control: Government Intervention on the Free Market?" By F. R. J. Jervis. Hutchinson's Scientific and Technical Publications. 220 pages. 12s. 6d.

THE energies of economists nowadays—or at all events of such economists as do not devote themselves wholly to speculative exploration—are mostly devoted to matters of high policy; properly enough, in a society bent on achieving control of its economic destinies, they regard themselves as expert advisers to experts, as custodians of general truths to which those experts can refer, as forgers of tools for experts to use, or—to change the metaphor—of compasses for them to steer by. The experts in question, however, are doing their work in a democracy, whose degree of education and of freedom from misconceptions both colours their own views and limits their scope, and it is painfully obvious that in economic matters the democracy is at present not merely uneducated but miseducated; not merely, like the African bushman, unable to count above five, but dogmatically convinced that five is the sum of two and two. There is need for patient statement and re-statement of the very elements of economic common sense, for the reiteration of the forgotten obvious, for indefatigable axe-work on the hydra-heads of fallacy; work which must necessarily lack the path-breaking excitement which it had when Adam Smith did it, and which is therefore uncongenial either to the intellectual explorer or to the practical backroom boy. Not nearly enough of it is being done.

Mr Jervis's "Price Control" embodies such work. It is a comprehensive criticism of government intervention in the pricing process, based on a statement of the elementary principles of value theory; it deals with public utilities and with commodity valorisation schemes, with control of profit margins and of dividends, with maximum and minimum prices, with specific fields such as housing, food subsidies, and the bulk buying of imports. It is a competent, straightforward, logical job; Edwin Cannan, one feels, would have approved of it, so would Adam Smith, whom Mr Jervis quotes often and with effect. Mr Jervis does not, like these, wed economic insight to literary quality, nor does "Price Control" display that human touch, that rich appreciation of the absurd, which made, for instance, Mr A. S. J. Baster's "The Little Less" such a pleasure to read. While never actually heavy, it does not perceptibly attempt to be more than an efficiently constructed textbook. But no other book, whether textbook, treatise or squib, known to the present reviewer, affords so complete, up-to-date, clear and trenchant a statement of the basic case for the competitive economy. A wide circulation for Mr Jervis would be a bull point for economic recovery.

Arousing America's Conscience

"A Man Called White." By Walter White. Victor Gollancz, Limited. 382 pages. 18s.

MR WHITE is as white as his name: since no one can guess that he is by race a Negro, unless he chooses to reveal it, he is a living argument that the only fundamental difference between a white man and a black is the colour of his skin. Mr White is not lazy or irresponsible or cowardly: the highest courage and a great sense of responsibility were needed to make a man, who had experienced the mob fury to which Negroes can be subjected in America, choose a career which would expose him to that fury, and force him to work hard, for the rest of his life. This moving and dramatic book is the history of Mr White's thirty years' work in the National Association for the Advancement of Coloured People, work which has brought him fame far beyond his own country and which failing health has now forced him to curtail.

His book is the story of that Association, which has been so largely responsible for America's growing consciousness of the injustices suffered by its Negro citizens. Except during the war years, when discrimination against Negroes in the Armed Forces was its chief problem, the Association has concentrated much of its energy against discrimination in education. It has

attacked this discrimination consistently on legal grounds and has won a series of victories which have been as important for their enlightenment of public opinion as for their effect on the position of the Negro. There could have been no more telling way of arousing America's conscience than some of the Supreme Court's arguments in these cases.

This concentration on the legal aspects of discrimination has meant steady, but it has also meant slow, progress and for this reason it has often been criticised by less patient workers for Negro equality, both black and white (and even, more often red). America's treatment of its Negroes is one of the sharpest weapons in Russia's propaganda armoury. For this reason the work of the NAACP is especially relevant to the cold war and will become more so if the present economic recession in America deepens into the depression which in the past has meant race riots. Mr White has been one of the leading workers for federal action to protect the Negro's civil rights; indeed, parts of his book are a useful guide for any would-be Washington lobbyist. But real advances in the Negro's position can come only by the sustained efforts of white and black alike, at the local level, to improve his economic and social status. It is surprising, therefore, to find that Mr White's ready and sympathetic understanding fails him whenever he looks at the work Britain has done, and is doing, to achieve such advances in her colonies.

Timber in Wartime

"Home Timber Production (1939-45)." By Russell Meiggs. Crosby Lockwood. 275 pages. 15s.

THE author, a Fellow of Balliol College, and formerly Chief Labour Officer of the Home Timber Production Department, writes here a clear intimate and objective history. For many it should be read in conjunction with "British War Economy," by Professor Hancock. Here one finds the same critical evaluation and analyses of the war's impact on one section of the national economy.

Much of the book is concerned with the administrative developments imposed by the changing fortunes and uncertain duration of the war, and by experience of the previous war. The main tasks were, however, clear from the outset: to control and reduce consumption, to increase the home output and to organise the buying and shipment of imports. The production policy based on the existing trade—with the Department occupying a special balancing function—the fivefold increase in employment, and the statistical analyses and summaries of production are all part of the story. Due consideration is given to the many technical questions without which full appreciation would be lacking of the very solid achievement against increasing difficulties associated with timber supplies, depreciating equipment and labour competition. Of special interest for the economist and the administrator are two final chapters on statistical control and on costs and prices.

American Labour

"Labour Politics in U.S.A." By Mark Starr. Fabian International Bureau. 54 pages. 2s. 6d.

LAST November American labour demonstrated more impressively than ever before how it could bring its political weight to bear without setting up a separate political party. But developments since then, both in Congress and in the State legislatures, have provided an equally impressive demonstration of the need for applying even more weight over a sustained period if labour is to mould the existing political pattern into a shape satisfactory to it. The American labour movement has, however, not yet reached the point where it is driven to establish its own political party, and it is very likely that it never will. This pamphlet, written by a labour educationist who knows the British labour movement as well as the American, explains why a Labour Party has neither been desired nor needed in the United States and why, even if conditions change in the future, it will still be difficult to establish one.

AMERICAN SURVEY

The New Prometheus

(From Our American Staff)

IT is symptomatic of present American thought about the atomic bomb in particular and about atomic energy in general that President Truman, presenting the sixth semi-annual Report of the Atomic Energy Commission to a hot and irritable Congress, stressed the beneficent rather than the awesome aspects. "All the people," said he, "will benefit from the increasing use of the products of atomic energy to further the healing arts, to bring about better food production, and to increase our understanding of the basic forces of life itself." And then, with a touch of that pious-syrup which has flavoured his utterances since last

"I'm Not Isolationist Any More—It's Just That I Don't Trust Anybody"



Herblock in the Washington Post

November, he concluded: "As I review the state of this nation's atomic energy programme, I firmly believe that the people of the United States and all who rely on the strength of this nation have reason for reassurance and faith."

Mr Truman did not touch on what most of those people talk about—the number and types of bombs that may exist, the controversies that have been raging about the Commission's heads, the competition between Britain and the United States for Belgian and Canadian uranium ores, or the complaints of certain Senators that the United States scatters both

information and radioactive isotopes abroad too generously. Neither did the Report. If Senator Hickenlooper's accusations of "unbelievable mismanagement" appear incredible in the light of the work done by the Commission, if charges of carelessness in picking personnel are dimmed by the account of the precautions taken (20 per cent of the 4,700 employees are busy with security rather than research or production), the rebuttals were presented without emphasis. Their effectiveness may be gauged by the fact that, on the day the Report appeared, the chairman of the Joint Congressional Committee which had been listening to Mr Hickenlooper's complaints declared that there would be no more public hearings, as there were no more questions which committee members seemed eager to ask.

The press was more curious. Its interest, spread over many columns of the metropolitan newspapers, mirrors the changes which have taken place in American attitudes since the first bomb was exploded at Hiroshima four years ago. Wonder, doubt and curiosity, eagerness that the bomb shall keep its pre-eminence, and fear lest its secret shall be discovered, all are still there; but with them is a new tendency (born, perhaps, of the tepid currents surrounding the cold war) to inquire into the peacetime promise of atomic energy. With this arises a new appreciation of the cost, in terms of space, risk, men, industrial and scientific activity (money is hardly mentioned in this Report), which America's Promethean invention demands of nations wishing to exploit it.

The Report shows the Atomic Energy Commission still devoting most of its attention to the "development and production of weapons and fissionable material," but with increasing work on reactor development and on research seeking "fundamental new knowledge." The supply of raw materials is more satisfactory than it was earlier and production processes are growing cheaper and better.

For security reasons descriptions of the applications of the new fire are limited to the use made of its by-products in research into its power to harm and its power to help, and to ways of warding off its ill effects from man, animals, plants, and the metals used in its control. Protection must cover its makers every moment they work, and must be extended to the water they drink, the food they eat, the air they breathe. Gaseous wastes at the Hanford plant in Washington State, liquid wastes at Oak Ridge in Tennessee, offered problems which the AEC believes have been solved in fact, if not in men's imaginations. Radioactivity in air and water, it is reported, is kept well below the danger line by protective measures now in operation.

Details of work done mean most to specialists, and the whole Report suffers from the lack of things that had to be left unsaid. Yet even with all the question marks, there are aspects of this "second world" which stir the layman. First of all, there is the size and complexity of the project.

The Commission has three national laboratories widely separated and doing very different work. It has control over eleven "major research centres," and it oversees research in fifty other institutions, industrial and academic, working on contract. It distributes the radioactive isotopes, which are a by-product of nuclear fission, to laboratories and hospitals for the mere cost of production, or for less if they go for cancer treatment or research. It trains scientists and doctors in their use, finances new projects for the discovery of new applications, awards fellowships to win the interest of young scientists. Since 1945 it has set up new towns, populated them, put them to work; for projects so dangerous that they must not be carried on within reach of civilians, it uses the empty western deserts.

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The work creates a change in scientific attitudes which is little short of revolutionary. Under government auspices men study the reasons why metals "creep," the process by which blood is manufactured, the effect of radiation on corn kernels, cows' hair, and the Japanese who survived the first bomb. They use radioactive isotopes of cobalt, iodine, phosphorus and other metals to light and make visible the most secret processes of life, or to take the place of scarce and expensive radium in curative measures. Their work on nuclear reactors alone calls for simultaneous research in "nuclear physics, health physics, chemistry, biochemistry, radiobiology, metallurgy . . . in chemical, electrical, mechanical, and civil engineering; and in . . . nuclear engineering." Scientists and engineers, locked so short a time ago in their separate cells, must work hand in hand, not only in the abstract interest of developing and exploiting the new discoveries, but in order that they and their fellows may have a chance of survival if atomic war comes. (One minor effect has been to revolutionise the teaching of elementary chemistry.)

Hardly less notable is the admission of things not known, and the gulf thus revealed between the new world of atomic force and the old one of energy from coal or petrol. Avowed ignorance, seldom found in government reports, is in this one the more remarkable because it springs from a level of wisdom which few men share. Three worlds are mirrored here, the everyday world of the streets, the fairly familiar world of scientists using recognised tools and techniques, the new extra-sensory world brought about by nuclear bombardments and dependent on concepts utterly unknown to most citizens.

These factors make the work of the AEC—relying as it does on the continued existence of a few scientists, having at their command a power greater than any ever known, able to continue the production, development and use of synthetic atoms only by intense co-operative effort—seem at once vital and fragile. That a democratic government should spend billions to support it is due, of course, to its war origin and its war potential. Even for a big country this is not an easy prodigy to live with, yet it cannot be abandoned. If men are right who believe that "the discovery of the controlled fission of atomic nuclei and controlled release of atomic energy is the greatest discovery that has been made since the controlled use of fire was discovered by primitive man," the United States has embarked on a road of no return. Given the magnitude of the enterprise and its future importance, can smaller countries with lesser resources afford to duplicate it, or must this new force be shared on an international scale, with the United States becoming a factory of primary energy for the world?

American Notes

Fresh Look at China

There is little that is new in the one hundred years of "US Relations with China," collected last week into a thousand-page White Paper, which has aroused a storm of controversy, seldom based on a detailed study of a volume which would have better served its purpose of informing public opinion had it been shorter. Comments range from "an Oriental Munich" to "a masterpiece of clarity," from "a petition in bankruptcy" to "a realistic appraisal." The last two at least are applicable: America's difficulties in China and misjudgments of the situation there are assessed almost as frankly and relentlessly as is the Nationalist Government's incapacity.

This "sorry record of well-meaning mistakes" shows that over \$3 billion of military and economic aid have been pumped into China since 1945, to the advantage only of the Chinese concerned with its distribution and of the Communists who now control most of the country, and whom the State Department at last recognises officially to be the servants of Soviet imperialism. This would seem to demonstrate conclusively the uselessness of further aid to China. But Senator Knowland and a number of colleagues, who share his one-track mind, have not been deterred from picking up again that well-tried stick for beating the Administration in connection with the Military Assistance Programme: they want \$175 million to be earmarked for non-Communist China and are calling for reinforcement from General MacArthur in person.

A number of Democrats echo the Republican demand for active encouragement to Chinese resistance against Communism, insisting that the Nationalist Government grasped, when the US Government did not, the true meaning of the world-wide Russian conspiracy. On the other hand, Senator Vandenberg's reaction to the White Paper has been a welcome approval of much of it and a declaration that the time has now come for a "fresh look" at the Far East, which he is perhaps not unwilling to make a bipartisan look.

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The State Department's purpose in publishing the White Paper was to clear the obstructions away so that such a look could be taken. This week, Mr. Philip Jessup of the Department has begun to study the view, in consultation with Mr Raymond Fosdick and Dr Everitt Case, who have been chosen as much for their lack of political connections as for their experience and judgment. The various Government Departments and Congressional Committees concerned will be invited to assist this effort to ensure that Asia is not "lost to Communism by default." These are the words of Washington's latest visitor, Mr Quirino, the President of America's favourite child, the Philippine Republic. But agreement with him does not go so far as to make it likely that practical help will yet be offered to his Pacific Pact. The basis of American Far Eastern policy, as laid down by Mr Acheson, is as yet only friendship for the Chinese people, the encouragement of true independence for China, consultation with other interested powers on measures contributing to the security and welfare of the peoples of the Far East and a promise that, should the Communist régime attack China's neighbours, this will be regarded as a threat to international peace under the United Nations Charter.

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

Compromise on MAP

Sweltering wearily in Washington but with no additional heat being put on by an unusually quiescent Russia, concerned about America's own budget deficit and suspecting that Europe will never become self-sufficient, Senators have some excuse for going about their foreign aid business resentfully and unenthusiastically. In fact, thanks once again to the hard work of Senator Vandenberg and Senator Dulles and to the Administration's readiness to meet their doubts, the Military Assistance Programme is making very satisfactory progress. At the end of last week, President Truman waived, almost with relief, the request for a "blank cheque" which had been contained in the original draft legislation. He will no longer have power to send arms anywhere in the world, paying for them out of an emergency fund. Now the countries to be aided and the amounts they are to receive will be specifically designated. In the new version of the Bill, \$1,160,990,000 is asked for military aid to the North Atlantic countries, \$211,370,000 for Greece and Turkey, in addition to \$50 million already authorised, and \$27,640,000 for Iran, Korea and the Philippines.

Senators were very gratified at these and other less important limitations and clarifications of the original Bill, but Senator Vandenberg still felt that, if the "calamity" of a Congressional adjournment without adopting MAP was to be avoided, a very substantial cut in the sum requested was necessary. This was borne out by signs that such Democrats as Senator George and Senator Byrd now rate economy before their country's international responsibilities. Mr Acheson, however, maintained emphatically that \$1.45 billion was the absolute minimum, while Mr Johnson, the Secretary of Defence, pointed out that the Atlantic Pact signatories would certainly have developed their military organisation before any substantial flow of arms under MAP began, since only about half the equipment could be delivered before the middle of 1950, even if ordered at once.

* * *

Paying for Foreign Aid

It is this which, in both Mr Johnson's and Mr Acheson's opinions, would make any delay fatal, but it was here that Senator Vandenberg seized upon another possible compromise. Would it not do, he asked, for Congress to appropriate, during the current fiscal year, only half the total sum requested for the Atlantic Treaty countries, if it authorised advance contracts for delivery of the rest of the arms after July 1st, 1950, when they could be charged to next year's budget? And Mr Johnson answered that he would settle for 60 per cent cash and 40 per cent in contract authorisations. The Senate, where the real struggle over MAP will come, still wants more details of the actual arms to be sent to Europe and of their distribution, but there will not be much to complain about if military aid runs the Senate's gauntlet with no more damage than economic aid finally suffered.

Out of the confused debate, this year's funds for European recovery eventually emerged without any of the objectionable riders which had been added by the Senate Appropriations Committee. Nothing is earmarked for Spain or for the purchase of farm commodities. France is not to be penalised for Morocco's treatment of American businessmen nor Britain for its socialism. The Senate is prepared to give the Economic Co-operation Administration the full \$1.074 billion which was authorised for the April-June quarter, which seems to have been spent and for which the Committee offered only \$1 billion. But the total sum allowed by the Senate is ten per cent less than ECA requested to cover its "minimum requirements," a cut which the Administration had already decided was inevitable.

The \$5,647,700,000 voted by the Senate, by 63 to 7, includes \$900 million for occupation costs and \$45 million for aid to Greece and Turkey, both a little less than the House

had allowed. The House had also decided that no funds should be reserved for ECA loans, but the Senate earmarked \$150 million for this purpose. In addition, it appropriated \$3,628,300,000 for ECA itself during the current fiscal year, compared with the \$3,468,470,000 which the House had allowed, but which could be spent in ten and a half months. The differences between the two Appropriation Bills are now being settled in conference committee, where the chief difficulty seems to be the \$344,000 provided by the Senate for a Congressional "watch-dog" committee which the House considers unnecessary, perhaps because itself it is less given to disturbing ECA's peace.

* * *

Turn in the Tide?

All present evidence suggests that American industry is now preparing for a new upward turn in production, incomes and employment, a mood which is in strong contrast to the gloom prevailing no more than a few weeks ago. On Wall Street, the Dow Jones Industrial Average has climbed fairly steadily from the low point of 161.60 reached in mid-June, and was last week within striking distance of the year's best level of 181.54. It seems reasonable to presume that there will be some irregularity after so sustained a recovery; but for the Dow theorists, the Rail and Utility Averages have kept in line sufficiently well to suggest that the market is in bullish mood, and the technical position on Wall Street—with an outstandingly large "short" interest—is good enough to promote hopes that the rally has further to go.

Industrial news too, though still patchy, is far more encouraging today than in mid-June. Production, as measured by the Federal Reserve Board's index, fell by 14 per cent between November and June, and was certainly at a new low point for the month of July. But such basic industries as steel and automobiles are holding a very high rate of output and the dollar volume of construction is now actually above the high levels reached a year ago, while consumer expenditures (measured by preliminary returns for retail trade) have been sustained at a level far higher than would be assumed by a simple comparison of industrial output. In turn, this has brought about a certain amount of restocking by manufacturers and traders. Prices for non-ferrous metals, which went through a drastic process of correction from mid-March onwards, are now regaining some of the ground then lost, and the representative Moody index of spot commodity prices, after a fall of nearly 20 per cent between January and June, has for some weeks now shown a much greater stability.

* * *

Government Intervention

Government policy, moreover, is beginning to shift its emphasis on to the side of expansion. To some extent, this change is no more than the type of automatic correction which follows from lower levels of income and employment. The Treasury's position, for example, has deteriorated simply because tax receipts are falling and because it has been found quite impossible to make sudden reductions in expenditure on a scale sufficiently large to correct the position. And the cost of supporting farm prices will probably be higher than in the budget year to June 30th last. But President Truman and his advisers have also turned away, rather grudgingly at first, from the deflationary plans put forward last January. They are willing now to watch the Treasury position deteriorate at the expense of budget stability, though they are not yet willing to develop "deficit finance" on the largest Roosevelt scale, let alone the scale which would in all probability be necessary to deal with a major setback from the post-war peaks recorded in national income.

The government has also retreated from its earlier decision to let the American farmer realise that bumper crops must ultimately find some reflection in lower farm prices; it is willing to bolster farm incomes at the highest level yet



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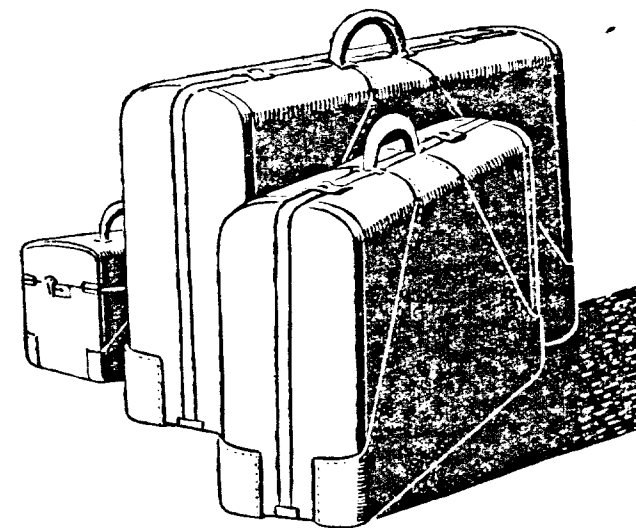
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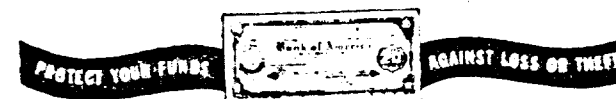
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witnessed—even that is not sufficient for Congress—and it has given a useful lead to labour's wage claims by its intervention in the steel industry dispute. Here, the resistance of the employers to wage demands has been followed by the appointment of a fact-finding board, due to report to the President this month. On the surface, there is reason to presume that the board will advise some concessions on the part of the employers and, if this is the case, the steel industry will be very awkwardly placed indeed. Other substantial wage claims are under negotiation, and since wage advances have proved to be one of the most powerful forces working for inflationary pressure from 1945 onwards, there is at least partial ground for the assumption that inflationary trends could be renewed in the near future.

In the meantime, the Federal Reserve Board has taken more aggressive steps to promote credit expansion. Earlier reductions in cash reserve requirements for the commercial banks were neutralised by open-market operations so as to avoid an unduly strong downward pressure on interest rates, while maintaining relatively cheap and abundant credit. Now, the Reserve Board emphasises that cheaper, and, if necessary, still cheaper money, is the dominant goal, and bond market stability merely incidental to that primary target. To that end it has again cut reserve requirements to the lowest point for eight years, despite an almost unprecedentedly sharp contraction in bank loans to industry. No one of these measures is, by itself, likely to turn the business tide. Together they may add up to a position where manufacturers may reinforce what would otherwise be a normal rebound by a further burst of forward buying. It would be wise to regard such a development, however, as no more than a relatively short-term reversal of a corrective process which still seems far from complete.

* * *

Getting the Byrd

In Virginia, just across the Potomac from the national capital, Senator Byrd, one of the President's most formidable opponents on questions of economy and civil rights, reigns much more supreme than does Mr Truman in Washington. He is the long-time and undisputed czar of the Democratic "organisation," as the Virginians respectfully call what is usually known by the less refined name of "machine." Perhaps because it is both more discreet and more honest than its counterparts elsewhere, the Virginian machine has kept its head above the tide of public disapproval that has engulfed others. But it has just faced the most threatening wave of opposition in a generation and, although it managed to ride this one successfully, there are more piling up.

Since in Virginia the Democratic nomination means election, it was in the Democratic primary at the beginning of this month that a successor was chosen for Governor Tuck, who in November will leave the chair to which he "rose on the wings of the birds." The official machine candidate was Mr James Battle, who had to face three opponents, of whom by far the most threatening was Colonel Francis Pickens Miller, a liberal with a suitably historic southern background. Colonel Miller was finally given 110,000 votes, nearly 30,000 more than the anti-machine candidate obtained two years ago, to Mr Battle's 133,000. Mr Battle's comfortable majority may indicate that the Republicans accepted his invitation to vote for him. Colonel Miller's challenging campaign forced Senator Byrd himself to descend to the hustings and brought a record turnout of voters—20 per cent of those registered and 8 per cent of those of voting age, which shows the effectiveness in Virginia of that poll-tax which Mr Byrd safeguards in the Senate.

The poll-tax and the inadequacy of Virginia's schools were attacked by Colonel Miller, who had Negro and labour support as well as that of at least some of the many Federal civil servants who live in the State. He was also able to point out that between 1940 and 1949, while Senator Byrd unceasingly denounced Federal extravagance and bureaucracy, his Virginia State payroll nearly trebled. But Colonel Miller based his

appeal mainly on the need to free Virginia from the conservative yoke of the machine and to give Virginians a chance to choose their own representatives.

The machine, well aware that the "Old Dominion" is as jealous of its independence as is the late Republic of Texas, made capital out of every sign of foreign interference, whether it was Mr Truman's remark that there were too many Byrds in Congress or the casual endorsement given to Colonel Miller by the head of the Musicians' Union. The national Democratic organisation, although it can have little affection for a State machine which refrained from helping Mr Truman last November, kept carefully aloof from the contest. The national labour organisations tried to do the same, in spite of Mr Battle's insistence that they were making the campaign into a trial run for 1950. If, however, Colonel Miller had won, the Virginia primary would undoubtedly have had national significance, since it would have winged the Byrd that aspires to lead the conservative Democrats who hamper Mr Truman at every vote.

* * *

Cheap Fuel for New York

New York City will this month begin to derive some benefit from the tremendous expansion of the natural (petroleum) gas industry since 1945. More than a century ago, the blessings of natural gas were first discovered (on a modest commercial scale) in the New York State township of Fredonia, where co-operative enterprise brought the product through a wooden pipe-line to a small community at negligible cost. But for generations its commercial possibilities were ignored, while vast quantities were deliberately released, and allowed to run to waste, because of its potential danger to men and equipment on the oilfields.

In the late twenties, however, new fields were discovered, and technicians made revolutionary changes in pipe-line transmission. The only substantial problem at that time seemed to be the assessment of "proved" reserves on a scale sufficient to warrant the formidable capital charges involved. These doubts were resolved by systematic exploration, and marketed production of natural gas over the five years 1936-40 almost trebled the rate from 1921-25. The industry was held back during the war by an acute shortage of manpower and equipment, and was then caught in a first-class political struggle for control, with the oil and tanker industries, and Mr John Lewis and his United Mineworkers, all demanding regulation of the marketing and production of natural gas on terms which would not interfere unduly with competitive sources of power on the eastern seaboard.

That struggle was resolved in favour of the natural gas industry by the Government's decision to permit the Texas Eastern Transmission Corporation to transmit natural gas through the famous "Big Inch" and "Little Inch" pipe-lines which in the war years (when they were used for oil) made so valuable a contribution to the fuel supply in the East. These still remain outstanding examples of large-scale construction, but pipe-lines now stretch for more than 250,000 miles. Output of natural gas has doubled in eight years, and reserves at 174 trillion (million million) cubic feet are equivalent to thirty years' supply.

The attractions of natural gas lie in its abundance, cheapness, and convenience for consumers and merchants. Clean and easy to supply, it is available at the source on terms which heavily undercut such competitors as residual and fuel oils, and bituminous coal. The continued expansion of the industry (which since the war accounts for revenues far higher than those for manufactured gas) may one day present a first-class problem for the other fuel industries. The attractions already outlined have naturally aroused the producers to demand a free hand in marketing natural gas, but so far the Federal Power Commission has maintained a somewhat precarious hold on rates and charges, and this fuel seems likely to preserve a strong competitive advantage for many years to come.

THE WORLD OVERSEAS

Italian Uncertainties

(From Our Rome Correspondent)

THE "precarious recovery" in Italy which was discussed in a midsummer article in these pages is now infected, at least on the psychological level, by images of depression. In 1948, the midsummer date marked a quiet but perceptible regaining of confidence after a troubled spring. In 1949, midsummer has marked the accentuation of anxieties for the future. A mid-year report of the Milan Chamber of Commerce, Industry and Agriculture—incorporating the latest available information—reflects the rather sudden and perhaps exaggerated change of outlook in the markets.

The Milan Chamber's report assembles various symptoms of the changed situation: the loss of rural purchasing power and damage to stock through the recent peasants' strikes (offset, however, by an excellent grain harvest); the cessation of production for stocks in the textile industry; official obstruction in the granting of import licences for wool from the sterling area; the grave consequences of prolonged drought for the production of electrical current. Only the second of these is, properly speaking, a cyclical symptom.

No flourishing overseas market has suddenly thrown back Italy's exports, and no necessary external sources of supply have failed. But even behind the bulkheads of the Italian tariff system and of the elaborate regimentation at least of the country's external trade, Italy's business world feels that—quite apart from such prices as still reflect international market dealings—internal prices ought to bear a relation to dollar prices. Calculations are being made which show, for instance, that Italy's basic product, grain, is becoming seriously overpriced. The theme seems to be a favourite one of the Communists, for whom all this talk of depression is a welcome tonic after the painful refusal of the "bourgeois state" to break down in 1948.

Continued Financial Stability

An optimistic view of Italian economics a few months ago would, after displaying due awareness of the grave problem of the mounting population, have taken encouragement from the improving finances of the nation. It would have been possible to anticipate an inflow of foreign capital and a growth of internal savings sufficient to offset a sharp contraction, if not a cessation, of Marshall Aid after 1951. Economic union with France, the progressive liberation of trade from bilateral confinements and trade agreements with the east would perhaps enable the demand of manpower to catch up to some extent with the growth of the working population. Helped by moderate emigration, it was fervently hoped that even some of the standing army of the unemployed might be absorbed. The financial and currency stabilisation which has been achieved since 1947 is still the Government's proudest boast. Even in the climate of depression, it is not easy to find in North Italian industrial or trading circles any echo of the criticisms of the ECA Country Study (or Hoffman Report, as it is generally called in Italy) that excessive financial caution on the Government's part is worsening prospects by keeping the capital goods industries unnecessarily in check. There is criticism, however, of the refusal to release sterling assets for the use of wool importers.

Currency stability is generally felt to be too precious an achievement to be exposed to the risk of relying on a doctrine of the creation of savings which might not work out in the somewhat unsystematised Italian milieu. The cost of credit

is indeed continually bewailed, but the fact that secured advances cost up to 12 per cent is viewed partly as a true and necessary reflection of the scarcity of savings (the total of bank deposits translated into 1938 money values stand at little over half the prewar level) and partly as the fault of a plethora banking system. The progressive closing of the budgetary gap, however, has been expected to divert an important part of the flow of new savings from the Treasury to the Banks. There has been no drastic worsening of the financial foundations, but in the changed atmosphere the other factors appear weaker and more dubious.

The prospects of a gradual and natural return to profitable conditions in such industries as textiles and engineering are seen to be distressingly dim and distant.

The sector of economic activity most easily susceptible to deliberate re-animation should, it seems, be the building trade. The present rate of house building, notwithstanding recent allegations by a Minister that Italy had built more dwelling rooms than Great Britain since 1945, is regarded by all classes, and throughout the peninsula, as utterly inadequate to the present emergency. The Hoffman Report found the rate of building in 1947 "terribly low" and in 1948 "probably even less satisfactory." It is difficult, however, to see how private enterprise building, other than of luxury dwellings for the large class of war and postwar profiteers, could possibly shake off its lethargy and absorb the energies of a conspicuous number of idle workers until rents have been allowed to rise to double or treble the present figures. The necessary decontrol measures are regularly, when it comes to the point, whittled down under storms of protest from trade unions and middle classes alike to small proportions. While private enterprise holds off house building, the Government's subsidised schemes are insufficient either to placate the indignation of the homeless, numbered by millions if one includes those reduced by the war to family life in a single malodorous chamber, or to communicate a brisk rhythm to the construction industries, which, it is commonly said, would at once change the whole atmosphere.

In short, the precarious recovery of the spring months is slipping backwards. In the small Milan-Turin-Genoa "industrial triangle" which concentrates so great a proportion of the country's wealth, equipment and skill, there is a feeling that temporary advantages enjoyed by the miraculously unscathed industries of the triangle during the postwar period—when German industry was spiked and French industry was lamed by confusions and dissensions—have passed away. The textile industry in particular, which as a going concern spared by the war was able to work briskly in the first years of peace, now feels itself antiquated and helpless.

In a semi-industrialised country like Italy, the land, with which even great numbers of industrial workers maintain a family link, is the traditional shock absorber in conditions of economic depression. But the landless farm labourer (numbering one million heads of families) is a protagonist in contemporary social troubles, and with progressive overpopulation the smiling countryside, dotted with picturesque (but even in Lombardy crowded and tumbledown) homesteads, serves decreasingly to take the edge off the struggles of industrialism. The redemption of the vast areas of the south by irrigation and road building appears a long and hazardous task; according to Milanese contractors each acre would cost four times the corresponding operation in the north.

Eyes on America

In this somewhat gloomy atmosphere the news received late in July that Great Britain was seeking additional dollar aid, translated by Italian publicists immediately into the threat of a \$200 million cut in Italy's own prospective allocation, caused sharp explosions. ERP imports and the internal expenditure of the LIRA fund are a big factor in every development programme. The unquestioned assumption in Italy has been that American aid would be unstinting. Only a few solitary voices have uttered warnings that if the Marshall aid period were not utilised for creating permanent sources of income Italy might, in the fifties, be impoverished to the bone. The notion that Italy's success in narrowing its trade deficit in 1948-49 could furnish a motive for reducing current aid appeared monstrous. The absence of rationing and regulation in the ordinary concerns of life (food, clothing, petrol) which enables urban Italy (at least in the north) to present such a gay appearance is felt to be in itself a gesture of solidarity with "the American way of life," and a title to good treatment.

Anti-British Feeling

By contrast, the American cue for the interpretation of Britain's methods has been followed with some eagerness in Italy. Britain, it has been discovered, is a Happy Hypocrite cloaking the comforts of organised lethargy in the weeds of austerity. Italy is aware of enjoying the particular approval of Washington, and realistic Italian industrialists, who have the date 1951-52 graven in their minds, hope that the goodwill may take on the concrete shape of substantial private American investments in Italian industry. The obstruction encountered by the Minister of Industry, Signor Lombardo—not only from the Communist opposition—in attempting to ease the way for American enterprise in Italian oil research and development, shows that the way is not smooth. American capital is hardly likely to undertake long-term commitments in Italy without feeling much surer of the labour and social situation. Perceptible progress has been made in the last year in restoring factory discipline and in winning a wing of the wage earners for a co-operative outlook in industrial relations. For instance, the unions have now agreed to a general wage settlement with the employers and have given some guarantee of a return to industrial peace. Unfortunately, the present "depression" in Italy is, the Communists claim, already bringing back into their ranks those whom "precarious recovery" had caused to waver. The continuance of Italy's postwar reconstruction may perhaps be regarded as assured; but depression makes it more difficult to achieve the process in an atmosphere of conciliation.

Austria Prepares for Freedom—II

Living on Overdrafts

[FROM OUR SPECIAL CORRESPONDENT]

AUSTRIA differs from most European countries in that its economic prospects are even bleaker and the Austrians worry about them less. True, the present situation is much better than it was. Austria has recovered from its postwar prostration, though not to the same extent as western Germany. Output, productivity, exports and the standard of living have all risen. Under the guidance of conservative Ministers, almost all price controls have been lifted. Distribution controls have also gone except on basic materials, and are in abeyance on these. Food rationing is hardly observed, though it exists in theory.

Goods are in the shops once more; they are very dear and often of miserable quality, but they are there for the citizen to see, and even to buy by dint of saving. The usual inequality, so repugnant to the British observer, prevails; but in Central Europe the alternative is not equal shares for all

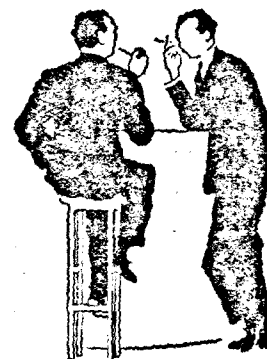
under an effective rationing system, but simply bare shops. For this reason, the average Austrian, like the average German, feels better off than he was under rationing and price controls. The Socialist members of the Austrian Government took a realistic view when they agreed recently to a new, deflationary wage-price law, which abolished all food subsidies and raised various other basic expenses, in return for an increase in wages which does not cover all the extra charges. It was realised that there was enough food to meet demand at the existing high prices, and controls were in any case not observed. Further, incentives have been increased by the removal of subsidies; the unskilled worker is now proportionately worse off than he was in relation to the skilled man.



The abolition of food subsidies is one step taken to face a budget deficit of 2½ billion schillings for 1949. For political reasons, the Government is loath to halt reconstruction in order to balance its budget; but its opportunities for inflationary financing are almost at an end. Hitherto occupation costs, amounting to 600 million schillings a year, have been financed by the issue of treasury certificates, which were easily placed with insurance companies and industry. With increasing production calling for all available cash, this door is now closed. Instead, an occupation tax has been raised, and the first public reconstruction loan has just been issued. It may be asked, however, what citizen will dutifully pay a tax so labelled, when he evades other and more obviously patriotic dues? As for the loan, though it is baited with an amnesty for tax-evaders and old German Reich bonds can be used as part payment for subscriptions, it has made slow initial progress. The days of orthodox investment at low interest are not yet at hand in Austria. Quick fortunes are still to be made in other ways. An unknown, but certainly large, amount of "black" money is circulating, out of reach of the banks and taxation authorities. The fact that Austria is still occupied is certainly partly to blame for this situation: for the Russians are running an active export-import trade of their own which is completely outside Austrian law.

Hope from Hydro-Electric Works

Funds for an investment programme covered by Austria's extraordinary budget will come from the local currency counterpart of ERP imports. With the counterpart fund, the Government plans to develop its vast natural resources of water power for the generation of electricity, and so reduce its dependence upon coal imports. Half of the one billion schilling investment programme will go to three hydro-electric schemes, and a minor project to develop power from brown coal in Carinthia. Outside the scope of counterpart fund financing, there is an interesting scheme to produce hydro-electric power at the Lunersee for export only, to Germany, Italy, Switzerland and France. The counterpart fund will also be available for financing Austria's two big heavy industrial plants—the United Steel Works (formerly the Hermann Goeringwerke) at Linz and the Alpine-Montan works at Donawitz. Credits will be granted to these plants for modernisation, and for equalising the present lack of balance in different products within the industry. A new strip mill



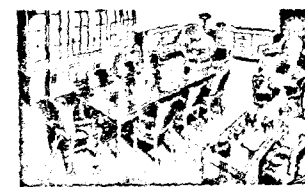
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has already been approved by the committee of the Organisation for European Economic Co-operation.

So far, so good. But what hope has Austria of balancing its payments even if these projects come to fruition? To oblige the Americans, the Austrians drew up a four-year plan, showing a balance achieved in 1952-53; but it cannot be taken seriously. An unknown factor which makes planning mere guesswork is the effect of the return, after a peace treaty, of the 280 former German factories now held by the Russians. The Austrian Government does not know what is produced by these factories, where the output is sold, and what condition they will be in on return.

There are, however, guides to the future in the past. Austria has never entirely balanced its payments, though it almost achieved this aim in 1938, with the help of important tourist traffic and investments. Since the end of the war, it has been dependent upon various forms of relief—Unrra, post-Unrra, interim aid, ERP, the British £10 million "loan" (which was mainly a gift and was partly converted into dollars for the purchase of Ruhr coal), credits from the Export-Import Bank, and, latterly, a £150,000 gift of wool from the Australian Government. In the first Marshall year, just ended, Austria had more ERP aid per head of population than any other country, amounting to over \$200 million; in addition it received \$63 million in drawing rights, all of which have been utilised. In the second Marshall year, Austria is asking for—but will certainly not get—approximately the same amount of ERP aid (\$209 million). The Government wants larger drawing rights for purchases from western Germany and Belgium, and less from Britain.

No Cushion Against Depression

Austria's export trade has increased considerably, but by no means on the same scale as that of other ERP countries. It is still only about two-thirds of its prewar volume. That is to say, the country has no cushion with which to meet the shock of world market recession. Manufacturers are still producing goods that are often of poor quality, at prices much beyond the British average. They are still in the illusive world of inflation and an uncontrolled, still highly absorptive home market. Instead of tackling production costs, they are intent upon maintaining price rings and presenting a united front to the trade unions. Austria, for instance, is asking £38 per ton for newsprint against £25 paid by Britain to Sweden; and after the wage-price agreement came into force, the paper cartel announced that it was raising its price—in any case on the home market—by 25 per cent for newsprint, and up to 41 per cent for other types of paper. For their part, the workers are protected by generous social legislation.

At present, high prices are partially overcome in the export market by a system of indirect subsidies, the cost of which is borne by the Austrian consumer. The artificial aid has helped Austria to export steel; it is, however, not enough to secure a market in Britain—for instance, for the country's fancy leather goods.

Restricted Trade with Germany

Three basic changes are needed if Austria is ever to be self-supporting. They are, however, all highly-charged with political risks. Firstly, economic barriers between Austria and Germany would have to come down; secondly, trade with eastern Europe would have to revive; and, lastly, Russia would have to give up its grip on the country's oil resources.

Even before the Anschluss, Germany was Austria's biggest trading partner (a position now held by Italy). Apart from the exchange of goods, the middle-class German with his rucksack provided the backbone of Austria's tourist trade. Now, trade is small and shows a wide gap between the amounts that Austria buys and western Germany is willing to take in return. Austria buys Ruhr coal and machinery, but the Anglo-American Joint Export-Import Agency

refuses to allow western Germany to buy from Austria low-quality softwood or books, such as were extensively imported before the war. It is, of course, absurd to suppose that even if all barriers were removed between these two countries, the prewar trade would immediately revive in full measure. And, at present, Russian opposition inside the Allied Council would block any major improvement. Even so, it remains a strange anomaly that the citizens of two countries within the Organisation for European Economic Co-operation are forbidden even to send telegrams to each other.

A revival of trade with eastern Europe would aid Austria's transit traffic as well as its dollar gap; but it does not depend on decisions taken in the west. Before the war, Austria bought 800,000 tons of grain from this source; last year, only 18,000 tons. However, exchanges with Yugoslavia have increased, and a pact just signed with Poland provides for a total trade of \$44 million during the year. This is a larger amount than last year, and was secured under better conditions. But Austria is still forced to pay for half its 1,500,000 tons of Polish coal in dollars, and has to provide Poland with goods almost equal to dollars in bargaining value—special steels, magnesite, sheets, electrical apparatus, tractors and staple fibre. Much the same type of goods will go to Czechoslovakia under the latest trade pact with that country. As yet no eastern European country has come forward with a sizeable offer of grain. Trade between the Soviet Union and Austria is officially non-existent, and will presumably remain so while Moscow draws its requirements from the former German factories, now combined in the Soviet holding company, USIA. Some of these 280 works are key plants, and some are British-owned.

Cost of Appeasing Moscow

For the sake of achieving a *détente* with Moscow, the Foreign Ministers in Paris agreed that Austria should pay \$150 million for the ex-German factories, though no one knows how this sum can ever be raised. In Paris it was also agreed that the Danube Shipping Company should stay in Russian hands; and its ships and ports will presumably be leased at a high rate in hard currency to the Austrian Government.

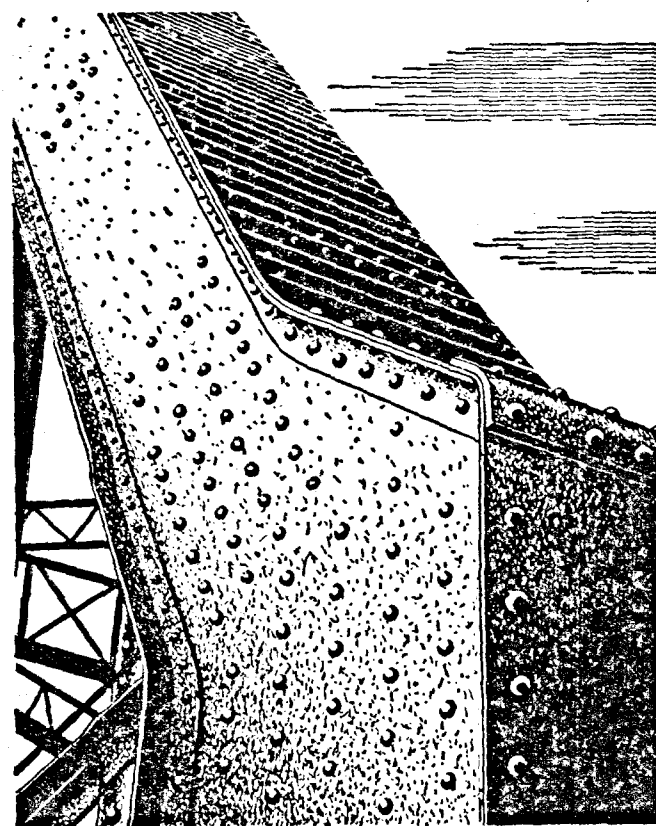
The agreement on Austria's oil resources was equally damaging to Austria's hopes of economic independence. The Russians have been granted 60 per cent of the Zistersdorf oilfields and the former German oil exploration rights. It is not yet known what these percentages cover, but it seems that the most important producing areas will remain in Russian hands. Zistersdorf is at present producing between 850,000 and 1,000,000 tons of oil a year, over half of which could be exported after satisfying Austrian needs. In addition, the Russians are claiming all the most promising of the known prospecting areas. Only the areas outside the Vienna basin, the exploitation of which has so far never been considered, are to be left for the Austrians and western producers. Moreover, the whole supply of natural gas, on which Vienna relies, comes from areas which the Russians claim. In short, the western Foreign Ministers have made an extremely bad bargain, which leaves the lowering of barriers between Austria and Germany as the sole practical alternative to the continuance of American aid.

(Concluded)

Anglo-Brazilian Trade

[BY OUR CORRESPONDENT IN RIO DE JANEIRO]

ANGLO-BRAZILIAN negotiations lasting more than five months have led to an exchange of notes setting out the products which each country expects to be able to buy from the other during 1949 "subject to agreement on quality and prices." Basically, this extension of the agreement signed in Rio on May 21, 1948, seeks to attain reasonable equilibrium in sterling payments.



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The programme allows for British imports from Brazil totalling £33,349,500 and for British exports to Brazil of £38,261,000. The latter figure includes £7,486,000 for petroleum and petroleum products, an amount which does no more than preserve Shell's present share of the Brazilian market (in the case of petrol rather less than a fifth). Heartburnings in Washington of the kind aroused by the recent Anglo-Argentine treaty are therefore unlikely.

The continuing need for bilateral arrangements in a dollar-short world might be regretted, but there seems to be nothing in the exchanges to which the Americans can legitimately take exception. Cotton, rice (for the Far East) and sugar, which account for £16 million of the Brazilian export programme, find no market in the United States; and the possibility that British motor vehicles may take up a substantial part of the £8,000,000 allotted to "locomotives, ships, aircraft, vehicles and parts" in the Brazilian import schedule would merely point to the British motor trade's growing market in a country whose dollar shortage has forced the suspension of American car imports.

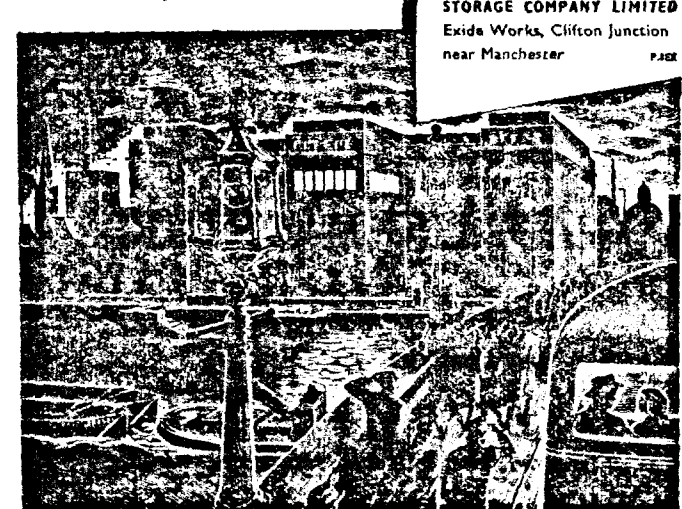
Poor Sugar Crop

The scale of Brazilian exports to Britain has been determined not only by Britain's ability to meet Brazil's import needs, but by other important considerations. Chief among these is that Brazilian supplies of certain staple exports fall far short of British demand for them. Brazil's sugar crop is undoubtedly poorer than usual, and the size of its rice export surplus cannot yet be accurately determined. It is known that Brazil found itself unable to meet the full British requirements put forward at the Rio talks, especially for rice, sugar, maize and oilcake.

Shortfalls in production are, of course, not the only obstacle



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to fuller mutual trade. The notes exchanged stipulate that imports on both sides are to be "for internal consumption or processing," a clause which, while it accurately defines the uses to which Brazil puts its imports from Britain, clearly precludes *entrepôt* purchases by Britain from Brazil. The addition of the phrase "unless otherwise agreed," however, appears to leave the door open to negotiations for goods (say, coffee and vegetable oils) which Britain might well be in a favourable position to re-sell in Europe. The stipulation no doubt owes much to the general view here that Brazil should, as far as possible, treat directly with its consumer markets. In fact, efforts to build up a direct coffee trade with certain European consumers have not so far been conspicuously successful. Clearly, too, Britain's inability to secure all it would like from Brazil owes something to Brazil's need for dollars, which obliges it to sell as much as possible to hard currency countries and those which, like Holland and Belgium, might be able to offer dollars for certain products. Finally, higher Brazilian exports to Britain are obviously handicapped by the steadily rising cost of Brazilian foodstuffs and raw materials at a time when world prices are falling.

More British Exports

As for British exports to Brazil, traders here expect to know where they stand now that the trade agreement has been concluded. Pending the publication of its terms, the Brazilian authorities have in recent months been withholding import licences for certain products. Motor vehicle imports have been among those thus affected. They may now rise, and, although opinions here differ, the rate at which they were running early this year, coupled with the suspension of American imports, may raise them to a substantially higher figure than the £2,000,000 registered for 1948. It bears repetition that the scheduled figures are purely notional. If, for instance, the contract for the Paulo Afonso hydro-electric scheme were awarded to a British firm (tenders are to be submitted this month from several countries including Britain) the figure of £7,250,000 allotted in the agreement to general and textile machinery would probably be greatly exceeded. The first stage of this hydro-electric scheme is likely to call for the expenditure of about £6,000,000 spread over three years.

It is known that Brazilian manufacturing interests have brought strong pressure to bear on the Brazilian negotiators to cut down British imports which, they claim, would compete with domestic manufactures. This pressure will undoubtedly continue to exert an influence on the shape of Anglo-Brazilian trade, since it is based, not on currency restrictions but on the desire to protect Brazilian industry. At a recent congress of Brazilian businessmen it was resolved to ask the Government to prevent the entry of any products competing with Brazilian manufactures, and at the same time to undertake an intensive campaign through its commercial offices abroad for the sale of Brazilian exports. British linen is a target of this group. Brazilian linen output is, in fact, negligible and of low quality. Prices of the domestic product are higher than the landed cost of the much better quality imported from Britain. But how far British exporters will be allowed to fill the pronounced local shortage of linen remains to be seen.

Shortage of Sterling

Sooner or later a Brazilian sterling shortage may become an additional factor to be reckoned with. The sterling which Brazil can earn depends, of course, on the level of its agricultural exports, and this at present is not encouraging. Anglo-Brazilian visible trade showed a Brazilian import surplus exceeding £9,000,000 for the first five months of this year. This in itself is not alarming since the normal seasonal rise of Brazilian exports during the second half of the year can be counted on to reduce, though not to eliminate, the deficit. The upswing has already begun, with a consequent easing of Brazil's current sterling position, and authoritative opinion here con-

siders the shortage unlikely to become acute this year. Two other factors support this view. First, releases of blocked sterling, following the recent railway purchases, will strengthen Brazil's current sterling account; secondly, a substantial trade balance in Brazil's favour is to be expected from trade with the rest of the Sterling Area, even though this favourable balance is unlikely to reach the £8,500,000 registered for 1948 because of a considerable decline in Brazil's exportable surpluses of rice and sugar.

If this decline persists, a sterling problem will inevitably arise later. It must also be remembered that Brazil's blocked sterling funds will not always exist as a means to replenish exchange drained by trade deficits. Well-informed forecasts suggest that these funds may dwindle to some £12 or £13 million by the turn of the year, and in the Bank of Brazil's annual report for 1948, recently published, it is estimated that by next June they should be fully liquidated.

So many imponderables are involved that it is impossible to draw any hard and fast conclusions from this analysis. Essentially, however, Brazil's trading problem is its inability to produce enough to earn the means of paying for imports which a rising standard of living has made attractive to its people. It is at least certain that much will depend on the rate at which it can increase its output of staple exports and cut production costs. Plans have been drawn up to this end, but the task of implementing them has barely begun.

Co-operative Farming in Eastern Europe—I

[BY OUR SPECIAL CORRESPONDENT]

CO-OPERATIVE farming, introduced gradually, is the method by which the countries of Eastern Europe hope to get state control over agriculture without antagonising their peasantry. All countries of eastern Europe have undertaken to transform their predominantly agricultural and peasant economies into industrialised states within a short space of time—five years according to most of their plans—and it is essential for them to increase their food production at the same time. Food is necessary for export to pay for the import of the large quantities of capital equipment that they need to fulfil their plans, and at the same time they have to cope with a rising industrialised proletariat with a higher level of feeding. All these countries are also planning to increase their output of industrial crops.

This plan for co-operative farming is not the same as collectivisation, though it is almost certainly a step leading to that ultimate goal. The idea of co-operative farms is that peasant holdings shall be pooled to form large agricultural units which will be controlled by the state. With state aid they will be able to produce greater output per acre with less labour, and the state will be better able to control the crops that are sown as well as the collection of produce. This theory of the co-operative farms is in fact part of the text-book theory of Marxist-Leninism, but in each country its application varies with the character of the people and with the different agrarian heritage.

Three-Year Agreements

Although the principles are the same, the actual farms vary enormously. It is possible to visit farms in Yugoslavia, Bulgaria or Hungary with anything from 30 to 500 families forming the basis of the co-operative. These families have pooled their holdings, which vary as a rule from the smallest holdings of less than 10 acres to the large holdings of middle peasants of about 75 acres, and they have all agreed to share the work and the profits for a minimum of three years. At the

end of that time, in theory, if any peasant wishes to contract out of the arrangement he may do so, though no guarantee is given that he will get back the same land that he originally gave. Land taken away from a co-operative is usually taken from the periphery, and, it is often alleged, is the poorest land. The peasant families retain, or may have built for them, a house, and keep about a quarter of an acre garden for their own use. They are allowed private ownership of two cows, five sheep, one sow and its progeny and as many chickens as they can keep.

The important difference between these co-operative farms and collectives is that in the co-operative farms the peasant receives a rent for his land in proportion to the amount he has contributed to the whole. The rent is not a fixed sum but varies with the profits. In Hungary and Yugoslavia rent appears to be paid up to 30 per cent of the profits, in Bulgaria sometimes up to 40 per cent. In addition every working member of the co-operative receives wages according to the amount and quality of work contributed during the year. It is usual for 10 per cent of the total profits to be re-invested in the farm at the end of the year, and 40 per cent to 50 per cent is used for wages and other running costs. It is obviously an advantage to a peasant family to be able to contribute as many working members as possible to the co-operative. Families who can contribute members from three generations often do very well; those families who have a working husband and a mother unable to work through ill-health or small children are much poorer. This and differences in rent received explain why the visitor to co-operative farms in eastern Europe notices what appears to be wide differences in the prosperity level of the different members of the community.

Workers' Brigades

The work of a co-operative farm is in theory arranged by the general assembly, or, in the larger co-operatives, committees of the members. In fact it seems to vary very much from one farm to another as to how this is done. In some places the farm really seems to be run by the community of peasants on a purely democratic basis, in others the president of the co-operative seems to run it as a paternal despot. In all cases, however, as the co-operatives have to be registered with the Ministry of Agriculture of the country concerned, they receive detailed instructions from headquarters as to what they are to aim at during the year. Work is organised on what is called in all these countries "the brigade system." Workers are assigned to different brigades which deal with the various work to be done, ploughing, hoeing, planting, cows, horses, transport, vegetables, etc., etc. It is possible to find co-operatives in Yugoslavia where the brigades change their work each day. In other cases change is made on a weekly or seasonal basis, and there are some co-operatives where the brigades are specialists who for the most part stick to one kind of job.

As each worker is paid according to the quality and quantity of work done, a very careful day-book has to be kept of what each person has achieved. This means that there is a great deal of book work to be done apart from the ordinary accounting, and most co-operatives have to have a full-time clerk accountant who is a working member of the co-operative and is paid according to the general average of earnings.

Payment of wages varies very much. In some farms payment is made in kind at various intervals during the year. Other co-operatives have a store and members are allowed to buy whatever produce they need up to a certain sum of credit which is deducted from their earnings when the share-out is made at the end of the year—that is, after the harvest. The tendency in all countries seems to be to encourage the co-operatives to go in for as many sidelines as possible: Angora rabbits, rabbits for eating, pigeons, mixed vegetables, in addition to dairy farming, fruit, and even home industries like carpet weaving.

(To be continued)



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THE BUSINESS WORLD

Utility Ukase

THE shopkeepers' organisations, in a mood of outrage and perplexity which is itself easy to understand, this week took up a position not unlike that which the master bakers once adopted towards the rationing of bread, and probably as ill-chosen. Just before Parliament dispersed, the President of the Board of Trade announced his intention to reduce the permitted maximum prices of utility textiles and footwear. The President said at the time that the brunt would "at the outset" fall on the retailers' gross margins, and added, somewhat blandly, that he had not had time to consult the trade associations concerned. This week a meeting of representatives of retail trade organisations, called in London by the National Chamber of Trade, recommended traders not to put the proposed cuts into operation until proper consultations had been held between the Government and the trade.

Most people will feel that the meeting which passed the resolution went too far: defiance of this kind is ill-advised, and the retail traders are the last people to be able to make a success of it. Since they will have to climb down, they would have done better not to climb up. They have a grievance; it is true that they should have been consulted. Machinery exists for this very purpose, and Mr Harold Wilson's bald assertion that it would have been "impossible" will convince nobody. If the President had been less high-handed, the public interest, as well as the legitimate interest of the shopkeepers, would have been served, since the President would then have had to explain why he had selected these classes of goods and no others; how he had arrived at the figure of 5 per cent; and by what section of the national economy the cuts (not "at the outset" but in the long run, after the inevitable process of trade adjustment) would be borne. It would be useful to have the Government's answers to these questions. It would also be useful to know whether the cuts are intended to last, or whether they are shortly to be cancelled out by cost-raising tendencies within the productive machine, which the Government is unable or unwilling to restrain.

Up to this point the retailers' case is strong and will evoke sympathy. But if they were really to sit tight and refuse to make the cuts when ordered to do so, they would find themselves playing a different engagement on quite another pitch. Many people will feel that the President of the Board of Trade is right when he suggests that distributive services are in general costing too much, and few will take very seriously the distributors' complaint that these cuts will face them with collective ruin. The public is unlikely to support the shopkeepers in any effort to keep prices up against the Government. Offered something for nothing in the shape of a shilling in the pound off certain prices, it will no doubt accept, and spend the bonus on something else. It may wonder if the bonus is genuine; whether prices can really be brought down at the same time as wages and costs of production are going up; why, if this trick can be performed with utility textiles and footwear, it can be performed with no other commodities.

With these questions in mind, it is opportune to glance at the situation of the two main textile industries, and at the way their utility schemes are working. Both the cotton and wool textile industries have increased their output within the past twelve months, but neither has regained its prewar rate of output. Neither has succeeded in getting back the whole of its prewar labour force, or in bringing the whole of its plant back into employment. In each industry, therefore, the drive to expand exports in the past eighteen months has carried some risk that supplies to the home market, and in particular supplies for the utility programme which meets the bulk of home "civilian" demand, might fall behind what was required. Utility production was reduced in 1948, and is still below the 1947 level in each industry. So far, acute shortages of utility goods have been avoided, but it is still true that most manufacturers of cotton and wool yarn and cloth, believe that if they could produce more, they would have no difficulty in selling it.

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The deficiency of production is the more marked in the cotton industry, which in order to increase its exports has had to import large quantities of foreign grey cloth for finishing. A large part of the grey cloth imports came from Japan, but the import of Japanese grey cloth was stopped by the Government in July because of the threat of a "dollar commitment" which arose from them. The effects of this reduction in cotton cloth supplies have yet to be fully felt. But it is clear that in Britain, as in most of the world outside North America, there is still a relative scarcity of cotton cloth. In the circumstances, supplies for the utility programme—the least profitable branch of production—have been maintained by a deliberate effort of the industry to meet the wishes of the Government: "This branch of business," the chairman of the Cotton Board observed in the Board's *Trade Letter* for May, "still has in it an element of obligation to the community at large," and the industry has understood that its gradual emancipation from control was to some extent conditional on the obligation being met. The last considerable relaxation of controls in the cotton industry took place in April, when the price controls on yarn and on loom-state cloth for the utility programme were removed, leaving only the price ceiling on the finished cloth. It was this relaxation which caused the chairman of the Cotton Board to publish a reminder in May of the "duty that lies upon the industry to produce and distribute an adequate supply of utility textiles at reasonable prices."

Once the intermediate price controls on utility cotton textiles were removed, there began a process of price adjustment which is not yet concluded. When spinners and manufacturers came to digest the wage increases which were awarded earlier in the year, pressure on the price ceilings for some types of cloth was inevitable; the cost of some other types had fallen in line with the fall in Egyptian cotton, and it became evident that in these the utility price ceilings allowed room for reduction. The industry has, in consequence, been negotiating with the Board of Trade a general

revision of the maximum prices for utility finished cloth, and it was primarily this revision which occupied Mr John Edwards, Parliamentary Secretary to the Board of Trade, on his visit to Manchester this week. The results have not yet been published. There is little doubt that they will show no general reduction of the controlled prices for cotton cloth; the balance, if there is a balance, will probably be the other way. The revision itself is intended not to change the general price level, but to reconcile inconsistencies and remove anomalies that have arisen with the passage of time. No proposals whatever seem to exist for passing on to the spinning, manufacturing, or finishing industries any part of the cut in retail prices on utility cotton and rayon goods which the President of the Board of Trade has announced. These are apparently to be shared, so far as clothing is concerned, by the distributors and the makers-up; so far as household textiles are concerned, the distributors are apparently to bear the whole 5 per cent. Nothing in the trend of costs or the state of trade in the cotton industry suggests any general price reduction at present.

In one other respect the industry is pressing for further emancipation. The production of cotton textiles is at present controlled by a system of allocations and licences. A licence covers each stage of production of any piece of cloth, and must bear a symbol indicating the ultimate use or destination of the cloth. The termination of this system is being discussed and will probably be settled soon; firms will then be permitted to make whatever yarn and cloth they please. The trade's view is that this would not endanger utility production, since purchase tax makes non-utility cloth relatively difficult to sell in the home market, and since the export trade, though it is still on balance expanding, is beginning to show risks and difficulties which have long been unfamiliar.

At the same time, the cotton trade is showing an increasing tendency to question the future of the utility scheme itself. The Cotton and Rayon Merchants' Association, in its last annual report, spoke of the growing demand for less standardised production which (it said) traders should be allowed to meet. It is true that the utility programme tends to keep production for the home market concentrated on certain standard lines of cloth; this concentration tends to make for rigidity and to discourage change or experiment, and if the industry is to have an export future it must not allow itself to become stereotyped. The present tendency is for export and home production to move in separate grooves, with relatively little interchange.

In the wool textile industry also the immediate question is not whether prices can be reduced but to what extent their increase can be restrained. Mr Harold Wilson's announcement of the proposed price reduction was made within three days of the announcement of another relevant fact. By an arbitration award, workers throughout the wool textile industry were to receive a wage increase of 7½ per cent, and this increase came into effect on Monday. Its immediate effect is to offset, and more than offset, any saving which the industry has gained, or can expect, from reductions in wool prices. It is perhaps worth recalling what happened when the industry last had a general wage increase. Time-workers received an increase of 7½ per cent, and piece-workers an increase of 5 per cent on the piece, in April last year. It was not until the following November that the consequent adjustments in the price schedules for woollen and worsted utility cloth came into operation; and the adjustment of yarn prices has not yet officially been made. In the ordinary way, therefore, the present moment would see the opening of negotiations for an increase in the scheduled prices to reflect the

latest wages award. Nobody knows how the cuts in utility prices will affect this position. Since nothing has been said of any reductions in the prices for spinning, manufacturing, and finishing, it is assumed that the cuts are to be borne, as in cotton, by the distributors and makers-up. The cloth manufacturer is unlikely to be called upon to reduce his prices. But can he even keep his prices down to their present levels?

The wool textile industry as a whole has strong reasons for wishing to keep its prices down if it can; it would like to see the removal of the entire price-control system, and clearly it would not obtain this unless it could give some undertaking of price stability. It is disposed, like the cotton industry, to question how long the utility system is to be preserved. But the utility scheme in wool textiles has always been more flexible than in cotton. Instead of the precise and elaborate specifications for cotton cloth, the utility programme for woollen and worsted cloth rests on a series of general descriptions, with a width, weight, and minimum and maximum price added to each description. Quality, design, and characteristics can vary greatly within each utility category. A cloth which costs more than the appropriate maximum for its utility mark can in some circumstances be given a higher utility mark, commanding a higher price. Conversely, if the ceiling price becomes too low for a given standard of quality, the quality can within certain limits be reduced; and this

can be done quite legitimately within the framework of the utility wool textile scheme.

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Price reductions of the kind announced a fortnight ago by the President of the Board of Trade can be ordered, it is clear, at any time by any Government prepared to use its authority in that way. They are, apparently, a welfare measure or a measure of political expediency. In the present case they reflect no saving through cheaper production and no pruning of economic fat through trading enterprise or competition. If the shopkeepers are right in their complaints, they represent simply a forcible transfer of money from certain distributors to the consumers of certain products. But the consumer's slightly increased purchasing power will probably force the prices of some other products slightly upwards, and the distributor may well recover his loss elsewhere. Contortions of this kind are made possible by the division of the industrial economy into two parts—"essential" and utility goods in one compartment, non-utility and export goods in another, with purchase tax to enforce the separation. Among the drawbacks of this system—drawbacks which arbitrary price manipulation can only exaggerate—is that it robs industry of the capacity to adapt itself to changing consumer demand; that is to say, it unfits industry for competition in international trade.

Industry's Rising Stocks

AN article in *The Economist* last week illustrated the immensely valuable information which can now be extracted from the new form of profit and loss account which the Companies Act requires. It is only in the last decade or two that the paramount importance of the profit and loss account has been recognised. Give a good accountant or a shrewd investor a company's profit and loss account, and he will be able to go most of the way in sizing up its strength. He will certainly require the balance sheet to complete his task, but he will use it largely to fill in the gaps and to make cross-checks in his work on the profit and loss account.

This change of emphasis from the balance sheet to the profit and loss account can be readily explained. The old test which the investor applied was whether his capital was secure. Now his first question is whether his dividend is well covered. Again, as last week's article explained, the size and the allocation of profits have vital bearing on whether industry is maintaining and expanding its capital. The balance sheet is a flashlight photograph of a company's condition at the moment of balancing its books; its profit and loss account, on the other hand, is a narrative record of its trading for the whole period between two balance sheets. The two meet when profits are capitalised or retained in reserves; the appropriate entries are made in the balance sheet; and then shareholders wait for a twelvemonth for the next "true and fair view" of the state of their company's affairs.

All this may be elementary. But it explains why there is no logic in attempting to summarise all the balance sheets which have appeared during the past year, or in comparing the resulting figures with those which appeared a year earlier. A comparison of that kind has some virtue for profits. For balance sheets, it becomes a statistical abstraction. On the other hand, the balance sheet changes which appear from each succeeding quarter's sample of companies have real meaning and importance. Each quarterly batch of reports

differs in number and in composition, but each is likely to be sufficiently representative of industry as a whole to make possible a fairly reliable estimate of balance sheet trends, quarter by quarter.

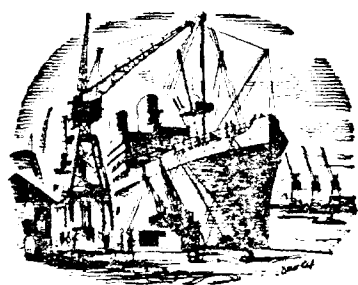
Earlier articles in this series* have emphasised that changes in current assets and liabilities are more relevant to the inquirer than changes in fixed assets. Among the current items, one of the most important, and most perplexing, is the figure for stocks. The April-June companies, whose balance sheet position is summarised in the accompanying table, are the biggest batch of the year. These 779 companies (they are the same companies whose profits were compared in last week's article) show a great increase in stocks—by over £100 million. It is worth comparing this stocks movement with the increases shown by companies in the three preceding quarters:

INCREASE IN STOCKS, 1948-49

Quarter	No. of Cos.	Previous Stocks	Latest Stocks	Increase in Stocks	Total Current Assets	Stocks as Percentage of Current Assets
July-Sept., 1948.....	326	£ Mn. 170.0	£ Mn. 246.7	76.7	£ Mn. 592.3	12.9%
Oct. 1-Dec., 1948.....	523	129.0	171.4	42.4	551.9	7.7%
Jan.-Mar., 1949.....	467	254.6	294.9	40.3	761.1	5.3%
Apr.-June, 1949.....	779	501.9	608.8	106.9	1,459.9	7.3%
July, 1948-July, 1949	2,095	1,056.5	1,318.5	262.0	3,325.2	7.9%

The April-June group shows an increase in the value of stocks of 21 per cent, from £501.9 million to £608.8 million. This rate of increase reverses a trend which had been conspicuous during the three previous quarters, for which increases in stocks were, respectively, 45, 33 and 16 per cent. It is wise not to make too much of the movement shown by a

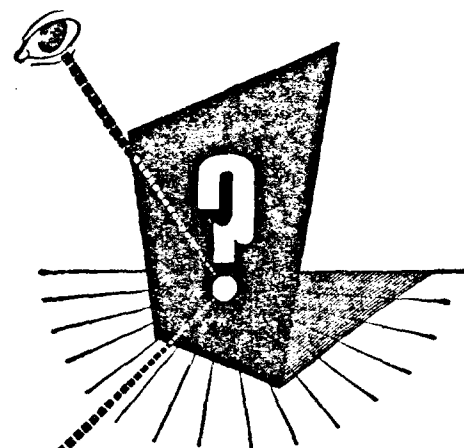
* See *The Economist* of January 22nd, March 12th and May 28th. Each article is supported by detailed analytical tables in the *Records and Statistics Supplement* of the same date.



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single quarter, but the figures at any rate do not rebut the suspicion, based on general grounds, that stocks have lately been rising a little too fast for comfort. That point emerged from the General Electric Company's report only last week. Even as late as the end of March last year—which was the average balance sheet date of the companies whose reports appeared three to six months later, between July and September—the building up of normal stocks was perhaps hardly complete; in any case they were bound to show a fairly big relative increase (actually 45 per cent.) because in the previous year they had been seriously depleted as a result of the fuel and power breakdown.

For these reasons, the 45 per cent increase in stocks shown by the July-September companies was probably reasonable, and there was a much slower rate of increase in the two following quarters which was equally natural. But the renewed upturn in the latest quarter seems to call for special explanation. An increase in physical stocks today is much more likely to stem from a slowing down of orders and perhaps an accumulation of unsold output than from any normal requirements for increased circulating capital. Allowance must indeed be made for the rise in wholesale prices during the year covered by these accounts—5 per cent is probably a reasonable estimate—and also for the rather smaller increase in wage rates, since part of these stocks are intermediate products and work in progress which have a wages component. But, when this is done, and the rise in stock values is suitably discounted, a very marked increase in physical stocks still remains to be accounted for.

The rising burden of stocks can be measured in another way, by expressing them as a proportion of total current assets. This total includes also debtors, gilt-edged and other investments, and cash, and it may vary for reasons—such as expenditure on new fixed assets—which have nothing to do with variations in the size of stocks. On broad grounds, however, any consistent tendency for stocks to form a rising proportion of the total of all current assets must be interpreted as a sign of rising inventory pressure and as a potential source of embarrassment in the event of a fall in prices or in consumers' demand. That rise has certainly been taking place during the past three quarters; stocks formed 32 per cent of the total current assets of the companies which reported between October and December last year; for the companies reporting in the quarter ending in June, the proportion had risen to 42 per cent.

There is, in the particular case of stocks, some virtue in comparing the totals shown by all company accounts which

have appeared during the past twelve months with those of the preceding period. Owing to the time-lag in publication, these accounts published in the period July to June, are the nearest approximation to a financial record of what happened in the previous calendar year. That is to say, the movement in the stock figures of these 2,095 companies provide a fair impression of industry's investment in stocks in 1948 itself. The total increased from £1,055.5 million to £1,318.5 million, and the period during which this increase took place can be put very roughly and notionally from November, 1947, to October, 1948. Without stretching the facts too far, therefore, it can be said that industry made a new investment in stocks during the calendar year 1948 of rather more than £250 million and perhaps as much as £275 million.

This figure can be compared with the estimate given in the National Income White Paper for "increase in value of stocks, work in progress and surplus stores transferred to private inventories" which was put at £494 million in 1948. But this estimate was frankly described as "a pure residue"

obtained by a double process of difference, and it is not very precise. On the face of the matter, it looks high, compared with the total increase shown by the 2,095 companies in the past year; but this latter total excludes all private companies and firms, and these are to a large extent occupied in merchandising and retailing business and therefore hold appreciable stocks themselves. This area of unrecorded stock figures limits the deductions which can be made from the movement of the stocks of public companies; it is a gap which

will be closed only when the census of distribution has made the facts known about the private trading sector.

This discussion has emphasised the movement in stocks for two reasons: first, because stocks are measured within close limits of accuracy so that their changes have fairly precise meaning; and, secondly, because movements in stocks have great significance in the causation and sequence of the investment cycle. It would not be true to claim that the rise so far is causing any manifest strain on industry's finances. For the 779 companies whose reports appeared last quarter, net current assets rose from £644.2 million to £703.2 million. Nevertheless, there were some significant changes among the constituent items. Both debtors and creditors were up, by an amount roughly equal and roughly corresponding to the rise in prices during the year. Holdings of gilt-edged securities were reduced, from £77.9 million to £54.8 million—a reduction which was to be expected, in view of the need to finance new capital expenditure and of the growing diffi-

culty of raising new capital in the market towards the end of the period. The setback in gilt-edged prices was being freely attributed a month ago to selling by industrial holders, but if their sales have been only of this order, it is difficult to understand how they could have upset the gilt-edged market so seriously.

These factors, coupled with some increase in bank accommodation—the companies drew about £20 million more from the banks last year—and in reserves (free reserves are up by nearly £65 million) have accounted for the improvement in cash holdings, from £224.6 million to £251.3 million. The idea that industry is running seriously short of cash is not supported by these figures, though it is certainly true for many individual concerns. The current accumulation of cash is a reflection of the current accumulation of retained profits; it leads to precisely the same point that was touched on last week. Ability to earn sufficient profits from which adequate sums can be set aside to reserve is a pre-condition of a reasonable level of industrial investment and a satisfactory state of industrial liquidity. A 10 per cent fall in total profits of this group of companies (the detailed figures for them were given last week) would, after tax adjustments, wipe out four-fifths of the amount they set aside to revenue reserves—which is roughly speaking the amount they were able to accumulate towards new fixed capital last year. Other things being equal, it would result in the loss of one-fifth of their cash resources.

Business Notes

No Resistance Yet

Interrupted temporarily by the closing stages of the old Stock Exchange Account, the fall in gilt-edged stocks has been continued in the opening stages of the new one. The market has ceased, perhaps, to show headlong losses of a point or more a day, and is instead lapsing into an erratic and tetchy condition. Perhaps the most important fact in this week's dealings is that, when the market has occasionally seemed more stable, no substantial new buying has been attracted. The big accumulation of institutional funds which many observers have been expecting almost daily to come into action remain well behind the line.

Friendless and unsupported, the market has remained vulnerable to incidents which under more normal conditions it could take in its stride. Another small helping of Gas Stock has proved indigestible, and the price this week has fallen further to 89. This is the seventh instalment of prices agreed for "unvalued" gas securities, and the process is far from complete. For the average small holder of gas securities—and typically he is a local investor, who has kept his modest holding of stock as an investment over a long period—there is no protection against the continued depreciation of the 3 per cent Gas Stock which he will receive, at a wholly fictitious parity, in return for his gas securities. The big investor may be able to find some partial protection by recourse to covering operations in the gilt-edged market itself, but such operations involve a degree of professional skill and knowledge which is not open to the small man. The Government's haste in fixing the vesting date on May 1st before the technical arrangements for valuing the "unvalued" stocks were anywhere near completion means that the small investor who does not wish to retain a 3 per cent stock with a maximum life of 46 years in the indefinite hope of a fall in interest rates is already faced with a loss of 10 per cent of the capital value of his compensation.

Meanwhile, the yields on the "longs" remain out of gear. Selling of War Loan by holders now disillusioned about the

It remains to comment briefly on the movement in the fixed assets of these 779 companies. Warnings have been given in earlier articles against a direct comparison of the fixed asset figures shown in the latest balance sheets with those for the previous year. For example, the apparent increase in "land, property and plant" for these companies from £875.7 million to £1,059.5 million does not represent a full £184 million of gross new investment during the past year. Some of the increase is real; but a large part of it arises because of changes in the method of presentation required by the Companies Act. The counterpart of the increase in the book value of fixed assets is the rise in accumulated depreciation provisions from £224.2 million to £333.7 million; these provisions now have to be brought out into the open, and may no longer be concealed as hidden reserves. The increase in the net value of fixed assets from £651.4 million to £725.7 million gives a more plausible impression of the extent of new fixed investment by this particular sample of companies last year. But even this comparison is complicated by other factors, among them the impact of the initial allowances and the effect of changes in the composition of group accounts by the inclusion of newly-acquired subsidiaries or by the consolidation of certain subsidiaries which had hitherto been excluded. The Companies Act requires a statement to be given showing the extent of commitments for future capital expenditure; it is a pity that it did not call for a statement of actual gross capital expenditure during the year covered by each balance sheet.

prospect of repayment in 1952 has continued, until the stock new yields 3½ per cent flat. "Daltons" yield 3½ per cent flat, and Old Consols and 3 per cent Treasury Stock a shilling per cent less. Thus these yields span the 3½ rate on which some investors have their eyes fixed as a possible resistance point. Another disparity is to be found between the 3 per cent which is still being charged to local authorities for loans from the Exchequer, and the current 3½ per cent return on thirty- and even forty-year Government stocks. Local authorities can hardly be blamed for borrowing as soon as their loan sanctions are received, though this is often some time before they begin to spend the money. If they reinvest temporarily in 2½ per cent War Bonds, 1949-51 and if (as is now argued) the bonds are allowed to run for the full term, they can get £2 7s. 11d per cent. A premium of about one-half per cent for a couple of years is a cheap insurance against paying an extra one-half per cent over the full term of the loan. The Treasury may make—and certainly ought to make—such an increase in the rate on local borrowing before very long. If the authorities have allowed the rise in interest rates to take place on the ground that it is consonant with the country's economic needs, they should make sure that it is promptly applied to those agencies which are responsible for an important proportion of the country's total investment.

Sharing Marshall Aid

The delicate process of sharing the diminished amount of Marshall aid for the current year between the European beneficiaries seems to have been carried a further stage forward in Paris this week—though the operation is still taking place on the official plane at which all recommendations must be regarded as very tentative. The working party of the Programmes Committee of the OEEC did not, apparently, make sufficient headway to enable it to present its provisional allocations to the meeting of the Council of the OEEC on Thursday, as had been intended. Indeed, only very tentative proposals

can be made at this stage, since the total amount of ECA aid which will be available is still not precisely known. The working party has, however, been working provisionally on a partial figure of £800 million, which is well below the lowest limit of the sum expected to be provided by Congress. Britain's share of this £800 million is reported unofficially to have been put at £190 million. On this basis the British proportion of the total as voted in the Senate version of the Appropriations Bill would be about £225 million, since the total of ECA funds provided in this Bill is \$3,628 million plus \$150 million for ECA loans. It is not certain, however, that the global appropriations will be so large as this, since the Lower House has voted a somewhat smaller sum, and the Committees of the two Houses are now engaged in working out a compromise.

An allocation to Britain of £225 million, compared with £315 million received in the year 1948-49, would be near to the lower limit of Britain's expectations. It would, indeed, be a little less even than the very sanguine estimate of Britain's needs which was put forward in the original programme submitted to the OEEC last autumn. In June last this estimate was raised to £278 million and a few weeks ago was again revised, even more drastically, to £380 million. Even so, the figure may still be optimistic, though it takes no account of the saving which Britain hopes to achieve from the projected 25 per cent emergency cut in dollar expenditure. It should be emphasised that any recommendations by the Programmes Committee and its working party are subject to the approval of OEEC. In view of the fact that other European countries besides Britain have recently put in revised bids, it is by no means certain that the OEEC participants will succeed in agreeing among themselves how the whole sum is to be divided. In the event of disagreement, the ECA authorities themselves would presumably have to take a hand.

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Boosting Unrequited Exports

The more closely the new financial arrangements with India (briefly discussed in last week's issue) are examined, the more extraordinary do they appear. In the twelve months to end-June last, India ran through the whole of the sterling which both Governments had agreed would be a sufficient provision for three years, and also overspent the dollar allocation for the year by about one-third. These over-spending were possible because the British authorities allowed India to anticipate the releases of sterling balances to be granted for future years, and also made further dollars available to India from the central pool. Even if Britain's financial plight were no worse now than it appeared twelve months ago, any realistic bargaining with India now surely ought to have required it to make good in future years some part of these overdrawings. As it is, the past excesses are ignored. Worse still, the annual provision of sterling for the current year and next year has been raised from the originally agreed figure of £40 million to £50 million, which the Treasury hopes will be the limit of India's spendings in these two years. But it is not sure; so it gratuitously adds a release of a third £50 million, to be used if necessary to meet "contractual imports" in this current year. Thus is bad management rewarded by inducements to overrun the constable yet again.

The official explanation of this lightheartedness on the part of the British Treasury is that a reduction in the rate of India's imports, including the liquidation of existing commitments, could not be rapidly achieved "without serious dislocation of trading relations." Perhaps this is true; but retrenchment will never be a comfortable process, and it has rarely been more necessary than now. It is hard to avoid the conclusion that the British Government, in its determination to keep Britain's crisis firmly muzzled until after the election, has been inspired mainly by a desire to do nothing which might disturb employment in the export industries which supply the Indian market. These easy exports—easy because they

are unrequited—are to continue to absorb British resources which ought to be employed elsewhere. Their continuance will avoid the "dislocation" which is a euphemism for the re-deployment which might embarrass the Government, and will also help to maintain that spurious "overall" equilibrium to which Government spokesmen still refer with such pride. Will similar arguments presently be used to justify a loan to South Africa on terms more lenient than a major gold-producing economy has any right to expect from Britain in its present extremity? Such policies are as unfair to the British people as they are to other members of the sterling area.

Nor is this the end of the sorry tale of the Indian arrangements. The official communique issued in London was silent on the crucial question of India's dollar allocation—except to say that last year's arrangement whereby India received a specific dollar ration (and duly exceeded it), would not be repeated. But Dr Matthai quickly let the cat out of the bag. In return for India's agreement to accept the request made to all members of the sterling area to endeavour to cut total dollar expenditure by 25 per cent, Britain has readmitted India to full membership of the area, with the right to draw what dollars it needs from the central pool. Presumably this right would be restricted if good progress did not appear likely towards the 25 per cent cut in total dollar expenditure. But Dr Matthai computes that the effect will be to allow India to draw this year the dollar equivalent of £35 million, in contrast with only £15 million specifically allotted last year and £21 million actually drawn. This interpretation was issued from New Delhi within a few hours of the British Treasury's evasive communique. It has not yet been contradicted in London.

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Dollars for Ceylon's Central Bank

It is understandable that Ceylon, having attained dominion status, should wish to replace its local currency board by a central bank. In itself this move is of little concern to Britain, and the change would be mainly a formality. But the Ceylonese financial mission which has just left London is reported to have obtained approval from the authorities in London to retain Ceylon's dollar surplus to accumulate a hard currency reserve for the proposed central bank. If this report proves correct the Singhalese negotiators must have overcome stiff opposition in London. Ceylon is a net dollar-earning country and has hitherto paid into the sterling area pool the dollars it did not require to meet its own needs.

As a country earning more dollars than it spends, Ceylon has doubtless not been under very serious pressure to reduce its fairly high dollar expenditure. But it is quite another matter to allow Ceylon to retain possibly its entire dollar earnings for salting away in its central bank. This move raises questions of principle which eventually could undermine the whole system of the sterling area. The system cannot function if the dollar-losing countries resort to the pool while the surplus areas take steps to retain their dollars. The scheme cannot be finally judged until all the facts become known and this will not happen until the mission from Ceylon has returned home. Nor will it be known until then how much sterling has been released to Ceylon under a new agreement just concluded. The announcement of the details of the agreement with Pakistan is similarly to be deferred until the Pakistani delegation has reached home. Coming so soon after the Indian victory, this withholding of information inevitably arouses a suspicion that these countries, too, have concluded a good bargain for themselves.

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Declining Trend in Exports

The fall in British exports last month by £1,600,000 to £141½ million is the more disagreeable because it conflicts with the experience of the past three years, in each of which

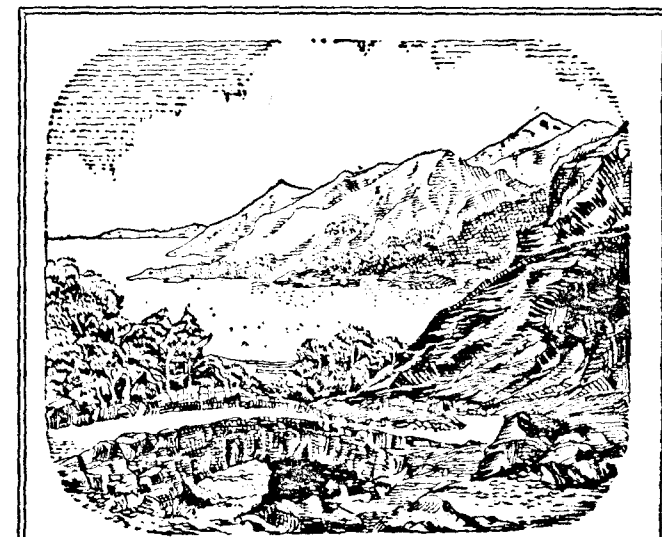
exports in July were higher than in June. It is impossible to estimate how far the fall may have been due to the London dock strike. The Board of Trade suggests that through the use of Service personnel and the diversion of goods to other ports, the effect on exports was probably small. Again, some part of the explanation may be in the virtual closing of the South African market, a fact which may have boosted the volume of exports in June. But the South African ban is a particular feature in the growing dislocation of world trade.

The trend in exports since the beginning of the year is unmistakably deteriorating. In the accompanying table allowance has been made for the different number of working days in each month; exports have been revalued on the basis of a standard month of 26 working days:—

BRITISH EXPORTS. (Calculated on basis of 26 working days.)							
1948	£ mn.	1948	£ mn.	1949	£ mn.	1949	£ mn.
Jan.	115	July	140	Jan.	159	July	141½
Feb.	122	Aug.	135½	Feb.	152½		
Mar.	126	Sept.	151	Mar.	154		
April	126½	Oct.	140	April	149		
May	135	Nov.	147	May	151½		
June	139½	Dec.	151½	June	155		

Apart from a partial recovery in March and again in June, the general trend has been downwards. The July figure was 6½ per cent lower than in June, 11 per cent lower than in January and the lowest since October. Moreover, more export industries are reporting sales resistance in overseas markets.

Imports in July fell by £15 million to £186½ million. They were the lowest for any month so far this year except February, but higher than in any single month in 1948. Because of the smaller imports the adverse balance for July (struck between imports valued c.i.f. and export and re-exports f.o.b.) fell to £41 million, or £13 million less than in June. For the first seven months of the year the adverse balance at



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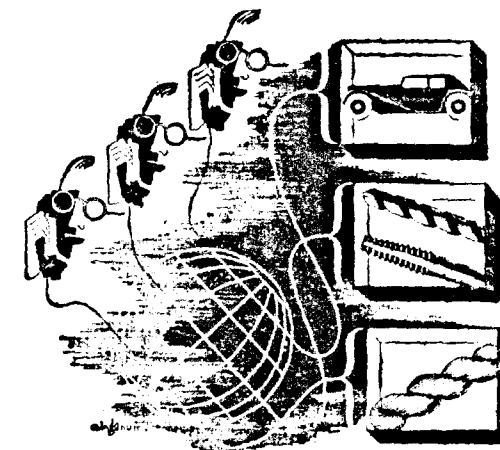
£238 million was also smaller than in the corresponding period of 1948, when it reached £284 million. But the trend this year is moving in the opposite direction. Last year exports rose to peak levels in the closing months; this year the highest figure was attained in January.

* * *

Peak Dis-saving

The sorry performance of National Savings in this current fiscal year went from bad to worse as the holiday season approached its peak. In the week preceding August Bank Holiday encashments exceeded receipts by £5,679,000—a melancholy new record for any week outside the Christmas season. In the corresponding week last year the net demand was £4,547,000. All the precedents suggest, however, that the trough should now have been reached. Although the receipts are often lower immediately after the beginning of August than immediately before it, the period of falling encashments should now have begun.

The cumulative deficit in the National Savings year to date now amounts to £27,929,000 (excluding interest disbursements on encashed Savings Certificates). This is some £15½ million greater than the deficit in the corresponding period of 1948, when gross receipts were just under £5 million higher and gross encashments just over £10½ million lower than they have been this year. The main factor in each case has been the steep rise in the rate of net withdrawals from Post Office Savings Bank accounts. These have amounted to some £27 million so far this fiscal year, against not quite £11 million in the corresponding period of 1948. Analysis of the figures suggests that the mounting cost of day-to-day living rather than reckless vacation spending is mainly to blame for this deterioration. More than half the excess of this year's over last year's deficit occurred in the first 13 weeks of the fiscal



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year—before the holiday season was really under way. When Britain is back at work again, and the usual period of autumn surpluses comes round, some of this ground may be recovered, but the National Savings movement is likely to find it difficult to make even as much headway as it did last year.

Trade and Commodities

Unilevers' Assets

Sir Geoffrey Heyworth's review at the Unilever meeting fell into four clear sections. In the first two, he was concerned with the problems of replacing fixed assets and of maintaining stocks in a period of rising prices and high taxation. Sir Geoffrey presented a telling comparison between the traditional—and in this instance belated—British method of appointing a committee and the positive action which has been taken in other European countries to avoid the taxation of capital which appears dressed up as profits because legal or accounting conventions allow insufficient provision to be made for the replacement of fixed assets at higher prices. Holland, Belgium and France have in some measure taken remedial action.

He declared, further, that the impairment of capital by the taxation of so-called profits on stocks has left "only a fraction of the amount necessary to finance the increase in the costs of industry's stocks." At the beginning of the war, the Government took over Unilever's stocks of raw materials for margarine and seed-crushing at the then current price—£1,800,000. Today those same physical stocks would cost £9,500,000. To cover this kind of dissipation of industry's working capital, Sir Geoffrey suggested that profits set aside to stocks reserve should be free from tax—provided that the amount was reasonably proportionate to normal stock cover. France has, in fact, reduced the tax on such allocations to 15 per cent. In Canada, the Government handed back its stocks to industry, when control came to an end, and gave Unilever £300,000 as a reserve against higher price levels. In the United Kingdom, Unilever has been an agent for the Government, and not trading on its own account in margarine and seed-crushing. Therefore, it has made no profits on stocks from which to create reserves. The only complete solution, in this case, Sir Geoffrey urged, is that when the Government hands back its stocks the quantities originally taken over should be transferred at the original prices.

Sterling and Dollar Prices

Sir Geoffrey then turned to bulk-buying. Here he narrowed the issue to a single question. Which is the more satisfactory method to both buyer and seller—many small daily transactions or a few large long-term ones? His view—and it is one which scarcely admits dispute—is that the advantage "is very heavily with having many small ones." If the parties to the contract are governments, any dispute brings in questions of national prestige "so that the maximum of ill-will is generated for the minimum of reason." As for the claim that bulk contracts produce stability, it is most unlikely ever to be true in oils and fats, for they can be substituted for each other on a very large scale. "When the possibilities of obtaining stability are so very limited as they are in the case of oils and fats, they do not justify the risk of increasing international friction, which a continuation of bulk buying would involve."

This brought Sir Geoffrey to his fourth point—the growing division of the world into two separate hard and soft currency markets. Production of oils and fats in the world as a whole is now back to prewar levels, but population has increased, and consumption per head is likely to amount to 19½ lb. per head, compared with 21½ lb. per head before the war. There are wide variations between individual countries—consumption per head in the United States will be about 2 per cent lower than prewar, compared with a fall of about 13 per cent for

the rest of the world. But the most important single fact about oils and fats is that there is no one market. Prices in hard currency countries are markedly lower, because of shortage of dollars, and in soft currency countries markedly higher, because of the concentration of sterling demand upon them. Malayan copra costs £63 10s. a ton c.i.f.; Philippine copra is £46 5s. a ton. Cotton or soya oil is £70 a ton in the United States; the cheapest sterling supplies cost £135. Tallow costs £43 15s. in the United States, but £110 in Australia or New Zealand. Such differences are not wholly due to the distorting effect of British trade policy—there are other factors, such as the cessation of exports from Manchuria and India and the development of synthetic detergents in America which has reduced the demand for tallow. But, in the result, the dollar world has more than enough oils and fats for its own requirements, while the rest of the world is short, and parts of it extremely short. Sir Geoffrey's conclusion was to the point: "Either we and the rest of the soft-currency world will have to go on putting up with shortages and controls, or else some way of unifying the world commercially will have to be found."

* * *

Compulsion or Co-operation for Wool?

The timetable of discussion which had to precede the setting up of a Development Council for the wool textile industry has run its statutory course, and there is—in form, at least—no place for further negotiation before the President of the Board of Trade takes the final step. But the argument is not over; the wool textile industry, which has made a final appeal to the President without any success, is as united and as outspoken as ever in its opposition. Consultation between any major industry and the Government is nowadays elaborate, spreading widely over a number of subjects; and the danger which arises from a deadlock of this kind is that it will poison the whole relationship and impair co-operation over a field wider than that of the deadlock itself.

The chairman of one wool textile firm, Patons and Baldwins Limited, refers to the controversy in his statement circulated with the company's accounts. He recalls that the working party report proposed an advisory body for the industry, and emphasises that the word "advisory" was not merely academically used. This, he said, "would conform to the traditions of the wool textile industry, which has never yet failed to deliver the goods, whatever the emergency." The employers feel that a statutory body, once established—and however circumscribed its initial powers might be—could easily be vested with all the other powers set out in the Act; these include, as Mr Forrester-Paton observes, the power of "undertaking" as well as "promotion," and they imply, therefore, executive action. It is for this reason that the wool textile employers want a voluntary joint advisory committee instead.

Any attempt to impose a statutory body of this kind on the industry will result in forfeiting the good will of one of the parties in a scheme which, if it is going to prove successful, must have the hearty co-operation of all concerned.

Mr. Forrester-Paton's remarks express what appears to be a unanimous view of the employers. They need to be taken seriously because the existing co-operation between the wool textile industry and the Government rests at many vital points on voluntary co-operation; if a fundamental rift is allowed to arise, the consequences will not easily be limited.

* * *

"Chartered's" Mineral Rights

Agreement has been reached on the future of the mineral rights of the British South Africa Company, following the discussions at the Colonial Office to which reference was made briefly last week. Subject to the approval both of shareholders in "Chartered" and of the Legislative Council of Northern Rhodesia, the agreement provides for the continued enjoyment

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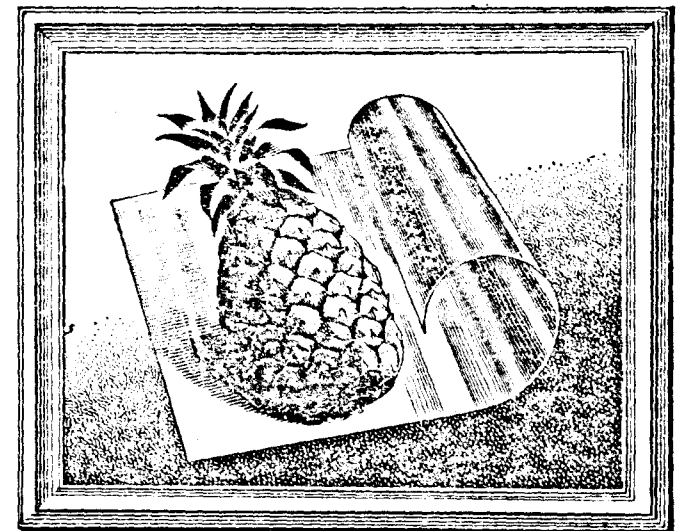
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by the company of its mineral rights in Northern Rhodesia for a further period of 37 years. On October 1, 1946, the company is to transfer its mineral rights to the Government free of charge. Meanwhile, from October 1, 1949, 20 per cent of the net revenue from its mineral rights in the colony is to be paid by "Chartered" to the Northern Rhodesia Government (such payments to be regarded by the Government as an expense for the purpose of income tax). Further, the Government undertakes not to impose any special tax on royalties during the 37-year period.

Considered in its political setting, this solution appears to be a reasonable compromise. At one time the views of the two principal parties seemed to be irreconcilable. Now "Chartered" has apparently chosen to compromise rather than run the risk of being presented with sterner exactions in the form of exorbitant taxation or even expropriation. There is no denying that the agreement represents an eventual extinction of contractual rights. That point needs to be made, not only because it has become far too easy to use political pressure to push established contracts aside, but also because the company is only now reaping a return for past enterprise. On the other hand, the people of Northern Rhodesia have not found it difficult to enlist sympathy for their claim to participate more fully in the profits of the flourishing mining industry. Their right to impose heavy taxation has undoubtedly been the chief key to the door of "Chartered's" rentier interest in the industry. Sustained pressure for higher taxes has lately been rising to a pitch which would soon have demanded action. Although the proposal for the paying over of 20 per cent of net mineral revenues for each year of "Chartered's" remaining tenure is an onerous charge, it might conceivably have been pushed even higher.

"Chartered's" shareholders will now have to reckon on the fact that their return from the Rhodesian mineral rights will become 80 per cent of a variable but terminable annuity over a 37 years period. The immediate reaction of the Stock Exchange to the agreement was to mark the registered stock units of the company a shade higher; further consideration may perhaps bring a different sort of adjustment. Shareholders may be comforted by the undertaking of the British Government to ensure that the agreement will not be infringed during its projected life; but 37 years is a long time to bind a community which shows every sign of entering a period of vigorous growth.

* * *

Coal Output in the Doldrums

Coal output has entered the holiday period in which the real rate of progress towards the achievement of the year's tasks is difficult to assess; but it is an important period, because at this time of year the stocks for the winter have to be built up. Weekly output in the past two weeks has been depressed by holidays to about the normal extent for the time of year. Output last week was 2,580,700 tons (of which 169,400 was opencast). In the week ended July 30th it was 2,701,900 tons (of which 251,500 was opencast). Absenteeism rose in the last week of July to 14.53 per cent—well above the average of 12.44 per cent for the first 30 weeks of the year, which in turn was well above the level of absenteeism (11.03 per cent) in the first 30 weeks of 1948. "Voluntary" absence, which had fallen below "involuntary" absence since the National Health Scheme came into force, has now for the moment risen above it; health is better at this time of year, but the calls of leisure are stronger. It is worth noting that a rise in absenteeism brings about a fall in productivity among the workers who remain; output per man-shift (all workers) fell in the last week of July to 1.05 tons, compared with an average of 1.15 tons over the year so far and of 1.10 tons in the first 30 weeks of 1948. When all possible allowance has been made for holidays, it is not possible to regard the state of the productivity factors with complacency.

The *Economic Survey* estimated total coal output for this year at between 215 and 220 million tons. The Minister of Fuel and Power said on July 26th that the rate so far was "much nearer the lower of the two figures," and even this appears a little optimistic. Mr Gaitskell added at the time that deep-mined production was at an annual rate of five million or six million tons more than last year. Deep-mined output in the first 31 weeks of this year amounted to 118.4 million tons, which is 3.3 million tons more than in the first 31 weeks of 1948. If opencast figures are added, the picture is not substantially changed; total output in the first 31 weeks, 125.8 million tons, has then to be compared with 122.5 million tons in the first 31 weeks of 1948. The lower of the two figures mentioned in the *Economic Survey* requires an increase of 6½ million tons over last year's total output; even to reach 115 million tons may require, therefore, another production effort in the autumn.

* * *

Shipping and the Argentine Agreement

Little movement of goods between Argentina and the United Kingdom has yet begun under the provisions of the five-year agreement, but the agreement has caused shipowners to hope for some alleviation before long of the paralysis in the Plate trade, which has spread depression into most of the freight market. Owing to the almost complete absence of homeward grain cargoes tramp ships taking occasional outward cargoes of coal had forced up the rate from 25s. to 45s. a ton in recent months. The better prospect of return cargoes since the signing of the agreement has caused the rate to ease again by about 7s. 6d.

But chartering is still slow. Only about 266,000 tons were shipped to Argentina during the first six months of 1949. This was little more than was shipped during the same period of 1948; in the same period of 1947, freight cargoes to Argentina were negligible. During the next eleven months, according to the agreement, 1,500,000 tons are to be shipped, and since plenty of homeward grain cargoes should be available, freight rates for the outward voyage should revert to a more normal level. Much will depend, however, on the ability of the Argentine port authorities to avoid the port congestion which has been experienced before.

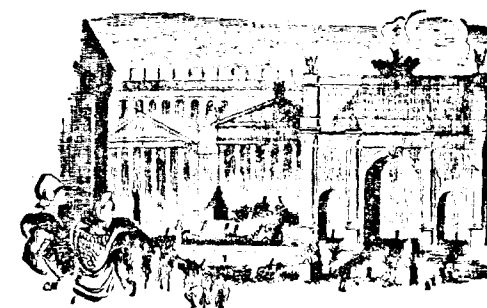
All branches of shipping can hope for something from the new agreement, even the tankers, since nearly 6,000,000 tons of petroleum imports are contemplated. The large proportion of tankers now taking oil to Argentina is a notable feature of recent shipping entries in the Plate. It is likely that tankers under the British flag will get some of this trade, although it cannot be assumed that they will get it all. Argentina itself is building up a fleet of ocean-going tankers for the first time. Argentina has, in fact, nearly 250,000 tons gross of merchant ships under construction at the moment, some of them tankers and some of them refrigerated cargo and passenger liners of a high standard. Ships such as the *President Peron*, which entered service last month, will be strong competitors of the British refrigerated cargo liners that have hitherto held almost a monopoly of the meat-carrying trade from the Plate. Difficult problems would certainly arise if the Argentine Government, which has a monopoly of Argentine shipping and port facilities, were to resort to flag discrimination and other restrictive practices in favour of its own new and expensive ships.

* * *

Colonial Sugar

Talks on the future of the West Indian sugar industry have been conducted in London between the Colonial Office and representatives of the Jamaican Government and the West Indian Sugar Association. At their conclusion, this week, the Colonial Office announced that the Government intended to give efficient Commonwealth producers an assured market for

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agreed quantities of sugar at reasonable prices. Prices would be negotiated with the producers, but before these arrangements could be completed, other Commonwealth producers would have to be consulted. This further series of talks is expected to be held in autumn.

Long-term contracts could play an important role in developing sugar production in the sterling area and in assuring economic stability in those colonies which depend on sugar as their main export. Hitherto, the world price for sugar has been dictated by the amount of Cuban supplies available for the "free market," that is, for countries other than the United States, where Cuban sugar enjoyed, and still enjoys, a particularly high preference. Owing to this preference Cuba could afford to sell on the "free market" at a much lower price than would otherwise have been possible, and occasionally caused hardship to other exporters in the West Indies, which did not enjoy a similar advantage.

The agenda for the autumn talks will no doubt include the question of bringing into force the prewar international sugar scheme. But the West Indies could legitimately claim that the marketing of their sugar has social and political implications, as well as its economic aspects. They may feel that, for their purposes, a long-term contract, with suitable safeguards, would be more valuable than an international agreement.

* * *

Problems in Rubber

The price of rubber in London continues under 10½d. a lb., much to the consternation of producers in Malaya. The gross trading profit of 104 rubber producing companies which issued their reports in the June quarter rose to £2,826,000 compared with £2,149,000 in the previous year, but the average price for 1948 was a shade under 1s. 1d. a lb. compared with an average of 1s. 0½d. in 1947. For the first six months of 1949 the price of rubber in London has averaged only 11½d. a lb., and at present there is no likely prospect of any sustained rise

WORLD RUBBER SUPPLIES
(long tons)

	Jan.-June, 1948	Jan.-June, 1949
Natural Rubber:		
Production.....	717,500	709,000
Consumption.....	680,000	732,000
Stocks*.....	852,500	680,000
Synthetic Rubber:		
Production.....	270,557	235,000
Consumption.....	242,500	237,000
Stocks*.....	192,500	120,000

* At end of period.
Source: Secretariat of the Rubber Study Group.

—unless the Washington talks next month yield unexpectedly favourable results for Britain. Under present conditions a shilling a pound for rubber could only be maintained artificially, and certainly not for any length of time.

Since April, world production of natural rubber has been below last year's level, and for the first half of 1949 it totalled 700,000 tons compared with 717,500 tons in the corresponding period of 1948. Consumption, however, has apparently increased from 680,000 tons a year ago to 732,000 tons. During the first half of 1948 the price for rubber tended to rise, and the average for June last year on the London market was 1s. 2d. a lb. This year the price has been falling, and the average for June was only 10½d. a lb. This discrepancy between the comparative production and consumption statistics for the two periods and the trends in market prices is probably explained, in part at least, by the fact that the consumption figures do not include American stockpile purchases.

If this is the explanation, it shows very clearly how important stockpiling purchases are for the rubber market. But

rubber producers cannot base their future prosperity on such temporary support. Even though natural rubber is about 1½ cents a lb. cheaper than general purpose synthetic rubber, American manufacturers are apparently not anxious to switch to the natural product. But at what price would they be tempted to make such a switch? Is it true, as Malayan producers claim, that this inflexibility is due to the existence of a legally enforced minimum consumption of synthetic rubber, so that price considerations have little or no effect? Malaya admittedly has urgent political problems on its hands, but before it can convince the world of its case for free competition for natural rubber in the United States, it will have to go further towards reducing its production costs.

* * *

Dollars and Tobacco

When Sir Stafford Cripps announced last month a cut of 25 per cent in dollar expenditures, he added that this would mean reducing the \$110 million originally provided for tobacco purchases from the United States by \$20 million. This reduced figure of \$90 million, however, is appreciably larger than the \$76 million spent on American tobacco in 1948. Nevertheless, Sir Stafford stated that in due course this would mean a reduction in supplies of cigarettes of "probably not more than 5 per cent." Consumption last year averaged 17.8 million lb. a month, which was 5 per cent smaller than in 1947 and 15 per cent less than in the peak year of 1946. But during this period although total imports of tobacco declined slightly (supplies from the United States, of course, declined quite sharply), stocks of all growths of tobacco increased; at the end of 1948, they amounted to 391 million lb. compared with 384 million lb. twelve months earlier. During the first five months of this year, there was a seasonal fall in stocks though at the end of May they were still 9,000,000 lb. larger than at the end of May, 1948.

The amount of tobacco which British manufacturers can buy with their allotment of dollars will depend on the level of prices at the auctions which opened towards the end of July. Opening prices this year were slightly higher than in 1948. But even if, as tobacco producers believe, this new level of prices were to be maintained throughout the sales, it would seem that Britain could still buy about 15 per cent more tobacco from the United States than in the previous season. This increase would represent between 20 and 25 million lb., but that would not mean any increase in consumption in this country.

No separate figures for stocks of American leaf held in Britain are published, but it is clear that they must have been seriously depleted during the past year. In 1948 imports of tobacco from the United States fell by nearly 15 per cent whereas tobacco consumption declined by only 5 per cent. Supplies of flue-cured virginia leaf from other sources are not yet large enough, given the current rate of consumption in this country, materially to offset the reduction in American supplies. If in fact an extra 25 million lb. of American leaf is purchased this year, it may just be possible to maintain consumption and to make some slight replenishment of stocks.

* * *

Should Minerals be Nationalised?

In 1946, Mr Shinwell appointed a Committee to enquire into the resources of minerals in the United Kingdom (apart from coal, oil and ironstone) and to make recommendations about their future development. Its report shows that production of metalliferous minerals is small, and that prospective resources would generally provide less than ten years' output at the 1947 rate. Supplies of the non-metalliferous minerals cover domestic consumption fully (they also provide in some cases such as china clay and salt an important surplus for export) and resources generally are sufficient to cover more than fifty

years' consumption. This contrast between the two classes of minerals is brought out in detail in the report, which needs, of course, to be read in the light of the intention of the Labour Party, if re-elected, to place "all suitable minerals" under public ownership.

The Committee comes down in favour of nationalisation (subject to reservations by Mr Peter Thorneycroft, M.P.). It reaches this conclusion on several grounds. First the report argues that "exploration in future will have to be planned on thoroughly scientific lines... it will take longer, be more costly, and the risk therefore correspondingly greater." Subsidies or tax concessions are dismissed because they would encourage "a short-term outlook with too much emphasis on production"—a somewhat surprising objection. Secondly, "mining has to face inherent risks" both technical and economic. In principle, it holds, "there should be no conflict between the desire of the nation, having the ownership of the minerals, to secure efficient development and proper utilisation, and of private enterprise to extract the minerals at a profit." But in practice, the report concludes, the Government would need powers to prevent unsound flotations, to approve plans, to secure amalgamations, to provide capital and to contract for the purchase of output.

From this line of argument, the conclusion to nationalise these minerals follows inevitably. They would be under the care of a Mineral Development Commission, in which property in minerals could be vested. The proposed duties of this Commission and its relations with Government departments are outlined in great detail, much of it open to question. There are two broad issues which need to be raised. Would such a Commission do better than private ownership and exploitation? To that, the report provides no conclusive answer, for the risks in mining are present under any form of organisation. Secondly, how much is it worth paying to secure the "co-ordinated, orderly, and economic develop-

ment" of domestic minerals? References to "insurance against the future" and "guaranteed minimum prices" have an ominous ring, for nowhere are they brought down to the crude realities of pounds, shillings and pence. To start with the cushion of a subsidy—which the Report openly proposes—would not be the best way of setting the Commission on the road to efficient production

* * *

Softwood and Housing

A month ago Sir Stafford Cripps announced that dollar imports of timber "will have to be cut substantially, but we hope we may be able, by further purchases from non-dollar areas and otherwise, to carry through the housing programme without any substantial alteration." This statement was received with some surprise at the time. Timber imports have been cut "substantially" before to satisfy a dollar crisis, but then the burden of the housing programme could be borne by a reduction of stocks. These have declined drastically since the end of 1947. The accompanying table, taken from the latest housing return, shows the extent of the deterioration in supplies of softwood in the past two years. The figures cover all qualities and dimensions of softwood, though only certain types are used in building.

Total imports of softwood have been sharply cut from 118,000 standards a month in 1947 to 85,000 standards in 1948 and further to 57,000 standards in the first half of this year. North American supplies tend to arrive in Britain between January and June, while European supplies come in the second half of the year. The average monthly import for the whole of 1949 is therefore likely to be larger than 57,000 standards.

The conclusion of the new contract with Russia, announced this week, will mean an additional 100,000 standards, which

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is expected to leave northern Russian ports before the end of autumn. Last year the Soviet Union sent a total of only 23,000 standards. Although the price has not been disclosed, it is said to be lower than that agreed to in 1948. But this additional quantity will do no more than offset the already reduced imports from North America, and even without the

UNITED KINGDOM SUPPLIES OF SOFTWOOD
(Monthly Averages—in Standards)

	1935-38	1946	1947	1948	1949	
					Jan.-Mar.	April-June
Imports:—						
Canada	33,522	29,256	42,175	22,087	9,377	16,107
U.S.A.	3,814	3,044	13,951	5,540	1,732	259
U.S.S.R. and Baltic	46,295	1,027	575	1,930	1,596	597
Finland	47,124	9,137	15,451	13,023	1,973	8,870
Sweden	35,176	28,317	17,177	17,509	7,458	10,825
Norway	2,634	9	28	...	452	...
Poland	14,782	...	...	2,603	3,595	811
Germany	85	5,063	26,884	16,457	12,407	10,918
Czechoslovakia, Yugoslavia and Rumania	2,410	...	...	...	...	...
Other countries	552	746	2,035	6,263	12,854	13,773
TOTAL*	186,284	66,619	118,240	85,412	51,524	61,880
Home produced	...	8,101	5,540	5,420	5,431	5,615†
Total available	...	74,750	123,780	90,832	56,955	67,496†
Stocks at end of period:—						
Imported	...	205,000	606,820	457,446	314,982	174,250†
Home produced	...	9,440	8,194	8,754	9,621	8,374†
TOTAL	...	214,440	614,924	466,200	324,603	182,624†

Source: Housing Return for England and Wales (Cud. 7753)

* Includes imports of roundwood logs of pine, spruce, etc. † Estimated.

"substantial cut" in supplies from dollar sources, the chances that imports will reach last year's figure (which in any case was low) are slender.

At the end of 1947 stocks amounted to 615,000 standards; they declined to 466,000 standards by the end of 1948; by the end of June they amounted to only 183,000 standards. The June figure represents a seasonal minimum, but at the end of June, 1948, stocks totalled 412,000 standards. Thus in twelve months stocks have been more than halved. On the basis of these figures it seems hard to believe that the housing programme can be carried through—at any rate not without a savage reduction in the amount of softwood consumed in other uses.

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Realities from the Rand

The enthusiasm of speculators in gold shares, particularly Kafir producing mines, appears to be waning slightly now that hopes of an early devaluation of the pound seem to have receded. Their interest has this week been galvanised largely on "Mid-Wits" and "Geoffries" following the latest outstandingly good assay values from the latter's TV2 borehole. But apart from the absence of devaluation, the Rand itself has recently provided some additional reasons for caution. The omission of the 2½ per cent bonus by "Johnnies" for the year to June 30, 1949, was a reminder that the investment merits of companies operating on the Rand will ultimately be judged on earnings. Though in this case a comparison of profits with the previous year is vitiated by the change made in the method of valuing investments, there appears to have been a true fall in profits from £1,484,331 to £1,138,749. This decline may reflect a deterioration in earnings from the group's property, industrial and diamond interests as well as from share dealings and gold mining. None the less some of the Rand finance houses have been brighter this week than of late.

The fall in revenue from South African gold mines has continued in the first six months of 1949, according to the latest returns of the South African Chamber of Mines. The output of gold fell to 5,738,966 ounces compared with 5,821,649 ounces in the corresponding period of 1948, and costs rose by 2d. per

ton milled. While a higher gold price would certainly stimulate production, the prospect for cost reductions cannot be rated very highly. There have recently been further signs that the Mine Workers' Union will in any case press their claim for substantially higher wages and this move would be

GOLD SHARE PRICES

Company and Share Denomination	1947-49		Jan. 18, 1949	April 6, 1949	July 2, 1949	July 20, 1949	Aug. 3, 1949
	High	Low					
"Financial Times" Gold Share Index (Oct. 15, 1925=100)	135.2	85.22	85.22	103.65	107.06	111.10	111.17
Producing Mines							
Blyvooruitzicht, 2s. 6d.	213/-†	35/7	37/-	43/9	45/9	48/-	48/-
Bedford, 5s.	19/3	10/4	10/9	13/9	14/9	15/9	16/3
Duguidfontein, 5s.	85/-	43/9	51/3	63/4	73/-	73/9	72/6
East Geduld, 1s.	11	7½	7½	8½	9½	9½	9½
Impresso, 1s.	25/9	15/9	15/9	22/5	24/5	25/9	25/6
Ashanti Goldfields, 4s.	60/6	34/-	35/-	39/3	39/3	42/3	43/3
Bibiani (1927), 4s.	30/6	13/5	12½	16/-	14/5	16/-	17/-
OFS Issues							
Mid-Howitzer-land, 2s. 6d.	34/3	20/9	21/3	27/3	23/9	32/-	34/-
Free State Geduld, 5s.	66/3	47/6	50/9	62/6	59/6	70/-	64/3
Finance Houses							
African and European, 10s.	202/6*	42½†	45/-	58/9	66/3	71/3	71/3
Consolidated Goldfields, £1.	80/7½	47/6	44/9	54/9	61/3	65/-	65/9
Union Corporation, 12s. 6d.	15	9½	9½	11½	11½	11½	11½
Johnannesburg Cons. Invest., £1.	5½	67/6	75/-	85/-	90/-	93/9	93/9

* £1 shares. † 10/- shares.

difficult to resist, especially in the event of devaluation. Moreover, the Rand Labour Commission is due to publish its report in the coming months. Its recommendations may well involve additions to gold mining costs, for it is expected to suggest improvements in mining conditions in order to stop the drift of labour from the mines.

Shorter Notes

Steel output in July was restricted by holidays, and was below the average rate of output of the first six months of the year. The average weekly output of steel ingots and castings in July, 244,100 tons, is equivalent to an annual rate of output of 12,695,000 tons; this compares with an annual equivalent of 15.9 million tons in the second quarter of 1949. It does, however, show an improvement over July, 1948, when the weekly average was 232,400 tons. Weekly output of pig-iron in July was 171,300 tons, equivalent to an annual rate of output of 9.2 million tons.

★

During July, Britain transferred £4,495,000 of gold to Belgium and £2,804,000 to Switzerland against £6,790,000 and £1,619,000 respectively in June. Gold losses to Belgium in the first seven months of this year have now reached £21 million and losses to Switzerland £9 million. The Bizone in July transferred £503,000 of gold to Britain, reflecting the first benefits of the various new payments arrangements with western Germany.

★

A new company, Tate and Lyle Investments, has been registered with an initial capital of £100 in 5s. shares. The objects of the company are to acquire from Tate and Lyle certain investments with the intention of carrying on the business of an investment trust. Members of the board of the new company are composed of directors of Tate and Lyle. Further details of the scheme for segregating the investment assets of Tate and Lyle which will require the approval of shareholders are expected shortly. The background to this move was discussed in a note in *The Economist* of July 23rd.

COMPANY MEETINGS

LEVER BROTHERS & UNILEVER LIMITED

HIGH REPLACEMENT COST OF FIXED ASSETS

INADEQUATE GOVERNMENT ALLOWANCE

OIL AND FAT SUPPLIES: WORLD POSITION

SIR GEOFFREY HEYWORTH ON BULK BUYING

The annual general meeting of the members of Lever Brothers & Unilever Limited, was held, on August 11th at The Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2. Sir Geoffrey Heyworth presided.

Before commencing the business the members present stood in silence as a tribute to the memory of the late Governor, The Rt. Hon. William Hulme, the Viscount Leverhulme.

Addressing the meeting the chairman said:—

It has been my custom at these meetings to centre my speech on some major question which is of interest both to us as a company and to the wider public outside. This year, however, I have decided not to concentrate on any one point, but to discuss four separate issues.

The first is a review of such action as has been taken by governments to meet the difficulties we are facing in making adequate provision for the replacement of fixed assets.

Second, I should like to discuss the related, and in some ways more difficult, problem of making it possible for industry to replace its stocks at high prices, and to carry the risks of loss involved in those high prices, without dissipating its capital.

Third, I should like to make a few observations on bulk buying in the form in which it is now being conducted.

Fourth, and finally, I should like to bring you up to date on the supply position in oils and fats. This involves a discussion of the problems which are raised for us and for the world at large by the present division of the world into two trading areas with differing price levels, and the urgent necessity of finding some way by which the world can once more be made economically one.

REPLACEMENT OF FIXED ASSETS

Over the last year the realisation has been spreading that if proper allowances are not made for the replacement of fixed assets, the capital of industry is bound to be depleted by being drawn on to provide what is in effect a subsidy to our standards of living.

The argument is now usually accepted, but governments are still reluctant to face the immediate loss of revenue which would be involved in taking effective action. Something has, however, been done.

In Great Britain the Chancellor of the Exchequer has doubled the initial allowance on plant and machinery; of course, this does not in the long run relieve industry of its burden—that of finding the extra money needed to replace existing fixed assets. It is, in effect, only an interest-free loan, whose main importance is that it spares industry the need to find a corresponding amount of finance elsewhere. I consider, therefore, that a more hopeful omen is the Chancellor's appointment of a Committee to inquire into the methods of computing net trade profits for income tax and profits tax purposes. The Committee welcomes recommendations from industry, and I have every hope that it will in due course be recognised that the nation

cannot be economically healthy unless the wear and tear undergone by the nation's assets each year is provided for, enough must be put aside each year to replace them in real terms, and not just in arbitrary money terms based on an original cost of historical interest.

HOLLAND, BELGIUM AND FRANCE

The Dutch Minister of Finance's new Tax Revision Bill is a courageous acceptance of the principle that it is proper to permit the revaluation of assets for depreciation purposes when prices have risen even though there has been no formal devaluation of the currency.

In view of the great importance of the principle of this Bill, it is regrettable that the detailed provisions place so close a limitation in practice on the relief proposed. In particular, buildings are not included, and the only assets whose book value may be doubled are those held before December 31, 1941, where the book value after years of writing down is now very small. Under certain circumstances, moreover, the reserve thus created may be liable to tax in the future. Such limiting provisions obviously greatly reduce the practical effectiveness of the Bill. I hope, therefore, that the Minister may yet see his way to liberalising it still further.

The action taken in Belgium and France has gone nearest to the root of the problem. The need for conserving the resources of industry has long been recognised there. In Belgium in 1947 regulations which were fairly satisfactory were made permitting the revaluation of fixed assets. In France two further measures have been taken in the course of the past year. A revaluation of fixed assets to meet the latest devaluation of the franc has been permitted and tax reliefs have been given to make it easier to incorporate the surplus on the revaluation of fixed assets in a company's share capital.

STOCKS

The basic problem with stocks, as with fixed assets, is the conservation of one's capacity to do a given volume of business; one does not maintain one's business if physical volume goes down, even if monetary value has gone up; and to maintain a given volume of business there is required not only a certain amount of fixed assets, but also a certain cover of stocks. When prices go up, the value of the quantity of stocks held must be adjusted to the new price level, or the money they bring in will not be adequate to provide for their replacement at the new higher prices. Good business practice, which bases the selling price of the finished article on the replacement prices and not on the original cost of raw materials, does in fact provide the money required to permit the quantity of stocks to remain unchanged. This is true both when the market is rising and when it is falling.

In normal times, when taxes were lower, this method enabled industry to overcome most of its difficulty. The balances which accumulated when replacement prices were charged on a rising market enabled an unchanging volume of stocks to be financed

at higher prices, thus satisfying the basic need of industry to keep its working capital intact. These balances also provided a reserve which could be released to meet stock losses were the market to begin to fall.

EFFECT OF GOVERNMENT ACTION

Over the last ten years, however, Government action has prevented this self-correcting system from functioning. Sometimes industry has been compelled to charge prices to the consumer based on original costs of raw materials, thus giving the consumer a subsidy at the expense of industry's working capital. Sometimes, industry was permitted to follow its normal practice of charging replacement prices, but it was not recognised that the resultant profits should be distinguished from ordinary profits in as much as they were necessary to enable industry to finance the same quantities of stocks as before and thus to keep its capital intact. They were instead taxed away at rates so penal, particularly during the period when excess profits tax was in force, that only a fraction of the amount necessary to finance the increase in the costs of industry's stocks remained.

The clearest case of all of the risk of permanent impairment of its capital which industry is being forced to run is where government at the beginning of the war simply took over industry's stocks. The stocks thus taken over were paid for at the then price, but when buying of raw materials is once more handed back to industry—as I assume that one day it will be—governments may wish to be paid for the stocks they hand over at the current price. How large an impairment of real capital this would involve can be shown from what would happen if the United Kingdom Government were to take that line. For our margarine and seed-crushing stocks which the British Government took over at the beginning of the war they paid us £1,800,000. The same stocks would today cost £9,500,000.

CHANGE IN TAX POLICY ESSENTIAL

A change in Governmental taxation policy to prevent the dissipation of industry's capital is therefore just as essential for stocks as for fixed assets. So far as stocks are concerned, the best method might be to free from tax profits put aside to stock reserve, provided the amount is in reasonable proportion to a normal stock cover. France has set an example by reducing the tax on such allocations to reserve to 15 per cent. It is unfortunate that Holland, which since 1947 has permitted the creation of limited reserves tax-free—the size of which is partly dependent on the size of stocks—is now proposing to abolish this concession.

In Canada where industry was not permitted to make stock profits, the Government, when taking off control in 1948 and handing over its stocks to industry, recognised that some reserve must be made against the higher price levels, and in our own case gave us £300,000.

In the United Kingdom, in those cases where industry has not been doing the trading, and has not made the profits on stock from which to create reserves, the only complete solution is that when Government hands back its stocks to industry, the quantities originally taken should be handed back at the original take-over price.

BULK BUYING

I now turn to bulk buying—by which I mean buying through a few vast long-term transactions rather than many small ones. I do not, therefore, include buying by government in the market in the ordinary way, as was the regular practice of the Oils and Fats Division of the British Ministry of Food in the early days of the war, and as is

still the practice of the Dutch Ministry of Food.

It seems to me that the critics of this type of buying have laid too much stress upon the fact that bulk purchases are in many cases today showing losses on existing market prices; that is in fact inevitable since any sort of buying will produce inventory losses on a falling market, just as it will produce profits on a rising market. Doubtless at the beginning of the war governments which bought in bulk made money, and doubtless it was then public opinion in the selling countries which was critical.

The real issue, therefore, is not who has the best of the deal, since normally it is desirable that both parties to a contract should be satisfied. The point to be examined is which is the more satisfactory method for both sides—many small daily transactions or a few large long-term ones—and I think that the advantage is very heavily with having many small ones. Before a large long-term contract is fulfilled, the general market price is almost certain either to go up, thus disconcerting the seller and possibly leading him to default in his contract, or to go down, thus disconcerting the buyer and possibly leading him to try to avoid taking delivery.

GRAVE DISSATISFACTION CAUSED

Bulk buying is therefore inherently liable to lead to grave dissatisfaction—on one side or the other—before the contract is finished, particularly because the very size of the transaction means that any mis-judgment must involve a very large error, and a man's liability to make mistakes is not diminished because he is doing his buying in larger quantities and over a longer time. The resultant disputes can lead to no permanent damage if they occur between private individuals or firms—they can always get their quarrels settled by the appropriate court. But if the parties to the contract are governments no court has jurisdiction and arbitration is unsatisfactory; any dispute brings in questions of national prestige so that the maximum of international ill-will is generated for the minimum of reason. The capacity of bulk buying to produce international friction has indeed now spread even to the preliminary negotiations over the contract's terms. The businessman can change his view of the appropriate price overnight, but a government may feel itself committed by the public statement of a Minister or a well-informed leak in a newspaper, and when the other government does not give way to its views it may feel that its whole position in its own country is imperilled.

QUESTION OF STABILITY

The most powerful argument usually put forward in favour of bulk contracts is that they produce stability, though recent experience, for example with metals in the U.K., suggests that this is by no means always true. It is certainly most unlikely ever to be true in the oils and fats market, since oils and fats can be substituted for each other on a very large scale, so that it would not be enough to have bulk contracts or buffer stocks covering only one or two varieties. It would be very difficult, moreover, so to expand bulk buying that it covered all possible types, since in the case of oils and fats quite large quantities are by-products and not produced primarily for their own sake for example, lard, tallow and cotton seed. Further, many oils and fats are derived from wild crops—for example, the palm products of West Africa and part of the copra from the Far East and South Seas—and here the amounts which any given price will tempt on to the market are somewhat unpredictable. It may be that with other crops where substitution is not so important, e.g., wheat, there is a case for a guarantee to the producer in order to give him the security he desires, but

even then such an arrangement need not be coupled with a bulk buying policy. Certainly when the possibilities of attaining stability are so very limited as they are in the case of oils and fats, they do not justify the risk of increasing international friction, which a continuation of bulk buying would involve.

THE SUPPLY OF OILS AND FATS AND THE UNIFICATION OF MARKETS

I now turn to the supply of oils and fats in general, where the most notable development since I spoke to you two years ago has been the hardening of the division of the market into two—a hard currency market and a soft currency market.

I should like to begin by bringing you up to date on the figures. I said in 1947 that an increase in supplies of oils and fats of 4,000,000 tons would be needed to give the world the same consumption per head as before the war. I estimated that 2,500,000 tons (it turned out to be 2,000,000 tons) were accounted for by the drop in production as against prewar, and the rest was the result of the 8 per cent. increase in population which had occurred.

The main reason for the drop in supplies was the war with its destruction of livestock in Europe and devastation and neglect of some of the main producing areas in the East. Since 1947 there has been a considerable recovery, though it is still by no means complete, and the table gives the main figures.

	Av. of 1934-38	1947	1948	1949
<i>(In metric tons)</i>				
<i>Indonesia:—</i>				
Palm-oil exports	171,000	Negligible	40,000	120,000
Copra & coconut-oil exports (as oil)	318,000	128,000	218,000	240,000
<i>Malaya:—</i>				
Palm oil and coconut oil exports (as oil)	129,000	57,000	76,000	110,000
<i>Europe:—</i>				
Production of butter & lard	2,400,000	1,300,000	1,500,000	1,700,000
Production of rapeseed (as oil)	70,000	80,000	130,000	140,000

GROWTH OF POPULATION

For the world as a whole though production is now back to prewar, it has not yet increased sufficiently to take care of the growth in population since 1939, as the figures of supplies available per capita show. Prewar there were 21½ lb. available per head, in 1947 there were only 18 lb.; last year this had risen to 19 lb.; this year we estimate it will be 19½ lb. These are average figures, and conceal wide variations between individual countries. For example, consumption per person in 1949 in the United States and Canada is likely to be only about 2 per cent. down on prewar, whereas in the rest of the world the drop may be in the region of 13 per cent. And, since most of world production stays in the country where it is produced, there can be no guarantee that increases in supplies will benefit the worst off countries.

Incidentally, there has been a change in world consumption habits which affects us as margarine producers to a very large extent. Owing to full employment, and government schemes for free or subsidised milk, more milk is being drunk liquid instead of being made into butter, and thus the need for margarine has been increased. In the United States, for example, the amount of butter has dropped from 985,000 tons prewar to 678,000 tons in 1948. And the production of margarine has gone up correspondingly

from 169,000 tons to 411,000. However, this increase in margarine production has itself helped to make possible the very large production of milk which has characterised recent years, for it is the margarine industry's need for edible oils which makes available the oil cakes which are one of the great standbys of the milk producer.

NO ONE MARKET

The most important point about the present world oils and fats position, however, is that there is no one market. Prices vary according to the hardness of the country's currency, and according to whether it has a surplus for export or not.

I pointed this out in 1947, but at that time exports from the United States were controlled, and it could be argued that the two prices were the result of the artificial diversion of European demand from the American to other markets. This export control has now been abandoned, and it has thus become clear that the real difficulty is the lack of hard currency of so many of the importing countries. The effect on prices is striking. Malayan copra, which is sterling, is £63 10s. a ton c.i.f.; Philippine copra, which has to be paid for in hard currency, is £46 5s. a ton c.i.f. Soya oil in the U.S. is about £70 a ton; the cheapest liquid oil in the sterling area is £135 a ton. The most striking example is tallow. In the U.S. it costs about £45 a ton; the U.K. pays £110 a ton for Australian and New Zealand tallow.

This position is partly a result of the war which on the one hand induced the U.S. greatly to increase its production since so many outside sources of supply were cut off; while on the other hand, it very heavily reduced the production of the soft currency areas. It is also partly the result of the virtual disappearance as exporting countries of Manchuria and India which prewar exported a million tons of oil equivalent a year.

HARD AND SOFT CURRENCY AREAS

Today, therefore, we have a position where supplies in hard currency areas are ample while those in soft currency areas are not enough to meet needs. In the U.S.A., the Philippines, Belgium and the Belgian Congo, all hard currency areas, the surplus of production over requirements in 1949 is likely to be about ½ million tons. In the rest of the world, by contrast, there will be a deficit of about 2½ million tons.

Up to the present the barrier between soft currency oils and fats and hard currency oils and fats has been prevented from becoming absolute by Marshall Aid, which between April 1948 and May 1949 provided 250 million dollars for oils and fats for Europe. The biggest beneficiary has been western Germany, whose production of margarine and edible oils will in consequence rise to a quarter of a million tons in 1949 against 120,000 tons in 1948. Other countries which have benefited considerably are France, Austria and Holland.

We have, therefore, now reached a stage where the world oils and fats market is divided broadly into two, hard currency and soft currency.

PRESENT POSITION

Tallow provides the best example of the serious results of this division of the market. Tallow in the U.S. is a by-product whose production depends not on the demand for the tallow itself but on the demand for meat. If, therefore, the price of tallow drops, the meat packer makes up by getting rather more for his meat. In the U.S. the drop in the price of tallow has been greater than the general drop in the prices of oils and fats because the main use of tallow is in soap-

making, and one-quarter of the detergents used in the U.S. are now synthetic. Now if Europe had the dollars with which to buy this surplus American tallow, the American market would benefit because the tallow price would come back into line with that of other oils and fats, and Europe would benefit because the tallow thus bought could be used in soap and would release for consumption as food edible oils now being used for soap. Incidentally in the U.K. the increase in supplies might be enough for margarine to come off the ration.

To find a solution for this dis-equilibrium is the first task of economic statesmanship today. For although I have been talking in terms of oils and fats, both because that is our own subject and because it is a particularly valid example, the problem is, as you know, a general one.

UNEVEN DISTRIBUTION

Supplies are not only inadequate, they are also divided up unevenly: one part of the world, the hard currency area, has more than enough for its requirements; the other part, constituting the whole of the rest of the world, has an overall shortage which in some countries is extreme.

This raises problems for both areas. In the dollar area if some way cannot be found by which it can sell its surplus to the rest of the world for acceptable currency, production will have to be cut back; for example, by using for some other purpose the land at present devoted to soya beans. Thus the chief increase in supplies would be lost to the world.

The non-dollar area has an even more difficult problem to face. If it does not want to continue as at present with controls and shortages it must either succeed in selling enough goods and services to the dollar area to be able to buy their surplus or it must increase its own production.

Of these possibilities, the increase of production in the non-dollar area does not hold out much prospect of immediate help. Some further recovery is possible in Indonesia, and some supplies can be expected from the groundnut scheme. Something could be done to increase oilseed production in India and other areas where the application of science to agriculture is still on a limited scale if more fertiliser, pesticides, tractors and so on, were allocated to them for this specific purpose. But the only immediate possibility is of an increase in the production of lard as Europe's pig herds are reconstituted, and even that is partly dependent on the supply of coarse grain from the dollar area. Meanwhile the problem grows steadily more desperate as the amount of Marshall Aid available with which to buy oils and fats gradually dwindles off to nothing.

There is, therefore, in fact only the one alternative. Either we and the rest of the soft-currency world will have to go on putting up with shortages and controls or else some way of unifying the world commercially will have to be found.

The chairman concluded by moving the adoption of the report and accounts.

Sir Herbert Davis, C.B.E., vice-chairman, seconded the resolution and it was carried unanimously.

The proposed dividends of 10 per cent. on the ordinary stock and 6 per cent. on the deferred stock payable on August 19, 1949, were approved, the retiring directors were reappointed and the remuneration of the auditors, Messrs. Cooper Brothers and Co. and Messrs. Price Waterhouse and Co., who had been reappointed under the provisions of the Companies Act 1948, was fixed.

At an extraordinary general meeting held at the conclusion of the annual general meeting a special resolution adopting new articles

of association of the company was passed unanimously.

LEVER BROTHERS & UNILEVER N.V.

The annual general meeting of the members of Lever Brothers and Unilever N.V. was held yesterday at Museumpark, Rotterdam. Mr. P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Lever Brothers and Unilever Limited, reported above.

The report and accounts for the year 1948 were adopted. The proposed dividend of 8.9 per cent. (being the equivalent of the dividend for the same year to be paid by Lever Brothers and Unilever, Ltd., to its ordinary stockholders calculated in accordance with the provisions of the equalisation agreement and converted at a rate of exchange of Fl. 10.691 to the £ Sterling) was approved, the retiring directors were reappointed and the auditors, Messrs. Cooper Brothers and Co. and Messrs. Price Waterhouse and Co., were reappointed.

WHITEHALL ELECTRIC INVESTMENTS LIMITED

The twenty-seventh annual general meeting of Whitehall Electric Investments Limited was held on August 10th at Winchester House, London, E.C.2.

Consolidated gross income for the nine months to December, 31, 1948, amounts to £229,036, and after expenses and after charging against revenue the net loss arising from the realisation of investments, there is a net income of £98,301. The valuation of the assets, excluding any valuation of the investment in the Athens companies, is shown at £5,205,842.

The nationalisation last year of the West of England company has had the result that gilt-edged investments and net floating assets amount to some £2,200,000, and since the directors consider that favourable opportunities for the acquisition of other electricity undertakings do not exist, they propose that part of the capital of the company shall be repaid.

The report and accounts were adopted.

An extraordinary general meeting of the company was held to consider resolutions for the reduction of capital of the company. The scheme of arrangement put forward for the repayment of 25 per cent. of the preference stock at 25s. per £1 stock and 25 per cent. of the ordinary stock at its nominal value. These payments will absorb £1,640,625.

After the proposed repayment the issued capital of the company will be:

6 per cent. preference stock	£ 937,500
ordinary stock	£3,671,875
	£4,609,375

compared with assets valued at June 24th last at some £3,250,000, excluding investments in the Athens companies.

Consolidated income from these assets is estimated, after expenses and subject to tax, at £108,000.

In the event of American and foreign power being able to resume the payment in full of dividends on its 1st preferred stocks, consolidated gross income will increase by £110,000.

The resolutions were carried as special resolutions by the requisite majority.

At separate meetings of the preference and ordinary stockholders, the scheme of arrangement was approved.

BOOTS PURE DRUG COMPANY, LIMITED

LORD TRENT'S SPEECH

The sixty-first annual general meeting of Boots Pure Drug Company, Limited, was held on August 9th at Beeston in Nottingham. The Rt. Hon. Lord Trent, chairman, presided, and in the course of his speech said:

The past year has been a record one for sales both at home and abroad, and it has also been a record year for profits for the group. Our export business has increased by over 50 per cent. over the previous year.

The net profit of Boots Pure Drug Company, Limited, however, amounted to £627,662, against £679,428, this profit being arrived at after charging the heavy loss which was involved by at once passing on to the public the benefit of a reduction of purchase tax.

In the circumstances your directors felt that the correct thing to do was to transfer £100,000 from our stock reserve, as it was to meet this type of contingency that this reserve was created.

The outstanding event for your company during the past year was, of course, the inauguration last July of the National Health Service. This has led to a vast increase in dispensing and in the demand for drugs, so that staff in the works has had to be taken off other important work in order to keep the dispensing going. Had the staff been available to fill all our orders, our sales would have been even greater than they were.

When Ministers at the head of various Government departments reiterate so frequently their appeals or demands for a reduction of retail prices, I feel justified in reminding them that it is their own colleagues who are mainly responsible for the high costs of distribution arising from increases in the local rates, in coal prices, gas and electricity charges, transport charges, and above all purchase tax.

I referred last year to the heavy burden of work thrown upon our head office staff by alterations in the rate of purchase tax, and I must again draw attention to the labour which we have been obliged to divert from productive effort to wasteful form-filling, reprinting, and repacking to meet hastily introduced departmental orders.

EXPORTS

Our exports are now about eight times as great as before the war and account for a very considerable proportion of the sales of our manufactured products. The increased sales, coupled with the demands of the new Health Service (to which I have referred), placed our manufacturing departments under great strain, with the result that some delay occurred in the execution of certain orders.

It is to be hoped that in the critical months that lie before us some way will be found of ridding industry of the perpetual pinpricks and petty vexations that exasperate and hamper us in all our activities. So long as British industry is kept in leading strings by politicians and departmental officials we can never hope to see that great resurgence of trade which alone will extricate this old country of ours from the quagmire in which she is floundering.

I have alluded to a few of the many handicaps under which our company, in common with most other companies, is labouring. Some of them are perhaps unavoidable. Many of them could be and ought to be removed. Unless they are removed and industry recovers its freedom of movement and its right to enjoy the rewards it has earned, then we must say goodbye to the high standard of living that we have built up over many generations.

The report was adopted.

HENDERSON'S TRANSVAAL ESTATES

PROGRESS OF SOUTH AFRICAN INTERESTS

The thirty-seventh annual general meeting of this Company was held on August 4th in London.

Sir Joseph Bill, K.B.E., chairman and joint managing director, in the course of his speech, said:—The consolidated balance sheet shows a very strong financial position, while the consolidated cash resources at £271,931 also disclose a very satisfactory state of affairs. The directors recommend a dividend of 15 per cent. less income tax.

During the year under review we have completed the programme of boring on a contiguous block of farms situated to the east of Tweefontein, to which I referred last year. These farms cover an area of 16,280 acres, over which your company holds the mineral rights through its subsidiary Mineral Holdings Limited; and of the 13 boreholes put down, no fewer than eleven intersected the main seam of coal and established the existence of a very large and valuable coalfield of standard quality. It is satisfactory to know that underlying this area we possess for future exploitation a reserve of high-grade steam coal, having, on a conservative estimate, a life of over 30 years, allowing for a saleable output of 1,250,000 tons per annum.

Your company's large interest in the South African coal industry is held through our subsidiary, Tweefontein United Collieries Limited, whose net profit for the year 1948, after allowing for taxation, was £11,714 up at £122,108, dividend totalling 17½ per cent. having been paid on the ordinary share capital and 10 per cent. (maximum) on the preference share capital. The report was adopted.

BATANG CONSOLIDATED RUBBER ESTATES

THE PRICE PROBLEM

The twenty-ninth annual general meeting of the Batang Consolidated Rubber Estates, Limited, was held on August 5th, in London.

Mr E. G. Estall, the chairman, in the course of his speech, said: The crop for the year just ended totalled 1,171,000 lb. This is 79,000 lb. short mainly due to the banditry in the Jus and Kayu areas which makes it a difficult area in which to obtain the maximum yield.

The net selling price is 9.47d. per lb., as against 9.26d. for the preceding year. Irrespective of the low selling price we have made a profit of £5,894, which I think you will agree is satisfactory. The board would like to distribute a dividend but this is impracticable as the Board of Trade stipulated that an amount of just over £8,000 must be maintained in the profit and loss account before any distribution be made to shareholders.

The low price of the commodity is causing much concern as the cost of production on all estates excepting the comparatively few who have large areas replanted with high yielding material is far too close to the selling price. The problem is widespread and is of great importance to the rubber industry. In 1948 Malayan rubber earned about 200 million American dollars, the largest sum produced by the export of any sterling commodity to the United States.

America holds the key to the position as, unless a curtailment of the manufacture of synthetic is made, the financial position of the sterling area will be greatly weakened and the economic and political position become most insecure. Action is certainly needed and without delay.

The report was adopted.

WHITEHEAD IRON AND STEEL COMPANY, LIMITED

SUCCESSFUL PRIVATE ENTERPRISE

NATIONALISATION OPPOSED

MR G. H. LATHAM'S SPEECH

The forty-second annual general meeting of the Whitehead Iron and Steel Co. Limited was held on August 9th at Newport, Mon.

Mr G. H. Latham, chairman and managing director, in the course of his speech said:

The year has been an extremely difficult one; shortages of raw material and labour have affected our outputs. Nevertheless, the company has still been able to play its part in the attainment of excellent outputs, and the financial results give every ground for satisfaction. The trading profit for the year to March 31 last amounted to £651,303, an increase of £23,460 compared with the previous year. Your directors recommend a final dividend of 17½ per cent. less tax, making a total distribution for the year of 30 per cent. less tax.

The total amount distributed in dividend represents 40 per cent. of the net profit, so that 60 per cent. is retained in the business. It is clear that, but for the voluntary limitation of dividends asked for by the Chancellor, stockholders could have enjoyed a higher reward, which would have been shared also by our employees under our profit-sharing scheme.

VARIOUS ACTIVITIES

The demand for all the wire products of Whitehead Hill & Co. Limited remains in excess of our ability to supply. We now are able to operate the plant fully. At our Llandowais brickworks we are reaping full benefit from the further mechanisation of our clay pit and the new crusher plant. The bricks we are producing are of first-class quality and in great demand.

We have now completed the third stage of our development of the Westgate works of W. A. Baker & Co. Limited. We have built up a progressive reputation for quality work during the past three years which has resulted in our becoming firmly established not only in this country but overseas. Our forward order book will ensure full-time operations for a long time ahead. During the year we have concluded an agreement with one of the best known paper machinery manufacturers in the U.S.A. to manufacture all the plant they require both for sale in this country and in other sterling areas.

The main product of Godins factory is cold form sections. I still have abundant faith in the future of this factory, and I am sure it will prove a valuable asset to your company, especially having regard to the fact that its raw material is supplied by the parent company.

At Courtbyella works our total make of re-rolled steel products represents approximately 10 per cent. of those produced in the country at the present time.

In the cold rolling department the demand for our products shows no sign of recession.

RETROSPECT AND PROSPECT

The company had its origin in 1903 when the late chairman, Mr L. D. Whitehead, purchased at scrap price an old discarded mill at Tredegar. We built the old mill and commenced operations by rolling down dis-

carded wagon axles into iron bars. At that time our total employees could be counted on one pair of hands. Mr L. D. Whitehead went to the U.S.A. in 1906 and bought a duplicate of the very few continuous rolling mills then operating in the world.

We found great difficulty in raising money to finance the project because at that time public opinion was opposed to the new method of continuous rolling which was then described as "an impossible proposal." The mill started up in 1907 but our teething troubles were so great that by 1909 we had completely depleted our meagre financial resources. However, by dogged perseverance and hard work we succeeded, after three years, in getting the plant going. It is no exaggeration to say that the many continuous plants now erected all over the world have benefited from our pioneer work which was carried out in close collaboration with the Morgan Construction Co. of the U.S.A. who designed the plant and with whom we have since maintained a close co-operation.

From this very humble beginning your works has been developed into the largest unit of its kind in the country and, to the best of our knowledge and belief, in the world. I have purposely made these details known to help to disprove any suggestion of lack of initiative and enterprise on the part of the steel industry. There are many similar examples of private enterprise taking great risks to lay the foundations of what have now become the most efficient steel plants in the country.

PRODUCTION CONSCIOUS

There is little wonder, therefore, that your board is more than apprehensive at any suggestion of nationalisation which, as far as one can understand, is based upon purely political motives. It is not enough for the supporters of nationalisation to claim that change of ownership can at the worst do no harm; it can only be justified if it can be proved to do good by resulting in the industry being able to increase the production of steel and/or to decrease the cost of production.

The magnificent production figures which have been published from time to time have confirmed quite clearly that the industry is "production conscious" and the complete absence of labour troubles is proof of the harmonious relations which exist with the grand body of men the industry is proud to employ. As regards costs of production, one has only to compare our home prices with those of other countries to see how very favourably we stand. I am satisfied that the cost of production in your own company is equal to, or even lower than, the cost of any similar plant in the world. Your board is therefore unanimously opposed to nationalisation. They consider that any such proposal in these very critical days would have a devastating effect on the economy of the whole country.

A STUPID FALLACY

It has been suggested that nationalisation of the iron and steel industry would ensure full employment for its workers. I am sure it is quite unnecessary for me to say that this is a stupid fallacy which no intelligent person would accept for one moment. The steel industry has never been opposed to govern-

mental control over general policy; but this can be, and indeed has been, exercised without state ownership.

Our relations with labour have been most harmonious throughout the whole history of the company, and the past year has been no exception. Every man has worked well with that loyal team spirit which is so marked a feature throughout the steel industry. It has resulted in excellent outputs and complete freedom from labour troubles.

The report and accounts were adopted, and the recommendation to pay a final dividend of 17½ per cent. (actual) was accepted.

ASSOCIATED BRITISH PICTURE CORPORATION

SIR PHILIP WARTER'S STATEMENT

The twenty-second annual general meeting of the Associated British Picture Corporation, Limited, was held on August 4th in London, Sir Philip Warter, the chairman, presiding.

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

The trading profit of the group shown by the consolidated profit and loss account amounts for the year to March 31, 1949, to £2,038,762, compared with £2,026,110 for the previous year. This slight increase results from increased revenue from the group's cinemas after providing for production losses.

After providing for a total distribution of 20 per cent. on the ordinary stock, compared with 22½ per cent. for the previous year, requiring in all £409,750, and after transferring £100,000 to general reserve, the balance carried forward on profit and loss account is £157,620.

EXHIBITION AND PRODUCTION

The results of the group's cinemas show an improvement over the previous year, when business was adversely affected by the exceptionally fine summer of 1947. The supply of product during the year under review from both British and American sources was in the main of satisfactory quality.

A comprehensive survey of all aspects of the cost of cinema operation has been carried through during the year, as a result of which economies have been introduced which will help towards meeting the substantial increase in operating expenses.

No less than £7,376,944 entertainments duty was paid on gross takings of £19,675,739 and once again I must stress the serious position into which the industry is drifting owing to this excessive burden.

Under the Cinematograph Films Act, 1948, an Order was in operation for the second half of the financial year which provides that 45 per cent. of the first feature playing time shall be devoted to British pictures, and while every effort has been made to secure sufficient British films of suitable quality to meet this requirement the position in those cinemas which change their pro-

grammes more than once a week is becoming increasingly difficult.

It is to be hoped that the Board of Trade will find it possible to introduce amending legislation to give your corporation the same rights as the smaller circuits and independent cinemas so that we could obtain relief in those situations where we have two or more cinemas and where it is commercially impracticable to play identical programmes.

DISTRIBUTION

During the course of the year your board took the necessary steps to change the name of Pathe Pictures, Limited, to Associated British-Pathe, Limited, in order to emphasise the close relationship between the production and distribution companies. The film laboratories are now in course of reconstruction and re-equipment, involving expenditure of approximately £200,000.

While the trading results of the corporation during the current year are satisfactory, so far, the general tendency has been for costs to rise. On the other hand, short of some assistance from the Chancellor of the Exchequer on the scale of entertainments duty, net receipts cannot be expected to increase, and it must, therefore, be assumed that the trend of theatre earnings will be downwards. Much will depend on the results of the production side of our business and the box office quality of other British films we must exhibit to fulfil the requirements of the Cinematograph Films Act.

The report was adopted.

NOTICES

LANCASHIRE COUNTY COUNCIL COUNTY PLANNING DEPARTMENT

Applications are invited for the following appointments:—
HEADQUARTERS' OFFICE, PRESTON.

(a) *Sectional Planning Officer (Development)*

(A.P.T. Grade VIII)

The commencing salary will be within the range of £685 x £25-£760 per annum, according to qualifications and experience. Candidates for this appointment should possess one or more of the following or equivalent qualifications—a University Degree or Diploma in Architecture, Engineering or Surveying, A.M.T.P.I., A.M.I.C.E., A.R.I.C.S., A.M.I.Mun.E., A.R.I.B.A.

Applicants should have had considerable experience in the preparation of Development Plans under the Town and Country Planning Act, 1947, and the administration of development control. The successful candidate would be expected to supervise the work of staff on lower grades.

(b) *Sectional Planning Officers (Architecture)*

(A.P.T. Grade VIII)

The commencing salary will be within the range of £685 x £25-£700 per annum, according to qualifications and experience. Applicants should possess a University Degree in Architecture and/or be corporate members of the Royal Institute of British Architects. An additional qualification in Town and Country Planning would be an advantage.

Experience is essential in the planning of residential, industrial and central areas and the successful candidates would be expected to supervise the work of staff on lower grades.

(c) *Senior Planning Assistants (Architecture)*

(A.P.T. Grade VI)

The commencing salary will be within the range of £595-£660 per annum according to qualifications and experience.

Candidates for these appointments should possess a University Degree in Architecture and/or be corporate members of the Royal Institute of British Architects. Previous planning experience is not essential, but preference will be given to applicants who also possess a qualification in Town and Country Planning and have had experience in the preparation of detailed plans for residential, industrial and central areas.

(d) *Planning Assistants (Research)*

The commencing salary will be fixed according to experience and qualifications, the maximum not exceeding £525 per annum.

Candidates should be University Honours graduates in Economics, Agricultural Economics or Sociology. The duties attached to the appointment will include the preparation of comprehensive rural, agricultural, industrial and economic surveys and candidates should possess a genuine interest in the problems of the countryside and/or a sound knowledge of the problems of industrial location.

BLACKPOOL DIVISIONAL PLANNING OFFICE

(e) *Sectional Planning Officer (A.P.T. Grade VIII)*

The commencing salary will be within the range of £685 x £25-£760 per annum according to qualifications and experience.

Applicants for this appointment should possess one or more of the following or equivalent qualifications—a University Degree or Diploma in Architecture, Engineering or Surveying, A.M.T.P.I., A.M.I.C.E., A.R.I.C.S., A.M.I.Mun.E., A.R.I.B.A.

The successful candidate will be in charge of the Divisional Planning Office to be established in the vicinity of Kirkham and will be responsible, under the direction of the Divisional Planning Officer, for the planning work of that part of the Administrative County surrounding the County Boroughs of Blackpool and Preston.

(Continued in next column)

Experience in the preparation of Town and Country Planning Schemes and the administration of the relevant Acts and Orders is essential.

LANCASTER, BLACKPOOL, PRESTON, KIRKHAM, WIGAN AND BURY DIVISIONAL PLANNING OFFICES.

(f) *Senior Planning Assistants (A.P.T. Grade VI)*

The commencing salary will be within the range of £595-£660 per annum according to qualifications and experience.

Candidates for these appointments must possess one or more of the following or equivalent qualifications—a University Degree or Diploma in Architecture, Engineering or Surveying, A.M.T.P.I., A.M.I.C.E., A.R.I.C.S., A.M.I.Mun.E., A.R.I.B.A.

Previous planning experience is not essential, but preference will be given to persons who have had a good general experience in the preparation of Town and Country Planning Schemes and the administration of the relevant Acts and Orders.

The appointments will be subject to the Scheme of Conditions of Service of the National Joint Council and to the provisions of the Local Government Superannuation Act, 1937.

Applications stating age, qualifications, experience and present salary, together with the names and addresses of two persons to whom references may be made, should be forwarded to the County Planning Officer, County Office, Preston.

Applicants should state clearly for which appointments they wish to be considered.

R. H. ADCOCK, Clerk of the County Council.
County Office, Preston.

NEWLY-ESTABLISHED firm specialising in textile exports requires active, experienced man with thorough knowledge of foreign markets and textile trade. Only one with established markets need apply. No financial liability but good salary and profit-sharing basis.—Box 183.

ATTENTION all Executives, Young Economist and Engineer: A.M.I.E.E., M.I.R.E., M.A. (Honours Engineering); Assoc. Brit. I.R.E.; just taken final B.Sc. (Economics); full apprenticeship electricity supply industry; Squadron Leader (Tech.) at 22; widely travelled; highest references; seeking appointment where initiative, hard work essential, preferably personal assistant to high executive London area. Box 160.

OLD-ESTABLISHED, British-owned, financial and commercial weekly, published in Calcutta, will have vacancy in the autumn for un married editor's assistant with economic background, who is able to write on trade, industry and finance, preferably with some previous newspaper experience. Usual passage, etc., terms. Engagement will in first place, be on short-term basis and for trial period. Ability to write interestingly, rather than close knowledge of newspaper production, is chief requirement.—Reply, Box 167.

YOUNG MAN (23), public school education, Oxford B.A., London B.Sc. (Econ.), seeks interesting post or traineeship in business. Languages and some administrative experience.—Please write Box 161.

INTEREST 3½ per cent on Shares and 3 per cent on Deposits FREE of EIRE INCOME TAX paid or credited to account twice yearly.—Particulars from PROVIDENT BUILDING SOCIETY, 3, St. Stephen's Green, Dublin.

BOOKCASES, solid and sectional (including the 79/8 solid Mahogany case and Patana book units from 16/8). Write or call for details.—Phoenix Gallery, 38, William IV St., Chancery Place, W.C.2.

FOR SALE, "The Economist," July 19, 1947, to September 18, 1948.—J. O'Reilly, Turlough Road, Castlebar, Eire.

YOUNG lady, good personality, appearance, versatile, University education, Hon. Eng. French, desires interesting situation, willing travel.—Box 178.

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DEPARTMENT OF INDUSTRIAL ADMINISTRATION
COURSES IN WORKS MANAGEMENT AND PERSONNEL MANAGEMENT

Full-time courses in Works Management, and Personnel Management, will be held next session, extending from September 19, 1949, to May 26, 1950.

The Works Management Course will be concerned primarily with modern managerial techniques as aids to increased productivity. It is intended for persons of mature years with adequate academic qualifications, and preferably some industrial experience.

The Personnel Management Course, which is run in co-operation with the Glasgow and West of Scotland Commercial College, is intended for persons with similar qualifications who wish to specialise in this branch of management.

Further particulars may be obtained from the Secretary of the College.

UNIVERSITY OF NATAL

Applications are invited for two appointments at Durban: SENIOR LECTURER AND LECTURER IN THE DEPARTMENT OF SOCIOLOGY AND SOCIAL WORK.

Candidates should have post-graduate qualifications in Sociology and research experience.

Salary scales are:

Senior Lecturer	(men)	£600-£25-£900
	(women)	£550-£25-£725
Lecturer	(men)	£550-£25-£725
	(women)	£425-£25-£600

plus cost-of-living allowance.

Further particulars and information as to method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. Closing date for the receipt of applications is October 1, 1949.

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with limited liability).—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today, a dividend of two per cent (fifty cents per share) on the Ordinary Capital Stock in respect of the year 1949 was declared payable in Canadian funds on October 1, 1949, to shareholders of record at 3 p.m. on August 22, 1949. The Directors call the attention of the shareholders to the fact that the heavy disproportion between Railway expenses and revenues still continues and that no relief has yet been given in respect of the application for an increase in freight rates. This interim dividend is paid wholly out of other income of the Company. By order of the Board, FREDERICK BRANTLEY, Secretary. Montreal, August 8, 1949.

SALES MANAGER (Administrator) required for Motor Body Component Manufacturers, situated in Birmingham. Knowledge of motor trade not essential if applicant has sound commercial ability. Excellent salary and commission, and very good prospects. —Box 147.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1844) moderate fees payable by instalments, if desired.

Prospectus from Dept. P17, WOLSEY HALL, OXFORD

Printed in Great Britain by ST. CLAYTONS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6. —Sunday, August 13, 1949.

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OTHER NOTICES APPEAR ON PAGE 381

The Economist

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LEADING ARTICLES

After the German Elections - - - 385
Currency Unions - - - - - 387
Lost Ally - - - - - 389
The Nation's Ill-Health - - - 391

NOTES OF THE WEEK - - - 393

To Federate or Not; "Let's Pretend" in Labour Relations; Arbitration and the Railway Dispute; The End of Marshall Aid; Syria's Finances; Mr. Mintoff Tries Shock Tactics; Control of the Purse; Land Board's First Report; End of the Australian Coal Strike; Belgian Government at Last; Help for Berlin; The Hospitable Government; IATA Anniversary; "Britain in the Pillory"; The Haifa Refinery; Hongkong and Beyond; Bramuglia Steps Down.

BOOKS AND PUBLICATIONS - 401

LETTERS TO THE EDITOR - 402

AMERICAN SURVEY

Dixie Democrats - - - - - 405
Arms for the Pact Only; Whitewash for B36's?; Blackbills for Five-percenters; ICI in the Webb-Pomerene; Republican Teamster; Rail Rates Rise Again; Foundations of Charity.

THE WORLD OVERSEAS

First Week at Strasbourg - - - 410
Germans at the Polls; Ethiopia and Eritrea; Co-operative Farming in Eastern Europe—II; Perón in Trouble.

THE BUSINESS WORLD

Shipping Earnings and Costs - 416
New Regime for Sugar - - - 418

BUSINESS NOTES - - - - - 420

Fall Resumed; Easing Europe's Quotas; The Utility Price Cuts; How Much Sterling for Pakistan?; Sterling and Dollar Oil; Record Treasury Bill Tender; Higher Commercial Bill Rates; Freer Switching?; Bank of England Report; ICI's Central Bank; New Payments Pact with Western Germany; Unemployment's Low Record; Direction of Cotton Exports; Cotton Industry Faces "Adjustment"; Profitable Cement Exports; Analysing Commonwealth Coals; One-Way Trade with Argentina?; Aluminium Controversy Ended; Liquidating Wool Stocks; Shorter Notes.

COMPANY MEETINGS - - - 428

INVESTMENT STATISTICS - - 430

STATISTICAL SUMMARY - - 431

Vol. CLVII No. 5530
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3.
BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

After the German Elections

IT is now certain that the first federal government of Western Germany will be a coalition of the Right. The Christian Democrats have emerged as the largest party, though they have failed to secure an absolute majority. In order to form a government, they must, therefore, enter into a coalition with the Liberals—liberal in the continental sense, extreme Conservative in the British. The Free Democrats, Germany's "liberals," obtained 52 seats, and these, with the Christian Democrats' 139, give the bourgeois bloc a comfortable majority over the 131 seats of the Socialist Democrats, the great party of the Left—in fact, for the time being, virtually the only party of the Left. Although the Communist vote remained above a million and did not fall catastrophically compared with the showing in the earlier elections in the separate *Länder* or provinces, the Communist Party obtained no seats by "direct" vote—even their leader, Max Reimann, was defeated—and only fifteen seats by the indirect form of proportional representation by which 40 per cent of the seats were allotted.

The Christian Democrats and their colleagues do not, however, have to think only of the Socialist opposition. Christians and Liberals together command only 191 out of the Bundestag's 402 seats, and to their right a number of small parties and a group of Independents have between them collected two to three million votes and close on 80 seats. By voting against a coalition of the Moderate Right, they could upset it, and it may be necessary to secure the support of these men by admitting one or two representatives into the Cabinet. Such a move will tend to shift the centre of gravity of the Coalition further to the right, since the smaller parties—the German Party and the German Right Party—are fanatically nationalist. The Bavarian Party is no exception to this save that its nationalism takes the form of separatist pan-Bavarianism.

The only alternative to a government of this kind would be a coalition of Christian Democrats and Social Democrats. Some outside observers, remembering the moderate and effective administration provided by such a team under Dr. Arnold's leadership in North-Rhine Westphalia, have hoped for such an outcome in federal politics, but there appears to be no prospect of it. The Christian Democrat leader, Dr. Adenauer, and the Socialist leader, Dr. Schumacher, have outdone each other in bitter abuse during their electoral contest. The strong support given by the Churches to the Christian Democrats has roused the traditional anti-clerical feeling of the Social Democrats; above all, the two parties have so few issues on which they agree at present that a government based upon their co-operation would be a stalemate, not an administration. But this inability of the Christians and the Socialists to agree may be no bad thing for the development of healthy politics in Germany. The existence of a large democratic and constitutional party in opposition makes it impossible for the Communists to exploit all the difficulties and grievances which are bound to arise as economic conditions grow

less favourable; it also leaves the German people with a constitutional alternative, should the peculiarly naïve brand of *laissez faire* professed by the Right in Germany fail to provide the answer for the country's phenomenal problems of economic readjustment.

The real temper of both government and opposition cannot be fairly tested until both are at work at Bonn, but one fact does emerge clearly from the elections. The Germans took them seriously. Urged by the Communists to show their indifference by abstention, they achieved practically an 80 per cent poll and gave the lie to the Communist contention that they see in the coming into being of a government in western Germany the chief obstacle in the way of German unity. The size of the vote shows that most Germans would rather run their own affairs in two-thirds of Germany than have them run for them in a reunited Reich. The Bonn Government will therefore start work with the solid support of the great mass of Germans if not for all its policies, at least for its existence.

This fact may create new problems for the occupying powers. It is certain that the claims of the Federal Government to increased powers and a more unfettered use of those the Germans now enjoy will grow steadily. Already in the course of the elections promises were made—on food supplies, on taxation, on capital on loans—which are not at the moment within the competence of the German authorities to decide. They will soon wish to do so. Moreover, the existence of a large organised opposition is bound to increase the pressure for greater freedom of action. Dismantling provides an outstanding example. The Socialists made it a central theme in their electoral propaganda. It will be one of the first issues upon which they will urge the government to take action. The government, with public opinion solidly opposed to dismantling, can remain passive only at the risk of losing future votes. Whether it wishes to or no, it will be compelled to press for a drastic reduction of the dismantling programme. In point of fact, since the right wing parties are more nationalist than the Social Democrats, the government is almost certain to take up the question on its own initiative without waiting for the gibes and prods of the opposition. The Allies have, in fact, to realise that the experiment of government which they have initiated in Bonn will now run further and further beyond their control. They will not be able to put constant restraint on anything as dynamic as the determination of an historic European nation to run its own affairs. They have a few months in which to make up their minds what their attitude will be. After that, events will decide their policy for them.

Their immediate reaction may well be a desire to clamp down still further controls on the Germans. The electoral campaign can have given little comfort to genuine demo-

crats anywhere. It was conducted on all sides in an atmosphere of hysteria. All the most unpleasant characteristics of a not very attractive people came to the surface. Germany's repellent record in the international affairs of the last seventy years was forgotten. History began in 1945 and everything was the fault of the occupying powers. All parties, including the solid democratic parties, outdid each other in abuse of the Allies and at times the voices of Dr Adenauer, of Dr Schumacher and of General Loh, who helped Hitler to crush the 1944 revolt, were indistinguishable. If this is the mood behind German politics, can it be wise to transfer more power to a German government? On the contrary, does not the electoral campaign prove that more vigilance, not less, is necessary?

In fact, however, the German government of the Allies' dream—modest, grateful and accommodating—does not

exist and never will. As the memory of defeat fades, each successive German government is likely to become more unmanageable. What the western powers have to remember today is that the present situation in Germany, in which the two largest parties on the Right and the Left are constitutional and democratic parties, is the best political situation they are ever likely to obtain. The transfer of power is not made to these men, the men who come afterwards are likely to be even more unworthy to receive it. The pressure on the Bonn Government will be tremendous. The grievance of the Oder-Neisse line and the presence of the refugees will be quite enough to keep national-

ism in a state of exacerbated fury. If the present administration cannot point to a real attainment of national sovereignty and a real achievement of European status, the nationalist tide may sweep it away to bring in the Remers and the Strassers and the Lörzies in its place. Economic difficulties will, at the other extreme, provide the Communists with admirable weapons of disintegration. Once again, the government will be able to maintain its prestige only if it can point to solid gains, both economic and political, in its relations with the western world.

In a word, the only safe policy for the western powers to pursue at this point is to accept the Bonn Government into their own community and to abolish all save the final essential controls on military rearmament. There are no safe halfway houses in the treatment of a defeated enemy between complete repression and complete equality. In setting up the Bonn Government the Allies have rejected the former; they have no option but to press on with the alternative. The Occupation Statute should be drastically revised, and its functions virtually restricted to the oversight of German civil liberties. Economic controls—that is to say, those im-

ELECTIONS IN WESTERN GERMANY, 1949						
Parties	Seats			Votes		
	Total	Direct	By P.R.	Total	Percentage, 1949	Percentage of Land Elections, 1946-48
Extreme Right:						
German Party	17	5	12	940,088	3.8	2.5
German Right Party	5	0	5	428,449	1.8	0.4
Economic Reconstruction (WAV)	12	0	12	681,981	2.8	1.3
Independents*	3	0	3	1,134,466	4.6	...
Moderate Right:						
Free Democrats	52	12	40	2,788,653	11.4	9.4
Christian Democrats	139	115	24	7,357,579	30.1	37.7
Centre Party	10	0	10	727,343	3.0	3.5
Social Democrats	131	96	35	6,932,272	28.3	35.0
Communists	15	0	15	1,360,443	5.6	9.4
Separatists:						
Bavarian Party	17	11	6	986,606	4.0	...
South Schleswig Assn.	1	0	1	75,387	0.3	...

* Many varieties, mainly Right-wing.

posed by the occupying powers—should be completely removed and western Germany brought fully into the Organisation for European Economic Co-operation; the restraints on its economic freedom of action should be no greater than those imposed by the ECA on other countries receiving American aid. The task of the Military Security Board should be reduced to preventing the production in Germany of certain vital end products—tanks, guns, atomic energy—without which war cannot be waged. For the rest, all limits on German production should be removed and all save military dismantling programme ended. The German members of the Ruhr Authority should be invited to take office at once and the attempt should then be made to turn the body into an instrument of European economic reconstruction. The Free Democrats are already, in the name of free enterprise, calling for international cartels. The Ruhr Authority might be extended to other countries and made an instrument of international capital planning and expansion instead. Lastly, the Bonn Government should, as Mr Churchill has suggested at Strasbourg, be brought without delay into the Council and Assembly of Europe.

Such a programme, carried through with energy and

vision, might give the new government the backing and prestige it desperately needs to check the ominous increase in nationalist hysteria, to counter the grave economic problems that lie ahead and to hold in check Communist propaganda for the reunion of Germany on Russia's terms. The concessions outlined above will in fact in the long run be made, simply because the western powers have neither the will power nor the desire to sit on the Germans' heads for ever. But the danger is that they will be made slowly and grudgingly, wrung from the occupying powers by increasing onslaughts of nationalist fury, each concession whetting the German appetite for more and convincing it of the invincibility of force in politics. The German government elected last Sunday may be the only government to which it is safe to make any concessions at all, and since they will in any case be made, they should be made at once. Only in this way can German democracy receive the flying start it needs in order to establish itself. Without it, the history of the interwar years may well be repeated in ten years' time. The privileges and powers the Allies do not concede to the Bonn regime may be snatched from them by an aggressive and resurgent Reich.

Currency Unions

THE idea of currency unions is very much in the air. Reports from Strasbourg suggest that there is more talk in the *coulours* there of a European currency union than of a European federation or customs union. Mr Bevin, in his speech in the debate on economic affairs before the House of Commons rose for the recess, applied the same idea, with all his usual vagueness, to the relations between the pound and the dollar. There have been answering voices from Washington—though not from official sources—and the *Wall Street Journal* has openly advocated a "financial union" between Britain and America.

It is, indeed, a very sensible idea, one of those obviously sensible ideas that appeal irresistibly to the ordinary man. Currency difficulties lie at the centre of every economic problem today. And not of economic problems alone, for how can the idea of political unity in western Europe hope to make progress if unofficial Europeans cannot even go calling on each other, except within the limit of an allowance of currency which barely suffices for a short holiday? If so much in commerce and in other forms of intercourse, which would otherwise be perfectly possible, is held up simply by the difficulty encountered in changing one currency into another, surely it is obvious common sense to sweep all these national currencies away and simply have one international currency to serve the whole world.

The purpose of this article is neither to advocate nor to oppose the creation of currency unions, but simply to examine and explain what would be involved in any such proposal. First, perhaps, it is necessary to be quite clear about what is meant. Obviously, any proposal that would leave the different national currencies in separate existence and confine itself to suggesting that they should be freely convertible into each other would be impracticable. The whole present difficulty arises from the fact that sterling cannot be converted into dollars; and it would do nothing to solve the difficulty merely to act as if it did not exist. The only sort of currency union that is worth examining is a complete one, in which two or more countries agree to use identically the same currency. The pieces of paper handed over the counters of shops would be the same in both (or all) countries, and could be carried as freely from one country to the other as Bank of England notes can be carried from London to Edinburgh. Any lesser proposal simply "solves" the problem of convertibility by resurrecting it in a slightly different form. If "currency union" is to make any contribution at all, it will have to sweep away the whole question of convertibility by removing the possibility or necessity of conversion—that is, by using the same form of money in all the participating countries.

To sharpen the argument, it will be assumed in this article

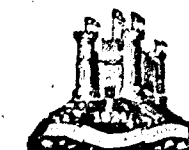
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that what is proposed is a currency union between the United Kingdom and the United States, using the dollar. On January 1, 1950, all Bank of England sterling notes would be replaced by dollar notes at some fixed rate of conversion. All bank accounts would simultaneously be translated from pounds shillings and pence into dollars and cents and subsidiary coins would similarly be exchanged. Thereafter, dollars would be used for all purposes in the United Kingdom exactly as they are used in the United States and no problems of exchange or conversion could arise. It makes no difference to the argument whether the dollar currency would be issued, after the union, by the United States authorities or by some joint or international authority. The crucial point is that it would be issued by a body over which the British Government, and British law, did not exercise unquestioned control.

The question for examination is what would be the consequences of such an operation.

Certain technical difficulties would arise at once in the money market. The reason why British Government securities are gilt-edged in the London Money Market is because no doubt whatever exists about the ability of the British Government to pay them off at their due dates in sterling currency, having the privilege of legal tender. Everybody knows that, if the Government cannot possess itself of sterling by any other means, it can arrange for the creation of the necessary credit. And the banking system would acquiesce in the creation of the credit because it knows that the Government can, and would, provide it with enough legal tender currency to enable it to discharge any obligations that might fall upon it as a result of the creation of credit. A currency may rise or fall in real value, but the essential thing for all domestic, commercial and financial transactions is that it should suffice to meet the legal obligations of those who hold it. Experience shows that a currency possessing this privilege of legal tender has to become quite fantastically unstable in real value (that is, in purchasing power) before it begins to be unacceptable to the general public.

What would happen if the British Government suddenly lost the power to create legal tender currency, if that power were transferred to some other government or to an international body? One of the first effects would be that British Government securities would become much more risky investments. Their redemption on maturity could no longer be regarded as a certainty; it would depend on whether the

British Government, at that time, could possess itself of a sufficient number of dollars, which would obviously be a very much less certain proposition. It is true that the incomes of the inhabitants of Great Britain would also be dollar incomes, and that the tax revenue of the British Government would therefore be dollar income. But this raises the further question of how the British people would earn their dollar incomes, to which we must turn in a moment. The immediate point is that Britain's membership of a currency union would remove from the British Government the power to create money either for the payment of its internal debts or for any other purpose. Some people would argue that this might be all for the good. It is a historical fact that most of the political liberties of western

Europe were wrung from the sovereigns of past centuries precisely because they could not create money (which then consisted entirely of gold and silver), and it may be that the power of creating money is too great to be entrusted to any government. And on the economic side, there are those who hold that the deliberate interventions of governments in monetary matters have done more harm than good, and that it would be better if currency and credit were beyond the reach of politicians. These arguments are tenable; but they are certainly not either popular or fashionable. A government that lost its financial sovereignty would be reduced, in matters of high economic policy, to the position of a local authority. Among other things, it would be unable to go to war (by itself, at least), for every war

involves the massive creation of credit. It would also be unable to pursue a full employment policy, as those words are understood nowadays. That, and any other policy involving the use of the credit-creating power, would necessarily have to be left to the political authority that effectively controlled the issue of the legal tender currency. It is no part of the task of this article to argue whether such a surrender of economic policy-making power would be good or bad, but only to insist that it would be an inevitable consequence of any currency union.

We still have not, however, reached the heart of the matter. Why is there a balance-of-payments problem between the United Kingdom and the United States? Because, although Britain has reduced its imports from, and encouraged its exports to, the United States as much as it can, the British people still manage to sell less to the United States, directly

"Wait—Let's Start From The Beginning—If You Have Four Apples—"



Herblock in the Washington Post

or indirectly, than they buy from the United States. If the present impediments to the conversion of pounds into dollars were removed (there are no impediments to the conversion of dollars into pounds) the deficit would be very much larger. If the currency union were accompanied by a customs union, the deficit would be larger still, since the American tariff, high though it is, does not limit British sales to America nearly as much as the British trade restrictions limit American sales to Britain. And if there were freedom of capital movements, the deficit would be still further enlarged.

The immediate effect of a currency union would, therefore, be greatly to increase Britain's deficit in its trading relations with America. The deficit would no longer present itself in the guise of a shortage of dollars for conversion into pounds, for all accounts would be in dollars. But that does not mean that it would not present itself at all. Balances of payments are usually compiled for whole nations treated as units. But every town or county has its balance of payments in the sense that the people who live there must somehow contrive to have as much money coming in from the outside world as they pay out. If the inhabitants of Edinburgh were consistently to pay out to the whole of the rest of the country more than they take in, there would be a steady flow of currency out of Edinburgh and a steady transfer of credit from bank accounts in Edinburgh to bank accounts elsewhere. This is what would happen if the United Kingdom were to enter into a currency union with the United States while still remaining in commercial deficit. The dollars originally provided in exchange for the sterling currency that was withdrawn from circulation would steadily drain away to the United States, and there would be a similar steady transfer of bank credit from banks in Great Britain to banks in the United States.

*

In short, the immediate effect of a currency union would be to impose on the British people a very sharp deflation of the classical type, due to a rapid fall in the quantity of currency and credit in circulation. Moreover, as has already been explained, the British Government would be unable to take any remedial action. Indeed, since it would itself be experiencing a sharp fall in its receipts from taxation, it would be compelled to intensify the deflation. The whole of the United Kingdom would become a depressed area, dependent on such charitable assistance as might be forthcoming from

the more prosperous parts of the currency union, until such time as, by reducing its wage rates and other costs of production or by lowering its standard of living, it once again earned as much as it spent.

It may be, once again, that such draconian methods of restoring the British balance of payments to a healthy condition would turn out, in the long run, to be the best, that a sudden sharp forced adjustment would be better than chronic crisis. But it is not a remedy that is often advocated in public, and those who support currency unions ought to be made aware of exactly what it is they are proposing.

It may be asked why, if the effects of a currency union between two nations would be so startling, they are not more perceptible as between two parts of a nation. Why, for example, is it that the southern states of the American Union do not suffer from a steady drain of currency? The answer is that they have never been allowed to get nearly as far out of alignment with the rest of the country. As soon as a deficit in the balance of payments arises, it is reflected at once in the personal finances of individuals, who are compelled to work harder or to emigrate. Moreover, since the southern states form one taxing unit with the rest of the American republic, they can receive large hidden subventions through the ordinary means of paying less taxes and receiving more benefits of one kind and another.

The moral of this discussion is not that currency unions are bad things. On the contrary, like all other forms of human unity, they are highly desirable. It would be wonderful (once the initial adjustments were made) to have free movement of money across the Atlantic. The moral is the old familiar one that there is no magic in monetary arrangements. So long as the commercial accounts between Britain and America are not balanced, the institution of a currency union would not solve the problem but would rather precipitate it in an aggravated form. It would create a situation in which either Britain would have to endure the sharpest deflation the world has ever seen, or else that the United States would have to provide subsidies far larger than the Marshall Plan.

As the Belgians and the Dutch are discovering, it is not schemes of union that create economic balance, but the attainment of economic balance that alone makes schemes of union—either of currency union or of customs union—feasible. There are no short cuts.

Lost Ally

IN announcing the publication of the White Paper on United States relations with China,* released on August 5, President Truman declared that his primary purpose in having "this frank and factual record" given to the American people was "to ensure that our policy towards China and the Far East as a whole shall be based on informed and intelligent public opinion." The report, which is intended to clear the mind of the man in Main Street, consists of 1054 pages, most of them in small print, and although interest in international affairs is undoubtedly widespread in America, it may be doubted whether many citizens will honestly read such a tome through to the end. For most Americans, indeed, it will probably be Mr. Acheson's covering letter which will be noted, and the rest will be taken as read. The White Paper, nevertheless, repays study, and not only for Americans, since it throws a vivid light on the process of

* United States Relations with China, with Special Reference to the Period 1944-1949. Department of State Publication 3573. Far Eastern Series 30.

events whereby the nation which was in some respects America's favourite wartime ally has been transformed, except for a surviving remnant, into an active enemy.

For two or three years after Pearl Harbour, American official circles accepted a picture of China as a postwar Great Power and main factor of stability in the Far East. It was expected that, after the common victory over Japan, China, with American support, would become strong enough to ward off any future Japanese aggression, and would further, with appropriations of Japanese industrial plant from Manchuria and from Japan itself as reparations, supplemented by American capital goods, replace Japan as the leading industrial nation of Asia. This rôle of China was not intended to be a threat to Russia, though it implied that in future China would be able to hold its own against its mighty northern neighbour no less than against Japan and thus keep a Far Eastern balance of power. So anxious was the United States to avoid any provocation of Russia by the building up of China that Washington was ready to regard Manchuria as

a Russian sphere of influence and to restore to Russia the position there, incompatible with China's full sovereignty, which Tsardom had held in 1904. The White Paper justifies the notorious secret treaty of Yalta on the ground of military necessity; it was Russia's "price" for the entry into the Pacific war, which turned out to be superfluous, but which President Roosevelt's military advisers at the time considered highly desirable. But even without these war-winning calculations, the American purpose was to satisfy, as far as possible, Russia's security requirements, and America's willingness to extort from China a new cession of Port Arthur to Russia was at least a proof that American policy in China at that time was not anti-Russian.

★

Nor, indeed, was it even anti-Communist. While the Pacific war was still going on, the United States made strenuous efforts through its Ambassador in Chungking to reconcile the Kuomintang and the Communists so that they could combine their forces effectively against the Japanese. After the war was over, there was the mediatory mission of General Marshall. In these attempts at a settlement American policy aimed at Chinese national unity and avoidance of civil war, and considerable pressure was put on the Chinese Government to compromise with the Communists. As Mr Acheson puts it:

Both internal peace and constitutional development required that the progress should be rapid from one-party government with a large opposition party in armed rebellion, to the participation of all parties . . . in a truly national system of government.

Far from trying to perpetuate Kuomintang "tutelage" in China, and to eliminate the Communists, the Americans sought to create a political democracy inclusive of the Communists. What they failed to realise was that both the two contending parties in fact aimed at dictatorial power: neither had any real attachment to the concept of parliamentary democracy, of which China had never had any experience or tradition. The American attempts at mediation were foredoomed to failure, and their only result was to help the Communists by putting America into the public role of meddler in Chinese internal affairs. The Nationalists strongly resented the American pressure to make them come to terms with the Communists; they claimed that the Communists had no desire for a settlement except on their own terms and that they merely used the truce period for the purpose of building up their strength.

If the Americans had put into the task of reforming the Chinese Government's civil and military administration a fraction of the energy and resolution that they employed in trying to hold it back from fighting the Communists, the course of events in China might have been very different. But while more than willing to assume responsibility for composing an irreconcilable feud in a foreign country, the United States Government shied away from such interference as might have ensured the application of its economic aid to the purposes for which it was intended.

The explanation of this paradox is to be found in the basic American attitude towards China. The Americans did not want to be involved in a civil war at all; they wanted to help a unified China. In the instructions given to General Marshall in December, 1945, President Truman authorised him to do all he could to bring about the "unification of China by peaceful, democratic methods" and to impress upon all Chinese political leaders that a China "disunited and torn by civil strife" would not be a proper beneficiary of American aid. It was only when mediation finally broke

down that American policy fell back on support of the Chinese Government in warfare against the Communists as a *pis aller*, and the reluctance with which help was given precluded the measures which might have made it effective. The Americans were well aware of the defects of the Kuomintang regime. But this knowledge did not cause them to make their aid conditional on reforms; on the contrary, their fear of being too closely identified with one side in the civil war led them to hand out money and supplies virtually without conditions and to aggravate, instead of curbing, the evils of which they complained.

The Americans gave plenty of good advice, both in the military and economic fields, but it was constantly ignored by President Chiang Kai-shek and his army leaders, and was never imposed upon them because the American Government never made the continuation of assistance definitely dependent on certain decisions being taken. One of the most interesting documents in the White Paper is the report on the military campaigns by General Barr of the United States Advisory Group in China; it leaves no doubt but that acceptance of American advice would have saved the Nationalists from their more serious blunders in strategy and operational planning. But General Barr was only allowed to give advice on "an informal and confidential basis" and was informed in a directive from Mr Marshall as Secretary of State in November, 1947:—

I am, however, not willing that we should accept responsibility for Chinese strategic plans and operations. I think you will agree that implications of our accepting that responsibility would be very far-reaching and grave and that such responsibility is in logic inseparable from authority to make it effective.

As the American Government feared such responsibility, it reduced itself to the role of pouring hundreds of millions of dollars into China while remaining a helpless spectator of the uses to which its aid was put. No Robert Hart, not even a Ward or Gordon, figured in this vast benefaction, which, despite the will to non-involvement, could not be regarded by the Chinese or by the world at large as other than a major political intervention. Any assumption of controlling powers by Americans in China would no doubt have been irritating to Chinese patriotic sentiment, but it would, if plainly directed to measures of reform, have been less unpopular in the long run than aid which merely bolstered up the power, and lined the purses, of a corrupt ruling clique.

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The Kuomintang since VJ Day has remained essentially such as it had become by the summer of 1944, when an American Foreign Service observer thus described the situation:

China faces economic collapse. This is causing disintegration of the army and the government's administrative apparatus. . . . The governmental and military structure is being permeated and demoralised from top to bottom by corruption, unprecedented in scale and openness. The intellectual and salaried classes, who have suffered the most heavily from inflation, are in danger of liquidation. . . . Peasant resentment of the abuses of conscription, tax collection and other arbitrary impositions has been widespread and is growing. . . . Economically, the Kuomintang rests on the narrow base of the rural gentry-landlords and militarists, the higher ranks of the government bureaucracy, and merchant bankers having intimate connections with the government bureaucrats. This base has actually contracted during the war. The Kuomintang no longer commands, as it once did, the unequivocal support of China's industrialists, who, as a group have been much weakened economically, and hence politically, by the Japanese seizure of the coastal cities.

Such a regime, emerging from eight years of devastating war against a foreign invader, could not, without drastic renovation, prevail over the dynamic revolutionary vigour and fanatical faith of the Communists. Amid the economic and social ruins left by the ebb of the Japanese tidal wave, the Communists snatched from the Kuomintang the initiative both in strategy and political leadership. Already in 1944 an American junior diplomat in China was predicting a Communist victory and advising that

we must limit our involvement with the Kuomintang and must commence some co-operation with the Communists, the force destined to control China, in an effort to influence them further into an independent position friendly to the United States.

Had the Chinese Communists, indeed, been merely Chinese revolutionaries without any fixed international alignments, Washington would not merely have accepted, but might even have welcomed, their rise to power. But the lines of division in China had been too sharply drawn since the Kuomintang-Communist collaboration and subsequent split in 1925-27, so that the only alternative to Kuomintang rule was a leadership thoroughly indoctrinated with Marxism-Leninism, and therefore ideologically committed to the theory of the basic world-wide conflict of imperialist and anti-imperialist camps.

At the end of 1945, when General Marshall was sent to China, there was still a lingering faith in Russia's desire to co-operate with the West in a postwar settlement; there was

also much talk, encouraged by the Communists themselves, about the Chinese Communists being merely agrarian democrats, quite different from the Russian comrades. But by 1947, with the bloc of Soviet satellites in Eastern Europe openly organised in blatant hostility to the United States, Washington found no good ground for assurance that the triumph of Communism in China would have a contrary result. The rebellion of Tito indeed renewed the hopes of those who advocated a switching of American policy from propping up Chiang to seducing Mao. But it was only too evident that Tito's outlawry had been due neither to the skill of western diplomacy nor to Tito's wish to break away from the Soviet bloc, but to a Russian heavy-handedness which it could not be assumed would be repeated in China. In any case the Chinese Communists have so far done everything possible to assert their solidarity with the Cominform against Tito.

The dilemma for American policy remains. No "third force" has emerged in China, the Kuomintang has shown no sign of recovery—though it may still have a considerable nuisance value—and the Communists have shown no sign of backsliding from their dogmatic anti-Americanism. The choice is between supporting last-ditch resistance to the Communists in the hope of preventing the consolidation of their power, and coming to terms with them in the hope of mitigating their hostility. Neither course offers any encouraging prospect in present circumstances. For the time being the United States has to write off China as an ally.

The Nation's Ill-Health

THE nation's health, according to all official reports, is better than it has ever been; yet at the Royal Ordnance Factories absence because of sickness has risen phenomenally in the last twelve months, and in some cases is four to five times higher. For once, nobody is mincing words about this rise in absenteeism; it is put down, quite bluntly, to the introduction a year ago of a sick pay scheme whereby, for the first three months of their illness, the employees have made up to them the difference between their national insurance benefits and their basic wages. It is quite refreshing that nobody is pretending that there is no connection between the two—indeed, Mr Jack Jones, Parliamentary Secretary to the Ministry of Supply, has gone so far as to talk of malingering.

This is not the first time that a rise in sickness absence since the introduction of social security on July 5, 1948, has caused concern. The Ministry of Fuel and Power's weekly statistics show that "involuntary absenteeism" among mine-workers has been on a consistently higher level this year than in the corresponding period of 1948. The fact that voluntary absenteeism in the last week or two has regained its former lead over involuntary absenteeism only means that total absenteeism is higher than ever. What is certain is that since the introduction of higher sickness benefits on July 5, 1948, sickness absence has risen—not so phenomenally as in the Royal Ordnance Factories, simply because the miners are not so fortunate as to be given sick pay as well.

There should be nothing surprising about a rise in sickness absenteeism since July 5th last year. The Government Actuary based his estimate of the cost of social security on the likelihood of a rise of 12½ per cent in sickness rates over those that formed the basis of the former national health insurance scheme. But although the rise, if it does not

exceed 12½ per cent on the average, will consequently throw no unexpected strain on the social security budget, it may well have very serious effects on the national economy, for it is often accompanied, as in the coal mines, by a fall in productivity among those who remain at work. At a time when national recovery depends on a reduction in costs, in other words primarily on a rise in output per £ paid out in labour costs, a rise in sickness absence, which increases costs, cannot be regarded with equanimity.

It ought to be pointed out, however, that there is a long-term factor which adversely affects sickness rates, and that is the ageing of the population. The Chief Medical Officer of the General Post Office has attributed the high sickness rate among postmen since the war, as compared with before the war, to their much higher average age. Similarly, in the Metropolitan Police Force where the sickness rate was 4.45 per cent in 1948, compared with 2.66 per cent in 1938, the rise is attributed to the increase in the average age of the force and to the big increase in the number of men aged over 40. An ageing population is almost inevitably bound to have a rising sickness rate. What one must hope for is that it will be offset by a fall in voluntary absenteeism because of the greater conscientiousness and sense of responsibility which employers tend to find among their older workers.

Such statistics as exist do not show that over the country as a whole there has been an appreciable increase in sickness rates that can be solely ascribed to the introduction of social security. The survey of sickness carried out by the Social Survey each calendar month has now been published for the period covering the first six months of the social security scheme. The number of people who reported having been ill in the latter part of last year was virtually the same as in each of the two previous years, nor was there any

significant change in the prevalence of illness, that is, in the number of illnesses and injuries suffered per hundred persons interviewed. On the other hand, the monthly incapacity rates, that is, the number of days away from work on account of illness or, for those who do not work, the number of days they are confined to home (per hundred persons interviewed), do show a rise for all adults in the last two quarters of 1948 compared with 1947. But it is important to realise, as is clear from the accompanying table, that much of it is accounted for by the retired section of the population. The men of working age showed a much smaller rise, and compared with 1946 their incapacity rate was actually lower.

MONTHLY INCAPACITY RATES

	Ages				
	16-64		65+		All Persons
	Males	Females	Males	Females	
1946 :— Oct.-Dec.	114	86	132	122	102
1947 :— July-Sept. Oct.-Dec.	67 97	54 84	92 165	103 163	65 100
1948 :— July-Sept. Oct.-Dec.	78 100	68 105	102 183	184 344	84 126
1948 as per cent of 1947 :— July-Sept. Oct.-Dec.	116 103	126 125	111 111	179 211	129 126
1948 as per cent of 1946 :— Oct.-Dec.	88	122	139	282	124

These figures do not provide any evidence of a general decline in national morale or deterioration in stamina. There is no reason to believe that people as a whole are behaving irresponsibly and taking days off work for reasons of ill-health too easily. But even if only a small minority behaves like that—as the story of the Royal Ordnance Factories leads one to believe is the case—it may have much greater repercussions than appears in statistics of sickness rates, first, because of the effect on the productivity of those that remain at work and, secondly, because it may become infectious.

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It is as well to distinguish between different forms of what can perhaps be called "benefititis." Malingering—that is, the deliberate feigning of symptoms—is very rare, and, in spite of Mr Jack Jones's accusations, the number who can obtain medical certificates to back them up is rarer still. Scrimshanking—that is, the deliberate exaggeration of a definite symptom such as a headache or a cough or "my catarrh, doctor"—is much more common, and it probably accounts for most of the trouble at the Royal Ordnance Factories. Scrimshanking, however, may shade off—the boundary line is not clear—into the unconscious or only partly conscious exaggeration and prolongation of symptoms because of the sickness benefits or sick pay the person is receiving while he

has them. Obviously, if a man has only his sickness benefit of 26s. a week to support him, he is not likely to prolong his symptoms indefinitely. But take a man who has contracted dermatitis from his work and is consequently drawing workmen's compensation of, say, 35s. a week plus national insurance of 26s. plus an allowance for his dependants. Is there not every incentive for him to remain at home and look after the house while his wife goes out and by part-time work earns enough to keep the family income at what it was, through much greater effort, before he became ill? How can his dermatitis possibly get better in those circumstances?

It is true that workmen's compensation cases will gradually disappear. Since July 5, 1948, workers contracting an injury or disease arising out of their employment are paid disablement benefit after 26 weeks which, as under the war pensions scheme, is paid whether he is subsequently able to resume his work or not. The concealed fear—"if I go back to work I lose my pension"—will thus be eliminated. Moreover, the rate of disablement benefit, again like war pensions, is based on the degree of disablement, which is assessed by a medical board and is subject to review from time to time. The board thus has a chance gradually to reduce the assessment of disability from, say, 100 per cent to 20 per cent with a corresponding increase in the incentive to return to work.

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It is not, however, the prolongation of illness over a long period that is so potentially a menace as scrimshanking for odd periods of a week or so. Wages are high enough and the rate of sickness benefit is high enough for most workers to be able to do this without suffering much financial loss even when they do not have their pay made up to them. But what makes some men act like this and not others is as mysterious as what makes some workers strike and not others. After all, the Civil Service, banks, insurance companies and the Post Office, as well as many private employers, have for years had schemes of full pay for sickness, and unlike the workers in the Royal Ordnance Factories, their employees have not—apparently—taken advantage of it. Loosely, the determining factor may be called morale, but the Chief Medical Officer of the Post Office described it more fully a year ago in the monthly bulletin of the Ministry of Health:

If a man is happy at a job, has a team spirit with his mates, a good sense of service to his department and the community, he works off many of his ailments and is usually none the worse for it in health or happiness. On the other hand, if he loathes the sight of a dingy office; doesn't get on with his mates; hates his overseer's face; misguidedly lacks a sense of service to his department and the community, or just can't adjust himself to the essential disciplines in a public service, he escapes into sick absence at the slightest provocation.

Workers in the Royal Ordnance Factories evidently belong to this second category. So do groups of workers in other industries. There is not the slightest reason to think that their numbers are increasing, but what has happened is that the higher insurance benefits have given them the chance to show themselves. It is far less easy, however, to think of a cure than to state the diagnosis. Stricter medical certification would obviously help; but it is not easy to enforce, for a patient, refused a certificate, can change his doctor at will. Pep talks by Parliamentary Secretaries are not likely to have much effect. The only effective means of restraining people from escaping into sick absence is through their pockets, but this cannot be done without causing hardship in genuine cases. In short, the scrimshanker is merely one more burden that the welfare state has to carry along with it.

NOTES OF THE WEEK

To Federate or Not

The first debates at Strasbourg have thrown light on the political mood of western Europe and it is remarkably uniform, from country to country and from party to party. Most delegates are aware that the scale of organisation and scope for action offered by purely national government are no longer adequate to meet the economic and strategic problems of postwar Europe. Most are conscious of the need for pooling some of their activities. Most feel that the old cultural and moral unity of Europe offers a possible political framework within which common ends can be realised. But after that all is confusion. As an article from Strasbourg on page 410 points out, the divisions in method—between planners and anti-planners, between federalists and functionalists—are acute. However widespread the feeling that progress towards unity should be made, a similar unanimity on method is noticeably absent.

Nevertheless, the three chief British delegates, Mr Morrison, Mr Churchill and Lord Layton may, in their first speeches in the debate on "necessary changes in the political structure of Europe," have laid the foundations of a common approach. Each of them, in speeches which were otherwise diverse enough, put their emphasis upon a cautious advance towards greater union, and each warned the Assembly against the danger of believing that an unrepresentative body such as theirs could supersede national parliaments. "We must not," said Mr Churchill, "on our present electoral basis attempt to challenge the powers belonging to duly constituted national parliaments founded on universal suffrage." What, then, could be done? The three delegates put forward various suggestions—that where agreement could be secured in the Assembly, specific proposals should be referred back to national governments, that all kinds of functional co-operation should be examined and recommended and—which is probably at this stage the most important proposal—that a committee should examine the various possibilities of European federation or union, and report back to the Assembly on what each policy would entail. The truth is that a majority of the delegates want "unity," yet an equal majority are not prepared to consider unequivocal sacrifices of sovereignty. It should be the task of the committee to compel the Assembly to look the real decisions in the face. Only then can anything more decisive than sentiment and enthusiasm—both evanescent—emerge from its debates.

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"Let's Pretend" in Labour Relations

Two, at least, of the current unresolved industrial disputes draw attention to the anomalous way in which the National Arbitration Order clings to life. It is sheer pretence for the Ministry of Labour to go on claiming that the Order, made under the Defence Regulations to meet the special circumstances of 1940, has much bearing on industrial relations today. The Order makes strikes illegal, and purports to enforce the acceptance of compulsory arbitration as an alternative. But arbitration really becomes meaningless unless there is genuine readiness to abide by its findings, and such goodwill is essentially voluntary; it cannot be imposed. The National Union of Railwaymen obeyed the letter of the law by "accepting" the findings of an arbitration tribunal on its original claim for a flat-rate wage increase of 12s. 6d. a week, but showed complete contempt for its spirit by instantly submitting a new claim rather larger than the one it had just failed to establish. The colliery winders' quarrel, nominally with the Coal Board, but in fact with the National Union of Mineworkers, is simply the latest of a series of disputes which have been bringing the activities of the Ministry of Labour more and more into disrepute. It was, to say the least, undignified of Mr Isaacs,

having allowed any strikers who happen to belong to powerful trade unions to ignore the law for several years, to start threatening the small and unrecognised Colliery Winders' Federation that if its members struck in an attempt to enforce their claim for recognition they would be breaking the law, and (by implication) that they would be prosecuted.

Whether the threat has succeeded in preventing (or postponing) a strike in all districts is still uncertain. After protracted meetings at the Ministry of Labour on Monday and Tuesday a majority of the committee of the Winders' Federation was apparently induced to vote in favour of withdrawing last week's recommendation to strike, but there is some doubt to what extent this decision will be accepted, particularly in Yorkshire and Lancashire. But even if the pit-winders do decide to stay at work for the moment, it is hard to see what has been gained by the Ministry's threat of legal sanctions. Are grievances removed by telling men that they will be fined or sent to prison unless they stop feeling aggrieved? It would be improper to speculate on the findings of the National Arbitration Tribunal which will eventually consider the winders' claim, but one can say that the atmosphere in which the claim has been sent to arbitration makes it unlikely for the most reasonable of settlements to seem reasonable to the parties concerned.

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Arbitration and the Railway Dispute

The anomalies of the wartime Arbitration Order are at the back of the row between the National Union of Railwaymen and the engineering unions over railway shopmen. This dispute is a new outbreak of the old conflict between industrial trade unionism and craft unions, and it can be settled only by the unions themselves. If outside help is needed, it should properly come from the Disputes Committee of the TUC, which exists to try to settle inter-union wrangles. The squabble is not one in which the Government should take sides, and yet for the Ministry of Labour to intervene without appearing to take sides is difficult. The Ministry has been dragged in because the NUR has invoked the Arbitration Order, which compels the Minister of Labour to take action once a dispute has been formally reported to him. Caught between two powerful pressure groups, Mr Isaacs has seemed to vacillate between trying to placate the NUR and trying to appease the engineering unions in a fashion that has, in fact, pleased neither, and has not added to the prestige of his department.

In April, when the Ministry was complaining that the London stevedores were breaking the law by their strike over the right of aged dockers to remain at work, it issued an official statement justifying the Order which made the strike illegal on the ground that it "had been retained since the war by the desire of the TUC General Council." If this be, in fact, the Ministry's main reason for keeping the Order in force it raises an important question: with whom does responsibility rest for these statutory Orders that control our lives—with the Government and Parliament or with the General Council of the TUC? It is true that a majority of the General Council has been unwilling to see the Order repealed, but its reasons are not necessarily good. The big general workers' unions have found the Order useful in forcing disputes to arbitration in badly-organised trades where there is no effective employers' association prepared to negotiate, and it may be that the leaders of some unions are not sorry to be able to wash their hands of "unofficial" strikes and to throw their troubles into the lap of the Ministry of Labour. But should trade union leaders be able to evade their responsibilities in this way? Whether a strike be technically "unofficial" or "official," "legal" or "illegal," it remains a strike, and no amount of pretence will stop it.

Moreover, it is not the function of the Government to run industry, and if trade union leaders—or employers—can fly to the Ministry of Labour at the first hint of trouble, the common sense which has, on the whole, enabled Britain to enjoy long periods of fairly happy labour relations in the past may tend to die out. If there is a case for compulsory arbitration in industrial disputes the Government should ask Parliament to embody it in permanent legislation. Its implications could then be debated and people would know just where they stood. There is nothing to be said in 1949 for trying to govern the relations between employers and work-people by the Defence Regulations.

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The End of Marshal Zaim

Twice in four months the Syrians have passively watched the removal by armed force of their chosen leaders and have as passively accepted a new regime on the grounds that it cannot be worse than the last. In the small hours of August 14th Marshal Hosni Zaim, their dictator since March 30th, was arrested by a group of army officers under a Colonel Sami Hinnawi, was summarily tried, and then shot. His prime minister was shot with him. Within twenty-four hours, Colonel Hinnawi was back in barracks, his "sacred national mission" ended, and an elder statesman had formed a new cabinet on a party basis. Hashem Atassi, the new premier, was president of the republic from 1936 to 1940; but he is 84, and must be regarded as something of a figurehead. His cabinet, however, includes some experienced men. Khaled el Azm, the painstaking premier whom Zaim ousted in March, is his Finance Minister; his Foreign Minister was Syria's minister in Washington; and a competent former Mayor of Aleppo has gone to the Ministry of Public Works. The team also includes some young politicians who have no experience of administration. But it is broadly based in terms of Syria's rival towns and rival parties. For the first time, it shows a preponderance of men from Aleppo over men from Damascus.

Now that Zaim is dead, his weak points are all coming to light. Power went to his head. It bred overconfidence. He tried to do everything himself. Only second rate men, therefore, stuck to him. He heard no good advice. He was too sure of his capacity as an economist and financier; he removed his enemies with indignity, and prominent men did not know where they stood; he never saw the importance of winning people's personal support; finally, he was unwise enough to make some appointments which alienated the army. But it would be well to remember that, offsetting all this, he performed one or two services of value. The greatest was to show a capacity for hustle and to clinch some economic negotiations that can make a great difference to Syria's balance of payments and that had been hanging fire for months.

On April 20th he ratified the financial agreement with France that afforded some backing to the then unbacked Syrian pound. He ratified Khaled el Azm's agreement to give wayleave to the American Trans-Arabian Pipeline (TAPline) from Saudi Arabia to Lebanon. He signed and ratified similarly profitable agreements with Middle Eastern Pipelines (MEPlne) working on behalf of Anglo-Iranian, and with Maritime Refineries Limited for the construction of refineries within Syria. Last, but not least, he conceded enough points to reach on July 8th a long overdue economic agreement with the Lebanon. For lack of this both countries had for months been suffering a needless degree of commercial and financial stagnation.

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Syria's Finances

It is to be hoped that Zaim's successors will not find it necessary to express their distaste for his ways by undoing his economic reforms. Syria badly needs such revenue as it can

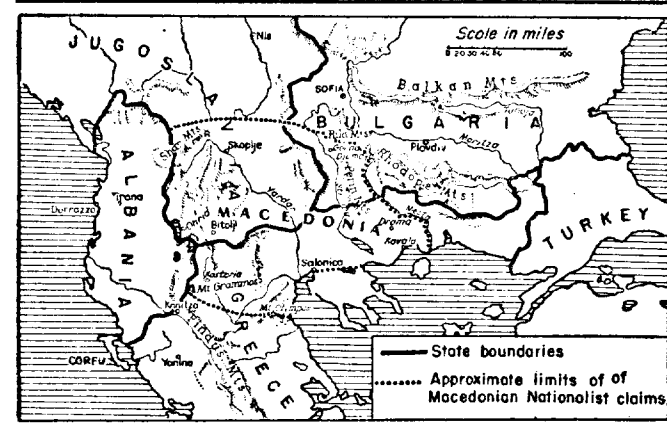
collect from transit traffic in oil, and from steady trade with the prime market for its produce, which is Lebanon. Its finances are in low water. Its revenue, 65 per cent of which is derived from indirect taxation, has fallen off for lack of collection. The unbalance of its foreign trade has lately increased alarmingly, as the following figures for Syria and Lebanon's joint foreign trade illustrate:

	Metric Tons		
	1948	1947	1937-48
Joint exports	123,708	148,018	Average 329,965
Joint imports	758,335*	414,057	578,793

* Includes some goods imported by philanthropic organisations for Arab refugees.

Its prices are too high to permit of sales in a buyers' market; it has been selling its wheat surplus at a figure that does not cover the cost of collection and of administering its wheat office. Its bill for armaments is out of all proportion to its present means; in two successive years its Ministry of Defence has borrowed from the allocation to the Ministry of Public Works. It talks bravely, with every fresh change of Government, of cutting its expenditure but takes few or no steps to increase local revenue other than extorting capital contributions earmarked for army use—a practice tried by Zaim.

Zaim had proffered the nation some grandiose schemes for public works which could, given time, have brought greater



prosperity to the Syrian farmer: irrigation on the Orontes, Euphrates and Khabur rivers; creation of a national railway link with the two latter; and—more questionable, this—creation at Latakia of a Syrian port good enough to rival Beirut. But he had not said where the funds for these plans were to be found. If his successors entertain the same ideas—and these are basically sound—they had best take note of two facts. The first is that such schemes will cost not only every penny they can earn from all available oil companies, but vast sums besides. The second is that these latter, which must be borrowed, will be lent only to a cabinet that can prove that it can run a reasonably good administration.

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Mr Mintoff Tries Shock Tactics

The dramatic resignation of Mr Mintoff, the Maltese deputy Prime Minister, while in London on a mission to the British Government, should make it easier to come to some agreement on measures to alleviate Malta's economic plight. Mr Mintoff's attempt to bounce the British Government into speedy action could not fail to have the opposite effect. Moreover he represented the extreme left wing in Malta's Labour Cabinet, and his anxiety that the ambitious programme of social services to which his Government is committed should not be jeopardised by the present emergency led him to place too much emphasis on immediate short-term financial help,

rather than on the long-term measures of economic rehabilitation which are essential if Malta is ever to become self-supporting. Other members of the Maltese Cabinet, especially Dr Colombo, the Finance Minister, have made no secret of their belief that Malta cannot yet afford all the luxuries associated with the modern welfare state.

The immediate reasons for the talks between representatives of the British and Maltese Governments which have been going on intermittently for several weeks, were the Admiralty's decision, in view of its reduced commitments in the Mediterranean, to dismiss 1,200 of its employees in the Maltese dockyards and the cessation last March of the British contribution to Malta's food subsidies. The dismay with which the Maltese Government greeted the dismissal of the dockworkers throws a vivid light on the instability of the island's economy. But neither the reinstatement of the twelve hundred nor the renewal of the food subsidies would provide any permanent remedy for the present situation. Ever since the end of the war Malta has been struggling not only to repair the colossal war damage which it suffered (to the cost of which the United Kingdom is contributing £30 million) but also to find means of reversing its permanently adverse trade balance and of employing its rapidly increasing population—tasks which the island's almost complete lack of economic resources is rendering exceptionally difficult. Malta will, in fact, never be able to stand properly on its feet until it is possible to organise a very greatly increased flow of emigration. But much could be done if long-term capital were available to finance whatever secondary industries it may be possible and profitable to set up, and if some means could be worked out of freeing and increasing the island's trade.

If the Maltese Government gives evidence of its realisation that first things must come first, and that it is its duty to provide and exact work before it extends social services, then there is every reason why the British Government should either provide some assistance itself or should sponsor Malta's application for a share of Marshall aid. The British will no doubt listen with all the more sympathy to Malta's difficulties in that they are a sort of microcosm of Britain's own plight.

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Control of the Purse

An important principle is raised in the third report of the Committee of Public Accounts for the present session. In fulfilling its function as a Parliamentary watchdog over the public finances, the committee is concerned at the large amounts that are voted each year for independent or semi-independent bodies whose expenditure is in some cases not covered by statutory authority—other than the annual Appropriation Act—and is not subject to strict auditing as is the expenditure of ordinary Government Departments. Examples of such bodies are the Department of Scientific and Industrial Research, whose functions the Treasury agrees should be embodied in a statute, the Medical Research Council, the National Savings Committee and the University Grants Committee. Then there are the corporations—the New Towns Corporations, the Colonial Development Corporation and the Overseas Food Corporation—whose functions are covered by statute and whose capital schemes have to have prior Ministerial approval but whose accounts and statements of advances are singularly lacking in information of the purposes for which particular advances have been made and the commitments that have been entered into.

Experience of the lavish expenditure on the East African groundnut scheme by the Overseas Food Corporation strengthens the committee's pleas for stricter accounting of these semi-official bodies, and there seems no reason why this should not be possible without the corporations losing their semi-independent status. On the other hand, the Treasury is undoubtedly right in insisting that nothing would be gained,

and a great deal might be lost, by converting the National Savings Committee and the University Grants Committee, particularly the latter, into statutory bodies. The need to maintain university autonomy clearly justifies a "departure from the normal rule regarding statutory authority for continuing services."

Yet it is as well that the committee should raise the point, for expenditure on these non-statutory bodies, and the number of the bodies themselves, are growing year by year. The grants-in-aid to universities and colleges are estimated at £17,564,000 in the current year, compared with £6,250,000 in 1946-47. The College of Aeronautics, the Medical Research Council, the Arts Council, the Council for Industrial Design are other examples of independent bodies whose grants continue to rise. In each case there is a strong argument for maintaining their independence, but if the number and amount of grants in aid continue to rise, as they have since the war, it should be realised that eventually there will be a considerable amount of public expenditure that is not subject to strict Treasury control. The committee's recommendations for enabling its own scrutiny of their expenditure to be more effective ought therefore to be given careful consideration.

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Land Board's First Report

The first annual report of the Central Land Board for the year ended March 31, 1949, reviews some of the Board's difficulties in operating the financial provisions of the Town and Country Planning Act. It is important for the Act's success that all land should change hands at its value for existing use, without the element of development value which is now deemed to belong to the state and which is removed by the Board in the form of a development charge. The Board has found, however, that most transactions in land have continued to take place at prices much higher than "existing use" value—thus inflating the cost of building—although the report indicates that "latterly there has been some improvement." The Board is trying to influence the market by using its powers of compulsory purchase, and three compulsory purchase orders have since been made; but the effect of such intervention is necessarily limited. This part of the Planning Act is still working in an unsatisfactory manner, and amending legislation may prove unavoidable.

The complementary part of the Board's work consists in dealing with claims for compensation for loss of development value, which are to be met out of a £300 million fund put aside by the Government. The Board has experienced considerable difficulty in getting owners, especially owners of single plots, to put in their claims, which had to be submitted by June 30th. The Board recently announced that altogether 935,000 claims had been filed by that date, but as many as 780,000 came in the last month before the closing date. Many of these claims have been put in provisionally, and will later be withdrawn or dismissed; but the fairly high total shows that the Board's intensive publicity has had its effect, and most legitimate claimants have filed their claims. It will now take three years to sort out and value the claims, and to submit disputed claims to arbitration. Actual payment will not be forthcoming until 1953. This delay, unavoidable as it is, is embarrassing to some owners. They can find some comfort in the likelihood that compensation will be paid on a more adequate scale than was originally expected.

* * *

End of the Australian Coal Strike

Australian coal miners resumed work on Monday after a strike lasting for seven weeks. The ban on power for industry has been lifted, and the great number of industrial workers who were forcibly unemployed by the strike have returned to their factories. Moreover, reports from Australia indicate

that the miners are willing to reverse their policy of the past fifteen years and to allow all states to build up reserves of coal.

The rejection by the miners themselves of the plans of their Communist leaders is a welcome sign of good sense among the rank and file of Australian labour. It is difficult to say to what extent this is due to the uncompromising stand of the Federal Government or whether it was brought about by the overwhelming opposition of the Australian public as a whole. The strike was irresponsible from the start, and there was never any justification for throwing several hundred thousand other workers out of work as well. But if a repetition of the strike is to be avoided, the Federal Government would do well to overhaul the legislation controlling trade union ballots and so eliminate the gerrymandering at which Communists excel.

The link between Communism in Australia and the strategy of world Communism was emphasised in an article in the *Cominform Journal* of August 1st. Written by Mr R. Dixon, the chairman of the Australian Communist Party, the article reveals that the strike was deliberately promoted in order to weaken the Australian economy at a time of crisis and in order to prevent "preparations for war." The article clashes oddly with the humble pie which the five Communist officials of the Miners' Federation are now eating in an attempt to secure their early release from prison where they were sent for contempt of court.

* * *

Belgian Government at Last

After an interregnum of fifty-one days, Belgium has a Government again. After a prolonged effort to secure agreement between the three parties—Catholics, Socialists and Liberals—on the return of the King, the attempt at compromise was abandoned. All were agreed on a popular consultation, but the Socialists wished to ensure that the King would abdicate if less than two-thirds voted for his return. This the Catholics could not accept, and the effort to form a tripartite government came to an end. The Catholics and the Liberals then formed a coalition under M. Eyskens, the Finance Minister in the outgoing Spaak Cabinet.

It had been expected that this new team, representing very strongly the business interests of Belgium, would take quick steps to abolish what remain of economic controls and subsidies in Belgium. But this may not, after all, be the Government's strategy. In its first statement of policy, it talked only of submitting all controls to a thorough review; meanwhile, a higher priority appears to be given to steps designed to revise the deflationary policy of the last eighteen months. There is talk of relaxing high interest rates, the Extraordinary Budget is to be increased in order to make funds available for combating unemployment, housing is to be tackled more vigorously and at last more will be done for war-damaged communities. Private saving, it is hoped, will be stimulated both by lower interest rates and reduced taxation. All in all, there are signs that Belgium's version of austerity will be somewhat mitigated by the new team.

It is this rather unexpected twist of policy that has led many observers to ask whether the Catholics are preparing not for a long-term attack upon Belgium's economic problems, but for a short-term preparation for fresh elections. The settlement of the Royal question remains the first item on their agenda. They cannot settle it to their own satisfaction until they have a majority in both houses. This they already enjoy in the Senate, but they lack it by two seats in the Chamber. Their leaders may now argue that fresh elections, conducted after some months of economic expansion, might tip the balance in their favour. Possibly they are right. Certainly, however, it would take more than a little mild inflation to make King Leopold what a constitutional monarch must be—a universally revered figure, standing above all party strife.

Help for Berlin

When the lights went up in the western sectors of Berlin and the railways began to run and the lorries to move, a mood of triumph buoyed up its people, coupled with the belief that better days were on the way. The months have passed and today the optimism is evaporating. Light and food and coal may be back. What is lacking now is the money to buy them and the work with which to earn the money.

During the blockade, industry in western Berlin was drastically interrupted. Established markets were lost. Many firms moved out, taking their equipment with them. Now the attempt to recover lost trade meets stiff competition from the western zones and faces the growing world-wide buyers' market. Currency differences between the sectors handicap many trades and services. The Soviet mark is worth one quarter to one-fifth the western mark and rent, labour, and some prices tend to be lower in the Soviet sector. As a result, some activities have been moved out of the western sectors and some people are shopping in the Soviet shops. And behind the stagnation in trade lies the old problem that Berlin was built as the administrative capital of a big Reich and is still, in spite of the reduction of population caused by the war, the home of many redundant state employees. Altogether of the 2,000,000 people living in the western sectors, about 30 per cent are without work.

This weight of unemployed and unproductive citizens inevitably increases the expenses of the municipal authorities. During the airlift, the budget deficit was covered by subsidies from the western zones, but now the Military Governors have insisted on a reduction in the city budget and a proposed deficit of 600 million marks on a budget of 1,719 million has been reduced to 250 million. This cut, however, involves the dismissal of more employees and what is gained on the budget may be lost again through increased doles.

In these conditions, the Berlin authorities have very naturally turned to the western powers and to the Germans at Bonn for more help. The German government they ask to maintain ministries in Berlin both to assert its western character and to absorb some of its surplus bureaucracy; they also ask for more orders for Berlin firms and continued financial subsidies. The Allied authorities they ask for Marshall aid. Mr McCloy is clearly ready to listen to this plea and, as a first instalment, 55 million marks are to be made available for the Berlin power station, partly in dollars and partly in marks from the counterpart fund.

* * *

The Hospitable Government

The Select Committee on the Estimates has chosen for its ninth report the expenditure on government hospitality and official entertainment. There are three ways in which the taxpayers' money is employed to enable public servants to fulfil the role of mine host, through the Government Hospitality Fund, through separate entertainment funds of the Civil Departments, and through the entertainment allowances traditionally granted to certain ranks and positions in the Armed Forces. The Departmental Funds are a postwar innovation, accounting for about £24,000, to enable civil servants to offer those with whom they do business some modest entertainment. In view of the striking disparity in perquisites as between the modern civil servant and the modern business man this seems reasonable.

The Government Hospitality Fund, on the other hand, dates back to 1908, but its expense has multiplied nearly tenfold in the last ten years. Before the war £12,000 a year was considered a reasonable appropriation except in a festival year such as the Coronation of 1937; for 1949-50 the estimate is £110,000. This is attributable both to a much larger number of official visitors and to greatly increased costs. The floating international population of conference delegates has nearly doubled the numbers of His Majesty's Government's official

guests, and the cost of a reception has risen from 4s. 4d. a head in 1938 to 16s. 6d. today. In addition, the Government, faced with a sudden emergency in 1948, decided to convert a block of Mayfair flats which it held under requisition into an official hotel, managed by a catering firm on a cost-plus basis, where on a correct calculation, including overhead costs before amortization, it spends £18 5s. 3d. per night on a guest.

The main point that emerges is not that the Government is extravagant in the total amount it spends on entertaining (although when the inevitable reduction in government expenditure comes, entertainment expenditure must obviously be drastically reduced) as that it gets very poor value for money. The money spent did not go on *bals masqués* or *fêtes champêtres* but on extremely humdrum functions. British taxpayers may draw some satisfaction from the Committee's assurance that the proportion of British guests at official parties "is lower than before the war, and that there is no longer in use a list of persons who might be invited to fill up a party." (This must elucidate a mystery that has long puzzled the recipients of hastily delivered paste-board cards.) But no habitué of official functions can readily believe that by sipping a weak Martini or grasping a flabby canape he or the foreign guests have got 16s. 6d. worth of entertainment—nor that even the most pleasure-loving of bilateral bargain-hunters has had eighteen pounds' worth out of the government hotel. The Government, it would seem, is as much the victim of the Catering Wages Act as anyone else.

* * *

IATA Anniversary

Next week fall the thirtieth anniversaries of two significant, although not very exciting, events. On August 25, 1919, the first British civil air line began to operate. On the same day, as representatives of the six international air lines then in existence, twelve men met at The Hague to found the Inter-

national Air Transport Association "with a view to co-operate to mutual advantage in preparing and organising international air traffic." There will be another meeting of IATA at The Hague next month, but instead of six companies, sixty-four will be represented as members and six as associates. The development of the Association to its present size and influence is a history in miniature of civil aviation.

Unlike many international organisations, IATA is private, practical and non-political. Its public and official counterpart between the wars was the International Commission for Air Navigation, established by the Paris Convention of 1919 as a subordinate body of the League of Nations, and now continued as the International Civil Aviation Organisation, a specialised agency of the United Nations. Both ICAO and IATA have functions which are roughly parallel, but it is with the less grandiose matter of common organisation that IATA has been most successful. Agreement on complicated and conflicting legal liabilities incurred by companies operating in many countries, technical standardisation—the first such rule adopted was that throttle controls should be so arranged that a given movement always produced the same result—the creation of a common operating procedure, all these were steps on the road to later and more extensive measures. Of postwar developments the most important are the production of a standard rules tariff of worldwide application, a uniform system of form-filling which will greatly simplify the paper work which clutters up air travel, and the establishment over two years ago of the IATA clearing house in London. The turnover of the clearing house was nearly \$124 million last year, compared with some \$52 million in 1947; and it handled \$75 million in the first six months of 1949.

It is, of course, a pity that none of the Russian or eastern European air lines are members of IATA; but if they were, it would be difficult to imagine the organisation making the progress it has. And if this progress cannot guarantee to all airlines the commercial profits that so few make, that is not

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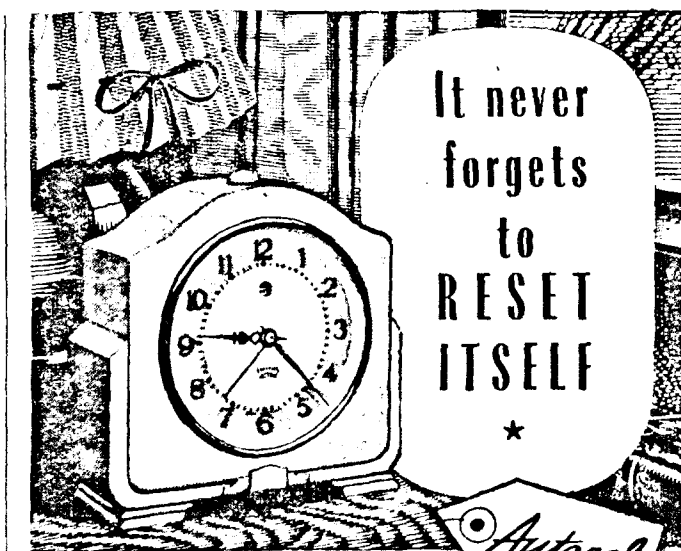
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IATA's fault. The Association can at least pride itself on the example it has consistently provided of the solution of international problems by tackling points of detail until they grow into a complete code of common procedure.

* * *

"Britain in the Pillory"

A leading article last week included three tables designed to compare the postwar performance of British recovery with that of the other nations of western Europe and thereby to rebut the accusation that British failures are dragging down the Marshall Plan. To complete the story another set of figures can be given comparing Marshall aid received with the need for it, as measured either by the imports of the receiving countries or by their populations. The first table below shows this calculation on a strict dollar basis—that is, comparing dollars received with purchases from the dollar area. (Statistical exigencies make it necessary to compare aid received in the twelve months July to June with imports of the twelve months April to March, but it is unlikely that the comparison is greatly disturbed thereby.)

	Imports from U.S.A. and Canada, April, 1948 to Mar., 1949	Dollars Allotted by ECA, July, 1948 to June, 1949	Column (2) as % of Column (1)	Dollars Allotted per Head of Population
	(1) (\$ mn.)	(2) (\$ mn.)	(3) %	(4) \$
Belgium-Luxemburg...	496.9	241.4	49	27
Denmark.....	124.8	106.2	85	25
France.....	593.6	978.4	165	23
Italy.....	595.0	510.0	86	11
Netherlands	355.1	456.1	128	47
Norway	119.9	81.1	68	25
Sweden	160.3	45.4	28	7
United Kingdom	1564.8	1219.7	78	24

The British figures are not the lowest, either in column (3) or in column (4); but equally they are not the highest. There is no evidence in this table for the charge of excessive generosity to, or insufficient self-help by, Britain.

In addition to dollars received from the United States, however, the Marshall countries make "drawing rights" in their own currencies available to each other. The net total of assistance received by each country is therefore the dollars received in the first place plus (or minus) the net total of "drawing rights" received from (or granted to) the other participants. The second table accordingly shows these net totals in comparison with the total imports of each country. By this test, the British figures are distinctly on the low side.

	Total Imports, April, 1948 to Mar., 1949	Net Marshall Aid (\$ allotted + or - Drawing Rights) July, 1948 to June, 1949	Column (2) as % of Column (1)	Net Marshall Aid per Head of Population
	(1) (\$ mn.)	(2) (\$ mn.)	(3) %	(4) \$
Belgium-Luxemburg...	1944.0	34.2	2	4
Denmark.....	791.7	186.2	24	44
France.....	3355.9	1258.0	37	30
Italy.....	1545.9	471.7	31	10
Netherlands	1945.4	528.0	27	54
Norway	784.4	124.5	16	39
Sweden	1336.3	23.3	2	3
United Kingdom	8467.0	1001.7	12	20

Britain is financing a smaller proportion of its imports out of grants from other countries than all but two countries in the table, and is receiving less net aid per head than any but three.

All these figures, and those in last week's leading article, make the tacit assumption that the United Kingdom has to meet only its own needs of dollars and other scarce currencies. If the size and needs of the whole sterling area were brought into the calculation it could easily be shown that Britain is carrying a heavier burden, with less assistance, than any other nation. It is as well that criticism of British policies should bear this in mind.

* * *

The Haifa Refinery

Of the economic legacies of the Palestine war, the most worldwide in its effect is the enforced idleness of the Haifa oil refinery. As at present constituted, this great plant, which is owned half by Anglo-Iranian and half by Shell, has a refinery capacity of 4,000,000 tons of crude oil per annum. Its planned potential capacity is much higher. It was until 1948 fed half by the Iraq Petroleum Company's pipe-line from Kirkuk and half by tanker carrying crude oil either from the Tripoli terminal of the same company's pipe, or from the Persian Gulf via the Suez Canal. Before the outbreak of the Palestine war, a second pipe from Iraq to Haifa was complete but for a sector inside Palestine and this, with additional refining plant under construction, was to yield a refining capacity of 8,000,000 tons annually by the end of 1951. But it has lain idle save for one brief interval since April, 1948, because, while British-managed and largely British-owned, it is situated in territory that has become Israel, and because it handles oil coming from an Arab source in Iraq or through an Egyptian bottleneck at the Suez Canal.

As a result of the prejudices involved, Iraq, which is all but bankrupt, is losing much needed oil royalties that were due to increase very rapidly, Israel is losing the material and psychological advantages offered by the active working of a great industry, and the sterling area, which spent from mid-1948 to mid-1949 some \$400 million on the purchase of oil fuels and refining equipment from hard currency areas, is losing an asset the output of which, at present capacity and current oil prices, is estimated to be worth \$50 million per annum.

Is the deadlock unbreakable? The oil company, the British Government, Israel and Iraq would all profit, materially, by breaking it. But the Iraqis are led by die-hards who would far rather administer pricks to Israel than explain to their own people that to pump oil means more work and more royalties today, and therefore more watered land and cheaper bread tomorrow. But even if supplies by pipe-line are cut of the question, there is nothing to stop supplies by tanker. The Suez Canal is, by one article of its Convention, "in time of war as in time of peace" open to the ships of all nations, and, by another article never to be used for purposes of blockade. During the Palestinian war, the Egyptians, disregarding protests from many powers, inspected and questioned cargoes. Their motive was understandable. But Egypt is not at war now. Further, now that the arms embargo upon the Middle East has been raised by the Security Council, there is no possible reason for the questioning by anyone of cargoes and destinations. Daily oil tankers from the Persian Gulf laden to the waterline pass northward through the Canal to some refinery or other. The Saudi Arabians, questioned, say that it is none of their business where the companies concerned choose to refine the oil that started from their territory. Why not send some to Haifa?

So long as there is a chance of doing this, Israel is unwise to murmur, as it is now doing, threats to confiscate the refinery and to operate it with crude oil from outside the Middle East.

Woodman,
spare
that
tree!



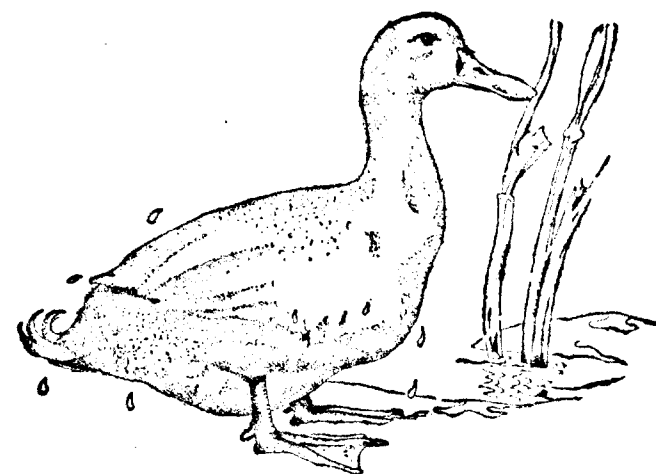
Fencing, in these days of timber shortage, is a big problem for the farmer. Solutions can be found, however. One farmer bought scrap steel tubing from an Air Ministry dump. With the help of a B.O.C welding process, this tubing was made into gates and fencing for the farm, with excellent results. When it comes to "making-do," fabrication can work wonders. The B.O.C have lots of advice to give on this subject, if you would care to get in touch with them.

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Of course it could impound the plant. No doubt it could get crude oil from Rumania. But to suggest this abnormal step while normal steps are possible is undiplomatic if Israel, as it elsewhere avers, seeks normal relations with its Middle Eastern neighbours.

* * *

Hongkong and Beyond

British reinforcements have now put Hongkong into a state of readiness to meet any Chinese Communist attack and have thus rendered it unlikely that any attack will be made, whatever verbal offensives against British imperialist tyranny may be launched from Peiping. Hongkong may even be a point of contact for the commercial relations between British trading firms and the Chinese Communists which have been so far thwarted at Shanghai by the Nationalist naval blockade, for the Communists, once in possession of Canton, would be able to break the blockade by direct communication with Hongkong. With regard to the internal politics of Hongkong, the local authorities have had to tighten up control over political agitation and have even warned newspapers of Communist sympathies against printing the more slanderous anti-British outbursts of the New China News Agency. But a number of Kuomintang refugees have been free to issue a manifesto calling on members of the Kuomintang in all parts of China to repudiate the Nationalist Government and collaborate with the Communists. The spectacle of these tardily converted Vicars of Bray trying to ingratiate themselves with the victorious "anti-imperialist" faction from the safe shelter of a British Colony has its comic aspect, but the manifesto is not without

Town and Gown

A recent case in the Insolvent Debtors' Court has received much attention from the press. A Mr. Charles Throsby applied to be discharged from his debts, which together amounted to about £750, the greater portion of which was due to tradesmen in Oxford, contracted by the insolvent while a student at the University. . . .

At Oxford there is a warrant for credit which is frequently wanted in other places. The young men sent there must be of good standing in society, and of tolerable expectations. They are accredited to the tradesmen by being placed on the college books. They are at once, if without exhibitions or benefits from their college, stamped as gentlemen who have the means, or whose friends have the means, and are willing, as the tradesmen have learned from experience, to pay their expenses. So far as supplying them with necessities goes, tradesmen who trust them within reasonable bounds are not to blame. . . . If there be any system to blame, it is not the credit given at Oxford. . . . but the system of giving young men very considerable incomes to spend, or franking them there as gentlemen having considerable incomes, and exercising no control over them. . . . To send young men to college with the means of obtaining credit, without any person to watch their conduct closely, is the error, and the running into debt is the necessary consequence. Fond or indolent papas, who are anxious to find an excuse for their own negligence or their sons' folly, are very glad to throw all the blame of that on the trusting tradesmen; but they ought not to be screened at the expense of the latter. . . . There prevails a great deal of loose morality on this subject. "Who suffers?"—it is only a shabby fellow of a tradesman, are common phrases. Gentlemen think it good sport very often to bilk such a person, and profligacy is encouraged until it finds its way . . . into the insolvent court. To express sympathy with such proceedings is to encourage them. Neither the young men nor their parents should be exonerated at the expense of the Oxford shopkeepers.

The Economist

August 18, 1849

importance, as one of its signatories is Lung Yun, the ex-Governor of Yunnan, who may try to regain control of his former province with Communist backing. Yunnan would be a key area in any attempt at anti-Communist resistance in western China.

The Nationalist Government in Canton appears to be resigned to the fall of the city within a short time and to be preparing for evacuation. A Communist occupation of Canton would cut the remaining Nationalist forces into two parts—one headed by Chiang Kai-shek himself in the island of Formosa, and the other, with a prospective rallying-point at Chungking, holding out in the mountainous provinces of western China without any direct access to the sea. The former sector of resistance, involving the problem of the dubious status of Formosa, may well involve international complications; General Chiang will certainly do his best to exploit both his insular strategic position and the political support he has obtained from the Government of the Philippines. The resistance in the interior of China would be geographically in the same situation as Free China was at the height of the Japanese invasion, and it would have similar problems of communications with the outside world. We may soon hear again, as ten years ago, of the railway and road to Kunming.

* * *

Bramuglia Steps Down

The resignation of Señor Juan Bramuglia, Argentina's Foreign Minister, has—at least temporarily—removed the country's most widely respected statesman from the political scene. By all accounts the hard core of supporters round President and Señora Perón had been determined to get rid of him for some time. But the circumstances in which they have now done so have given foreign observers yet another argument for distrusting the personal and fractious nature of Argentina's present nationalistic mood. For three years Señor Bramuglia has represented a stable, common-sense attitude in a country subject to swift and hot-tempered change. Abroad, he will be remembered for his distinguished and dignified presidency of the United Nations Security Council last autumn. At home, his resignation represents to some extent a tit for tat over the part he played in ousting Señor Miranda from his aggressive and unfortunate control of Argentine economic affairs last January.

Some of the events which have led up to Señor Bramuglia's resignation are still shrouded in mystery. But it is known that the quarrel which broke out between him and Señor Remorino, the Argentine Ambassador in Washington, was so violent that honour very nearly demanded satisfaction in a duel. Señor Remorino had returned suddenly to Buenos Aires at President Perón's request. When he confronted Señor Bramuglia at a cabinet meeting, he taxed him with undermining his position as ambassador. Judging by reports earlier this year, that efforts were being made by high Peronista leaders to secure the Foreign Ministry for Señor Remorino himself, the boot would appear to be on the other foot.

Argentina's new Foreign Minister is a youthful Right-Wing Nationalist, Dr Hipolito Jesus Paz, whose political experience has been gained exclusively in the Peronista movement. He is a lawyer by profession and is reported to have been among those who most strongly opposed any question of Argentina entering the war against Germany. Other cabinet changes have not yet been confirmed, but there have been reports that at least three other ministers would resign in sympathy with Señor Bramuglia; this is in fact, probably, the biggest cabinet upset that President Perón has faced since he came to power. There is little likelihood from Britain's point of view, however, that any new blood in the cabinet will improve the chances of greater Anglo-Argentine friendship—or favour an improvement in the execution of the recent trade agreement. Señor Bramuglia always stood for more international collaboration than most of his colleagues were prepared to accept.

Books and Publications

American Foreign Policy

"The Evolution of American Foreign Policy." By Dexter Perkins. Home University Library. Oxford University Press. 187 pages. 5s.

"To many persons," says Professor Perkins, "not least to the scholar, it is a pity that ideologies should matter so much." Just as there are ideologies and ideologies, so there are scholars and scholars, and not all of them will echo with approval Professor Perkins's preference for low temperature historiography. However, for those who do, here is a pocket-size deep-freeze as compact, as well arranged, and as likely to resist the corroding influences of time and further research as any diplomatic history of comparable scale. Moreover even for those who might take issue with the author's philosophy, there are great compensations in his method. If they are distressed to find the critics of Roosevelt's Vichy policy dismissed as "the ill-informed and the emotional," or a belief that the Austrians and the Germans began the first World War regarded as the mark of "the untrained mind," they will also find due meed of censure poured on opposite schools; Senator Nye becomes a figure "of whose intellectual qualifications and capacity to weigh evidence it is charitable not to speak" and the Kellogg Pact "a signal example of the reluctance of the American mind to face the fact that physical power is an incident, a necessary if unpleasant incident, to the conduct of international affairs." Judgments like these crop up in the text as reminders that extreme cold, no less than heat, has as its property the power to burn. They are also evidence that Professor Perkins's distaste for enthusiasm applies to American flag-waving as much as to that of other nations. This is a history very free from chauvinism, very ready to acknowledge the errors and short-sightedness of American policy, while at the same time innocent of false modesty about its real achievements.

This does not make the author over-optimistic about the future. It remains to be seen, he says in effect, whether the Americans, catapulted into fabulous power, are "adequate" for the part they have to play. One thing in particular worries him, and naturally, as a student of the American diplomatic process—the American disposition to reduce the complexity of the problem of peace to over-simple terms. In particular he criticises the national disposition to rely overmuch on moral exhortation and to ignore the economic and geophysical elements in the conduct of foreign relations. It is perhaps his anxiety on this last score that has led him, in a book designed for American as well as British readers, to dwell at disproportionate length on the economic, strategic and technological sources of the national power—disproportionate, that is, to the exposition he provides of the psychological and moral components of American action. If there is a serious criticism of the book as an introduction for British readers it lies here. Above all, there is nothing that will make really comprehensible to the puzzled European that persistent and sometimes naïve moral swell that so worries Professor Perkins as he looks out over the waters of American diplomacy. In the last resort the transatlantic roll may mean more to Europe than all the geopoliticians' pin-pointing, and it is still far from being comprehensible to the average recipient of Marshall Aid.

Were the Women Wonderful?

"Daughters of Britain." By Vera Douie. Published by the author, 12, Charlbury Road, Oxford. 159 pages. 7s. 6d.

It is unusual for a book privately published by its author to be factual, authoritative, and of lasting value; but this little book is all three. Presumably Miss Douie's manuscript was rejected by at least one publisher before she decided to issue it herself. One has no difficulty in divining the publishers'

reasons. Firstly, this is a book about war; secondly, although it is all about women, and women behaving remarkably in remarkable circumstances, it is wholly lacking in the fashionable pseudo-psychological jargon. What publisher of today would embark his money in such an unconventional craft?

This is the story of British women in war. Not only the uniformed women's services—though the ack-ack girls, the Wren boat-crews, the WAAF mechanics get the attention they deserve—but the whole range of war duties are covered. Miss Douie shuns the flamboyant phrase like the plague; whether she is recording the heroism of Army nurses, the ration scales of the ATS or the Government's power to direct "mobile women" to the other end of the country, she sticks to the facts and uses only an occasional anecdote or quotation to recall the courage, the bitterness and the humour of those years.

They are all here, the QA's, the Wasbees, the clippies, the WVS, the landgirls, and others of whom one does not think so readily—the mistresses at Public Schools, the stokers in the retort house of a gas works, women on Joint Production Committees, women repairing telephones, women in the Observer Corps, in bus garages, in shipyards, in the BBC's monitoring services, in the Royal Mint. Miss Douie tells us how they got there, what problems they and their new employers had to overcome, how their work turned out, and how they lived in barracks, hostel, farm or troopship.

She has no illusions about women's share in the war, and states frankly the limitations which, even in Britain, were found to be inevitable in mobilising woman-power. But she rightly points out that women's leaders, and particularly the women Members of Parliament, had to struggle against an often misplaced protective instinct on the part of their male colleagues. On the whole this was a victorious struggle; never have so many sacred precincts been invaded by the gentle sex. This battle between the two halves of Britain provides a less violent, often a humorous, undertone in Miss Douie's narrative.

Labour in Norway

"Labour in Norway." By Walter Galenson. Harvard University Press. (Geoffrey Cumberledge.) 363 pages. 27s. 6d.

THIS is a thorough, accurate and up-to-date study of the organised development of industrial relations in Norway, of the political role of the trade unions, which is especially important in the present period of Labour Government, and of the guidance Norwegian experience may afford for the solution of similar problems in other countries. As such, it is the first book in English on the subject; and it is likely to remain one of the best. The author, who is Assistant Professor of Economics at Harvard, was Labour Attaché to the US Embassy in Oslo for two years immediately after the war. He is to be congratulated on using to the full the opportunities thus presented, as is the Wertheim Fellowship for supporting this particular item of original research in the field of industrial co-operation.

It is, of course, a limited field. Not everybody is interested in the history and machinery of industrial co-operation. But anyone who is, may read this book with profit. Norwegian experience of compulsory arbitration, of the enforcement of contracts between unions and employers, of boycotts (and of the unique "Boycott Court") and of mediation in labour disputes is of value beyond the boundaries of Norway. Less specialised but equally valuable is the analysis of the effect of power on the trade unions and the Labour Party—an account which rightly stresses the good sense and moderation of both organisations. These, together, with a great traditional respect for the law, are the three supports on which the whole structure of labour relations rests. The timeliness of this book is enhanced by the fact that, as in the early 1920s, the Communists are again challenging this attitude.

Letters to the Editor

Britain in the Pillory

SIR,—In your leading article "Britain in the Pillory" you say, "The economic difficulties which are besetting the Atlantic World . . . cannot be solved by the action of any one power." I suggest this is not borne out by Table 3, which shows that no nation listed there is exporting as much to the Dollar Area as it imports, that excepting Great Britain every nation is exporting less to the Dollar Area in 1949 in relation to its imports than it did in 1938, and that we export only 36 per cent of our imports.

The remedy for much of the difficulty would therefore seem to lie in one nation's hands, namely the United States. Whatever the arguments against putting it into practice, that problem is not more difficult than the task set the other Atlantic Nations which appears well-nigh impossible. Marshall Aid not merely dodges, it confuses the issue. "Charity" usually does, for both parties concerned.—Yours faithfully,

J. FORDHAM SADLER

33 Torrington Place, London, W.C.1

SIR,—Whilst agreeing that criticism abroad—especially in the USA—of Britain's postwar industrial efforts is largely unjust and unfair, there are a few points in your article "Britain in the Pillory" which need elucidation and call for some additional comment.

(1) When comparing Imports from and Exports to the Dollar Area of the principal Marshall Aid countries, you summarise the respective trade figures "with Canada and USA." This summarising method does not give an accurate picture in so far as Britain, through Empire preference, is, of course, at a huge advantage over her Marshall Aid partners. It can, in fact, be seen from the *Monthly Digest of Statistics* (July, 1949) that, during the first five months of the current year, Britain's dollar exports went 60 per cent to Canada and only 40 per cent to the USA—the respective actual figures being £33.6 million for Canada and £22.7 million for the USA. Considering, therefore, that almost all other European countries—save Britain—are virtually excluded from doing appreciable business with Canada, Britain's dollar earning efforts appear, proportionally, by no means larger than the respective endeavour by France or Italy, and certainly considerably smaller and weaker than the exertions by Belgium, Luxembourg, Sweden, and Switzerland.

(2) It will be observed that the United Kingdom's dollar deficit is equivalent to the combined deficit of France, Belgium, Luxembourg, Denmark, Sweden, and Switzerland—an area whose combined industrial potential is certainly considerably larger than the United Kingdom's. May it not be assumed that at least part of the British deficit—say \$100-150 million—is due to the unfavourable prices which Britain has to pay as a consequence of the extremely tedious, costly, and rigid method of bulk-buying?

(3) Your table 2—Exports and Imports by Volume, First Quarter of 1949—does not actually mean anything so far as this country's dollar crisis is concerned, because the relative figures refer to overall trade and not specifically to dollar trade. We know only too well that the United Kingdom's trade with non-dollar countries is a very different matter from its trade relations with the Dollar Area.

(4) Your survey does not, of course, include the "invisible" figures for tourist-trade which, so far as France, Italy and Switzerland are concerned, must be very considerable—proportionally much larger than the figures for Britain. (The Bank of France is said to be earning now, during the peak tourist season, \$2,000,000 per day in notes only, and to be seriously embarrassed by shortage of French bank notes

(especially of the smaller types, 500, 100, and 50 francs) to give in exchange for dollar notes.) I believe—as I am sure you must, too—that through these tourist-trade figures, Britain's dollar deficit is bound to become proportionately larger (at least not smaller) than the respective deficit of France, Italy and Switzerland.—I am, sir, yours truly,

FREDERICK JELLINEK

705 Carrington House, Hertford Street, London, W.1

[The figures for Canada and the United States were combined, not by *The Economist* but by the Bulletin of the Economic Commission for Europe from which (as stated) all the figures were taken. (This also applies to Mr Jellinek's point (3).) The addition of Canadian figures might explain why Britain's exports to the dollar area are a higher proportion of its dollar imports than is the case in other countries. It could hardly explain why the British rate is the only one to show improvement since 1938.—EDITOR.]

SIR,—To the catalogue of Britain's economic achievements your article "Britain in the Pillory" might well have added the contribution we are making to the development of undeveloped countries. Firstly, there are unrequited exports to India, Pakistan and other holders of sterling balances, which are running at the rate of £200 million a year according to unofficial estimates; secondly, commitments to the ten-year Colonial Development Plan, involving some £60 million in grants and another £60 million in loans; thirdly, a continuing flow of miscellaneous payments for special purposes.

For all this we seem to get small thanks from the recipients and little credit from America, partly because of a failure to reveal the extent of our liberality. But the government policy of secrecy cannot continue much longer, since the facts and figures are sure to leak out at Washington next month.

A full statement of what we have already done and what we propose to do is the best card we can play at the conference. Generosity to backward countries beyond what we can afford is one of the major causes of our economic difficulties and partly responsible for the deterioration in the position of sterling as an international currency. We must put it to the American Government that an appropriation of \$35 million to provide technical help to undeveloped countries does not meet the case; what is needed is a comprehensive, long-term development plan and an equitable apportionment of the financial liabilities. One possible line of approach is the institution of an international Development Fund to which America, Britain, France and other Colonial Powers should make proportionate contributions. For this purpose an international conference of all the interested parties, both the givers and the receivers, will probably be necessary. All this will take time; pending the completion of the master plan some intermediate arrangement must be worked out to ease the strain on our resources which has become intolerable.—Yours faithfully,

GEOFFREY BRACKEN

Larchfield, Churt, Surrey.

Western Defence

SIR,—In the article on this subject in *The Economist* of August 6th it is pointed out that the war would not be over for Britain even if the invader reached the North Sea and the Channel, and therefore Britain should keep some resources in hand. Is it sufficiently realised in Britain that in a war about 1955 enemy occupation of Continental Europe would mean utter destruction of the ports and basic industries of Britain by a massive bombardment of rockets? Moreover in this situation the radar-screen of Britain would have inadequate

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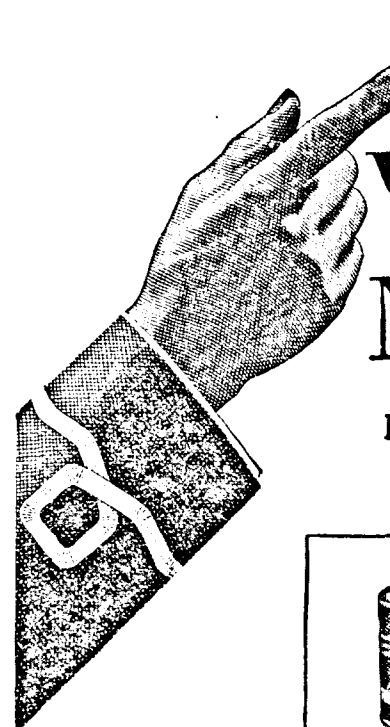
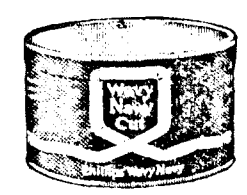
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depth to be of any real value to air defence under modern conditions. Consequently a future enemy occupation of Continental Europe would deprive even an unoccupied Britain of nearly all military significance. In these circumstances all efforts should be concentrated at the decisive point, i.e., near the Rhine.

Your article also refers to British commitments in other continents. However, this applies in no less degree to the other Western Union countries.

To a recent gathering of the Royal Netherlands Society at The Hague, Field Marshal Viscount Montgomery declared with emphasis that in the defence of Western Europe all Western Union countries sink or swim together. Certainly a real team spirit should inspire all the peoples concerned.—Yours faithfully,

M. HEINSIUS
Mauhenesserlaan 426B, Rotterdam

Gas Turbines

SIR,—We have read with great interest the two articles entitled "How Gas Turbines Work" and "Gas Turbine Costs," which appeared in *The Economist* on July 9th and 16th respectively.

May we point out that it is not essential for the air heater of a closed cycle gas turbine to be supercharged? Originally, we and Escher Wyss, who are the originators of the closed cycle gas turbine, were of the opinion that the use of pressurised combustion in the air heater would reduce considerably the overall size of this unit, but our more recent investigations have led us to believe that this may not always be the case, and whilst we are using a pressurised combustion chamber on the air heater of the 12,500 kW plant which we are making for the North of Scotland Hydro-Electric Board, it is doubtful whether we shall use pressurised combustion on any further plants.

You make no reference to the closed cycle in the article on Gas Turbine Costs. We would like to emphasise that your remarks on the difficulties of burning heavy fuel oils and coal in gas turbines refer to open cycle plants only. In closed cycle gas turbines the ash from the coal or heavy fuel oils deposits only on the outside surfaces of the tubes in the air heater and the fouling problems are in effect very similar to those of a steam boiler or, more particularly, of a separately fired superheater.

We cannot agree that coal-fired turbines may not even be technically possible if you mean this statement to refer to closed cycle as well as to open cycle plants. We have for some 12 months or more now been considering a coal-fired gas turbine and we hope to be running an experimental unit within the next 12 months.—Yours faithfully,

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United Nations Record

SIR,—Nothing is easier than to discredit a public figure by distorting the sense of what he has said, and then finding fault with the distorted version. If the tone of Mr Trygve Lie's annual report on the United Nations were really as represented in your comment this week, all your criticisms of the report would be justified. You represent Mr Lie as "claiming credit" for the lifting of the Berlin blockade. On the contrary, he gives first place in this matter to "the constructive statesmanship of the Great Powers."

You charge him with attacking the Atlantic Pact. In fact, his concern is simply to make it clear that lasting security from war can only be secured on a universal, not a regional, basis—a point which has been repeatedly made by Mr Bevin, Mr Acheson and all the other founding fathers of the Atlantic Pact. In another reference to regional arrangements he points out that their effect depends on the spirit in which they are made and executed; a truism which it would be difficult to

deny. And this reference is only made in order to avoid giving the impression that regional pacts are necessarily rivals to the United Nations. As regards Mr Lie's Bergen speech, which you also mention, one imagines that *The Economist* went to press too early to know of Mr Lie's immediate denial that he had attacked the Pact in that speech.

When a man in a position of unique responsibility issues a report on some of the world's most vital problems, the present state of our press is such that only a mere glimpse of his actual words gets through to the general public. That same public is, however, pretty thoroughly supplied with comments on the statement which it has not seen. Surely it is all the more essential that such comments should at least start from a fair appreciation of the text concerned?—Yours faithfully,

United Nations Association,
11 Maiden Lane, London, W.C.2

ANDREW BOYD

The Future of Television

SIR,—It appears that paying for expensive programmes, without commercialising them, is one of the main obstacles to the development of television in this country.

I think that television sets should be provided with meters—slot or otherwise—similar to those which record domestic consumption of gas or electricity.

Each meter—and there should be more than one to each set—might be so fitted that a radio signal, inaudibly and invisibly accompanying a particular programme, activates it. Thus the viewer could be appropriately charged for the programme he chooses to view and for the length of time he views it. The charge for viewing the various programmes would be shown in the published time-table.

The agency for collecting viewing money might be farmed out on commission to local radio firms having set-maintenance contracts.

Such a system seems to me to be fair and likely to find favour with the anxious film companies. It would also be a very effective monitor of the popularity of programmes. Needless to say, that if some such system is likely to provide the eventual answer, it should be developed now rather than when viewers are numbered in millions.—Yours faithfully,

RICHARD WIDDRINGTON

Bockmer End, Great Marlow, Bucks

Travel in Spain

SIR,—The Director-General of the Spanish State Tourist Department in his reply to the criticisms of "Viajero" of the obstacles in the way of tourists to Spain shows that although he is well versed in the contents of Spanish Tourist literature, he knows very little of the handling of foreigners by the hotels, police, banks, etc., in that country.

My experience fully bears out the criticisms which appeared in your paper on July 9th. Firstly, although stopping at the principal hotels in five or six of the largest Spanish cities whenever I wished to cash a cheque I was informed that it was not possible and that I must go to a bank. On visiting the nearest bank I was informed that cheques could only be cashed at the Banco de Espana, and on reaching the local branch of that organisation it was necessary to queue up for a considerable time.

On leaving the country I blithely handed over all my pesetas and received a chit informing me that I could obtain the sterling equivalent from the Banco de Espana in London. However, I was there informed that they knew nothing of such arrangement and they refused to repay this money. The matter was argued between my bank and the Banco de Espana for some three months and then handed over to the Bank of England to negotiate. After considerable pressure had been brought to bear by the Bank of England the sterling value of my pesetas was eventually refunded—six months after leaving Spain.—Yours faithfully,

FRUSTRADO

AMERICAN SURVEY

Dixie Democrats

(From a Correspondent in Alabama)

PRESIDENT TRUMAN, like his predecessor, is plagued by rebellious men within his own Democratic Party, most of whom come from the South, and for him this party division is more serious than it was for Roosevelt. Not only does Mr Truman lack the overwhelming personal appeal with which Roosevelt was always able to beat the rebels, but the South's revolt has now been organised under the banner of the "States' Rights Dixiecrats." When, in the 1948 presidential campaign, the arch-conservative and reactionary elements succeeded in taking the states of Alabama, Louisiana, Mississippi and South Carolina away from the national Democratic Party and from Mr Truman, they insisted they were not forming a new party, but were only maintaining the "real" Democratic Party as opposed to Mr Truman's "radical minority groups and big city machines in the North"; but in effect they led a party bolt.

While their immediate hopes were washed out by the Truman tidal wave last November, the States' Rights leaders in city, county and state governments, and in the national Congress, persistently block the Democratic Party's programme and obviously intend to continue their obstruction either as individuals or as a new party.

Economic issues are at the root of the rebellion and of these the chief is fear of the growing labour movement. With the South rapidly becoming industrialised, the region's conservative leaders are haunted by the thought of changes sure to come as workers are educated and organised. They know that they will then lose their tight control of the state legislatures, and their close check on Congressional representatives. Within the last year the relatively well-organised states of Tennessee and North Carolina have sent to the US Senate two men, Mr Estes Kefauver and Dr Frank Graham, who are certainly not conservatives. They, together with liberal Senators like Mr Hill and Mr Sparkman, of Alabama, and, with the difference that makes Florida not quite part of the South, Mr Pepper, of that state, symbolise the pattern of development which is being resisted by the Dixiecrats.

Big landowners in the South are part of the rebellion, for they fear the rise of small farmers, white and black, as a result of the Administration's policies of supporting farm prices and granting long-term agricultural loans. Farm tenancy has declined sharply since 1933 and ownership is rising. The Farm Bureau, which in the South represents chiefly the big farmers and has been more Republican than

Democratic in the nation, had a share in splitting the South's Democratic vote last year. So did the public utility companies, a potent influence over Southern politicians. Frightened by the enormous popularity of the Tennessee Valley Authority, they backed impartially the Republicans and the Dixiecrats in a desperate effort to halt the Democratic programme for rural electrification, the installation of rural telephones, and further schemes on the lines of the TVA. Another small but powerful economic group are the oil men of the states along the Gulf of Mexico, who want the underwater oil properties off the coast opened to private exploitation.

Yet even with the issues of labour, farm policy, public power and tidelands oil all lumped together, it is doubtful whether Dixiecrat leaders could have won enough support

to sustain even a temporary split away from the Democratic Party. They are vitally dependent upon one other issue which they ceaselessly stir up—the Negro. The average Southerner's attitude toward Negroes did not alter radically from the abolition of slavery following the Civil War until the time of Franklin D. Roosevelt and his wife. Their steady pressure for better housing, education, health and political oppor-

tunities for Negroes achieved a definite advance, even though it tended to deepen the animosities of the white die-hards. With the inevitable maladjustments at the end of the war, and President Truman's determined stand for laws to protect the civil rights of Negroes, heightened race tensions in some parts of the South have provided the ideal issue for those politicians who live by demagogic appeals to the masses. They used it as a means of splitting the Democratic Party in 1948, and in a number of states they are using it now to encourage such divisive organisations as the Ku Klux Klan.

This secret, hooded order originated just after the Civil War, when Southern whites were forced outside the law in order to save their government from the control of the illiterate Negro majority. After the first World War the Klan was reorganised under conditions much like those today. Its leadership, then as now, attacked Jews and Catholics and stood for "white supremacy." While the States' Rights leaders today come from a higher social and political stratum than the Klansmen, and deny any connection with them, there is a definite bond of sympathy between them. Each, with close ties to the big corporations, sees danger to the

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Anti-Administration Democrats*	17	Left-wing Democrats.....	8
		Irregular Republicans.....	10
Total.....	50	Total.....	46

* Includes 14 out of 24 Southern Democrats.
With acknowledgement to *Life*.

established pattern in the rise of organised labour and the Negro, and in the possibility of the two groups reaching an understanding with the traditionally conservative farmer.

While the rebellious right-wing Democrats have dangerously confused Southern politics, it may be that from the long view this is merely part of the overdue transition from the one-party system in the South to a more normal and a healthier multi-party system. It should be remembered that, while most of the South since the Civil War has clung stubbornly to the Democratic Party, this one party has been divided into contending liberal and conservative wings. Urban industrial areas have tended to be liberal; rural areas have usually been conservative. The liberals for years have been hinting to the right-wingers that in the South they ought to join the Republican Party, there more or less dormant, so that they could be welcomed into honest conservatism and could help to create the needed two-party system. But the right-wing Democrats have resisted; up to the present, they have been able to swing the Democratic Party in their States, and to profit from Federal patronage and Congressional committee chairmanships while the Democratic Party has been in power nationally.

Yet in the States where their representatives have failed, or been hard pressed, to win the Democratic nomination, they have more incentive to look around for a new place to land. In the recent primary election in Virginia, to select the Democratic nominee for the Governorship of the State, the right-wing candidate for the nomination openly welcomed, and received, support from Republicans, and it has been hinted that there were nominal Democrats in numbers among the 171,000 Virginians who voted for Mr Dewey last November. Since Senator Byrd, cock of the walk in the Virginia organisation, normally votes with the Republicans in the Senate at Washington, this co-operation is logical and, for the time being, effective in producing the necessary number of votes. Liberal Democratic forces, however, feel that open coalition between right-wing Democrats and Republicans can be made a prelude to realignment. They would welcome this development, for while many big Southern names would go to the Republicans under such an arrangement, the big voting boxes would probably remain Democratic. There are more poor folk than rich in the South.

American Notes

Arms for the Pact Only

For at least two days this week such vital government agencies as the Service and Interior Departments have been officially penniless, a state to which they must be becoming accustomed, in consequence of the Senate's inability to get down to work on the outstanding appropriations, amounting to about \$27 billion, for the fiscal year which began seven weeks ago. The House, asked for the third time to give authority for stop-gap spending, could be excused for cocking a snook at the Senate, by proposing soon to take a two weeks' holiday. It is well entitled to do this, since not only did it do its share of the work on the appropriations at an unprecedentedly early date, but it has now also dealt with all major pending legislation except the Military Assistance Bill.

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

This its Foreign Affairs Committee has renamed the "Mutual Defence Act" and has reported out with its total of \$1.45 billion intact, although at one point there was danger that it would be halved. The share of the Atlantic treaty countries is divided between cash and contract authorisation; in both cases a proportion will not be available until after March 31st, and then only if the President can certify that the arms it buys are being used in a unified European defence system set up under Article 9 of the Atlantic Pact. Similarly, the series of further amendments to the draft Bill, which have been proposed by Senator Vandenberg and Senator Dulles, are designed to make "certain that what is started now will integrate quickly into the agreed plan for area defence that will emerge from the North Atlantic treaty." With these and other amendments, which would reduce the total sum for the Pact signatories to a round \$1 billion, the Senators believe that the Bill should, and will, receive the support of the Congress.

There seems no doubt both that the basic principles of the Bill are fairly generally accepted and that there is as general a lack of understanding of the need for, and the details of, the measure itself. For this the Administration must take a share of the blame, since in both the original Bill and in the statements made about it, there has been an ineffectiveness and woolliness which cannot entirely be excused by heat and midsummer exhaustion. It is not therefore surprising that the Senate has shown a tendency to run round in circles on this even more than on the rest of the legislation with which it is now trying to deal. The latest gyrations, however, arise from the Administration's desire to speed up the proceedings for the benefit of all concerned. Senator Connally, considering that it was unnecessary to hear evidence that had already been presented to the House, and finding it easy to guess what both Mr Henry Wallace and the Socialist, Mr Norman Thomas, wanted to say, closed the Foreign Relations Committee's hearings without listening to the opposition. He has now been forced to reopen them, and both the Appropriations and the Banking and Currency Committees have also rushed for their guns as the result of a story that, in order to avoid the delay involved in the appropriations procedure, the Bill is to include authority for a loan from the Reconstruction Finance Corporation, large enough to carry the programme until January.

Whitewash for B36's?

This year Washington's annual heat rash of investigations is concerned not with spies but with government contracts, almost as safe a way to the headlines. The House Armed Services Committee is enquiring into the recent and sudden passion of the Air Force for the B36. This long-range bomber is produced by a corporation with which the Secretary of Defence was once connected, the Consolidated Vultee Company, whose officers are said to have subscribed heavily to Democratic funds last autumn. It has been alleged that there was an improper connection between these occurrences, but the highest Air Force Generals, reinforced by a "History of B36 Procurement" which took five hours to read, gave impressive testimony on how their serious doubts and disagreements about the airplane were finally dispelled last summer by its proven merits. They denied indignantly that their professional judgment was subjected to political pressure at any point during the B36's long development. Confidence in the bomber will not, however, be strengthened by one expert's remark that its faults were straightened out "only by one of those lucky freaks."

The B36, twice as large as a Superfortress, able to deliver a 10,000-lb. bomb on a target 10,000 miles away, was first dreamt of in 1941, when Germany would have been the target, but the changing strategy of the war delayed its production,

and now, when the dream is at last coming true in quantity, the target is Russia. It was in 1948, when the Berlin situation made war seem imminent, that the Air Force finally decided to put most of its eggs in the B36 and to halt work on other types of aircraft. There are many, nevertheless, who feel that not only have claims for the B36 been exaggerated—enthusiasts try to make out that it is a plane-of-all-work—but also that the decision to rely on this aircraft committed the United States without sufficient consideration to a long-term policy of strategic bombing from domestic bases.

Those holding this view are concerned at signs that Mr Vinson, the chairman of the Armed Services Committee, would like to postpone, and perhaps abandon, hearing the evidence against the B36, and is diverting the attention of his Committee to hunting down the sources of the apparently unfounded charges against Mr Johnson and the Secretary of the Air Force, who was also implicated. But Representative Van Zandt, who first gave publicity to the allegations, is an ex-naval officer, who is already accusing Mr Vinson of whitewashing the B36. If the Air Force hoped, by the weight of its evidence, to blow sky-high any desire to discuss the general question of its plans for fighting the next war, it is likely to find that it has under-rated the tenacity of the Navy.

Blackballs for Five-percenters

The B36 rumours involved the giants of the industrial and political world, but at the same time a Senate sub-committee is investigating the pygmies, the little businessmen who cannot employ their own Washington representatives, and the hangers-on of government officials who claim to be able to influence the letting of government contracts. The activities of these five-percenters (so-called because that is the sum they charge for their services) have recently been smelling increasingly unsavoury. They were brought to the surface by the Republican *New York Herald Tribune*, whose undeniable devotion to clean government was perhaps stimulated by the opportunity to embarrass the Administration. The newspaper story centred round a Mr Hunt, who naturally reappears in most of the samples which the committee, after a detailed private analysis, is now exhibiting at public hearings. But the name of Major-General Harry Vaughan, the President's blustering military aide, stands out with equal frequency from the morass of deep-freeze units and race-tracks, molasses and perfume, Greek bootblacks and chemical warfare chiefs.

It is doubtful whether any real evidence that government officials have acted illegally will emerge from this inquiry, but it has certainly made it even more desirable, although little more likely, that Mr Truman's indiscreet crony, General Vaughan, should be eased out of the White House. The publicity given to the investigation may, however, show businessmen that the five-percenters are not worth their commission: one of them was quite unable to conceal the hearsay nature of his "private" information or the roundabout route followed by his "direct" contacts. Publicity may also perhaps lead official society to blackball, at least temporarily, the more notorious of the "pedlars of influence."

There are also more concrete remedies available. Other agencies might copy the attempts of the Department of Defence (in any case responsible for a high proportion of government contracts) to make go-betweens unnecessary. Small business liaison officers have been appointed to its local offices and a special information bureau on military procurement has been opened in the Pentagon, its Washington headquarters, where unfortunately the maze of corridors may prove almost as confusing as red-tape. The sale of influence by ex-government employees can be curbed by regulations of the kind which some departments already have, and which are contained in a Bill passed by the Senate in connection with the Reconstruction Finance Corporation. Officials of that agency had been transferring to highly-paid posts with firms which had received RFC loans on their recommendation; the

Senate Bill forbids any RFC employee to accept such a post for two years after leaving government service.

ICI in the Webb-Pomerene

At the close of last week, the US Government won the first decisive round in an action which may clarify the relationship between the Sherman Anti-Trust Act and the Webb-Pomerene Act of 1918 which was designed to legalise the development of export trade associations. The defendants in the case included Imperial Chemical Industries and its New York subsidiary; the United States Alkali Export Association; and many leading chemical producers in North America.

Only the briefest details have so far become available on this side of the Atlantic, and it seems safe to conclude that litigation, in this case as in so many others, will be taken far beyond the Federal District Courts. But the initial judgment is interesting because it is the first occasion on which the US courts have determined that the Webb-Pomerene Act gives no more than a closely circumscribed exemption to the Sherman Act. It is possible to argue that the "intent of Congress" in this respect may be less difficult to recognise than in some other aspects of anti-trust law. But until last week, at least, there was no clear legal ruling that could sustain the now successful government plea that cartel arrangements, embracing the division of world markets, would bring the participants within the boundaries of the Sherman Act, which regulates domestic trade.

Problems raised by this judgment, however, may well offset substantially any benefit arising from a possible clarification of anti-trust law. The Webb-Pomerene Act does permit export associations to limit competition among their members and to act, in some measure, in restraint of trade. But, between the permissible area where such organisations may promote their interests by "price protection," and the twilight zones approaching "unlawful restraint" (i.e. the imposition of barriers against non-members, the restriction of imports, or direct interference with domestic trade), there is a wide field in which the businessman may falter, and the commercial lawyer thrive.

Certainly no single ruling can bring a clear line of demarcation between permissible and "unlawful" restraints of trade. And this conclusion leads to an interesting speculation on the utility of the Webb-Pomerene Act itself in relation to the postwar commercial policy of the United States. The Act was passed on the assumption that American firms engaged in foreign trade should be enabled to battle, on more equal terms, with foreign cartels and export associations, formidably larger, decisively stronger, and buttressed by foreign governments. Few would be prepared to deny that such dangers may in the future exist, or to assert that the dangers attaching to government intervention have diminished, though few, equally, could deny that the intervening years have brought a tremendous accretion of strength to the average American unit engaged in export trade. But if American commercial policy is to triumph, if GATT and ITO are to become recognised trademarks for world exporters, Washington can scarcely sustain a law which establishes for exporters a standard less rigorous than that applied to firms engaged in domestic trade. A recent survey by the Department of Commerce, which noted possible divergences between the ITO Charter and the Webb-Pomerene Act, serves as a somewhat paradoxical comment on the first legal ruling that binds that Act to the Sherman Act.

Republican Teamster

With the start of the 1950 Congressional race only a year away, it is time to prepare the Republican wagon for the victory that is needed to eclipse the memory of last year's catastrophe. The first requirement was to get rid of Mr Hugh

Scott, the Dewey appointee to the chairmanship of the party's National Committee. He had remained insecurely in the driver's seat but had been quite unable to get the wagon rolling, since the various horses in his team refused to pull in the same direction. Even worse, with him as teamster, there were no offers of funds to equip the wagon for the contest. Last month Mr Scott climbed down from a perch that had become too hot to hold him and a miniature national convention, complete with private smoke-filled rooms and public backslapping, was held to choose his successor.

Victory in 1950 depends on reharnessing the midwestern voters who broke away in 1948; for that reason Mr Dewey's friends from the big cities chose, without enthusiasm, a South Dakotan farmer for their candidate. But at the moment organisation and money are needed to get the team into training, therefore Mr Guy Gabrielson from New Jersey, with political experience and excellent Wall Street connections, had the support of both Taftites and Stassenites, whose alliance is becoming such a dependable feature of the Republican landscape that it is permissible to wonder whether it will remain there until the Presidential campaign. The combined boost of conservatives and liberals (in so far as liberalism can be found in the National Committee) pushed Mr Gabrielson into the driver's seat, but his majority was so narrow that he will certainly need all his political talents if he is to keep his pledge of "building a united, driving, progressive organisation."

His first test is likely to come in the group of National Committeemen and members of Congress who are to draft a statement of principles for the 1950 campaign. Mr Hoover, celebrating his seventy-fifth birthday in a glow of polite acclaim, gave them an elder statesman's theme: "The United States is blissfully driving at top speed down the back road to collectivism." But working politicians knew that voters find bliss very alluring. Senator Taft has a more practical formula, which he upholds with sincerity and conviction and which combines moderate progress at home with moderate reaction abroad. He is about to begin a three months' speaking tour, in which he will explain his position to the people of Ohio, in preparation for his campaign for re-election next year. He is setting out in plenty of time on the road which he hopes will lead to a Presidential candidacy in 1952 and along which his advance will certainly not be delayed by the fact that the hand on the Republican Party's reins is that of his friend, Mr Gabrielson.

Rail Rates Rise Again

The latest award by the Interstate Commerce Commission (which becomes effective on September 1st) will enable the railroads to increase their freight charges by a flat 4 per cent on top of a temporary advance of over 5 per cent allowed in January. At the close of last year, the companies were seeking a rise of 13 per cent on the levels then prevailing. Of this, they have now secured rather more than 9 per cent, and rates on goods traffic are almost 60 per cent higher than in mid-1946, when the ICC first began to take a more sympathetic view of the industry's problems.

On estimates submitted by the ICC, increases granted in the postwar period amount to more than \$3 billion yearly. The railroads, however, are now facing much more severe competition from other transport services, and rate increases no longer automatically assure a commensurate improvement in operating revenues. Industrial output is generally lower, and the short working week in the bituminous coal mines is damaging many railroad companies. For most of the present year, the volume of goods traffic has been sharply below the comparable level in 1948 and, over the first six months of 1949, net operating revenues of Class 1 railroads fell by 25 per cent to \$312 million. Higher rates provide a short-term solution, but they do nothing to correct the rigid costs structure from which the railroads are now suffering. Next month, moreover, when the new rates become operative, the industry must adjust itself to a 40-hour week for the so-called "non-operating" workers. The ICC declares that "much more

must be done to increase efficiency and reduce costs." As a somewhat sardonic comment on the award, many companies are seeking permission to reduce rates on particular products in order to meet competition from road transport.

* * *

Foundations of Charity

Britain has good reason to know that, in the first quarter of this century, America's great industrial pioneers, the Carnegies, the Rockefellers, the Harknesses and their companions, discovered a way to ensure that their incredible fortunes should continue pioneering after their deaths. The money they made, by exploring the potentialities of steel, oil, tobacco, retail trade and so on, has been devoted to the advancement of human knowledge and the well-being of mankind by means of the charitable foundations which they established with their millions. It is along the trails blazed by these endowments that America's medical and scientific research, public health, social services and education have travelled to their present high levels. But individual philanthropists and government agencies have now settled most of the country originally opened up by these benevolent funds and, if they are to carry on the pioneering traditions of their founders, they must find new frontiers to cross.

Yet reliable and cautious trustees, presiding over large, well-established organisations, naturally tend to keep to the original tracks, even though they have now become well-marked roads. It is calculated that the foundations are still spending nearly half their appropriations on medical and health research, while another third goes to universities and schools and the rest mainly to social work. Then, too, trustees are under constant pressure to scatter their resources in small amounts over many fields or to put income into reserve in order to safeguard their assets. It was to avoid the dead hand that is closing over so many of them that Julius Rosenwald stipulated that his fund of \$22 million should be spent in a generation, to give new opportunities to all Americans, and especially to Negroes. The Twentieth Century Fund is one of the endowments that has found new lands to chart: it is now concentrating on research and public education on economic questions, with the work being done under its own auspices instead of by grants to other institutions. The Carnegie Corporation is another: it has decided that the time has come to give up its library work; as a result it has been able to finance the new Russian Research Centre at Harvard.

The foundations may have been crowded out of their original fields by the extended scope of governmental activity, but the high taxation which this involves explains the recent increase in the number of such foundations, since charitable and educational organisations are exempt from Federal income tax, and contributions to them from estate and gift taxes; when calculating net income for returns, deductions may also be made for charitable purposes. Out of some 5,000 organisations which use the name of "fund" or "foundation," there are now about 500 which are genuine, charitable and educational trusts, with a capital of \$2 billion and an average annual expenditure of \$100 million.

The largest is the Ford Foundation, with assets of over \$200 million, which include nearly all the non-voting stock of the Ford Company, bequeathed to it by Mr Henry Ford and his son, who thus escaped the danger that death duties might force the family to lose control of the Company. Although in this case the income presumably does go to charity, the Ford Foundation is one of many of the newer foundations which publish no details of their expenditure and who thus lay themselves open to the suspicion that their purpose is not philanthropy but tax avoidance. The most publicised case has been that of the Textron Trusts, which were investigated by Congress last autumn. They were found to have accumulated, by means of their tax-exempt status, large amounts of capital needed for the textile enterprises of which their founder was head, but to have given practically nothing to the organisations which they were set up to aid.



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THE WORLD OVERSEAS

First Week at Strasbourg

(From Our Special Correspondent)

AS the Council of Europe began its second week of existence in Strasbourg (with a day's holiday to recover from the wine festival of Colmar), the ten Foreign Ministers who had watched over its tenderest days departed for their capitals. Although they had seen some of the stripling's protective clothing cast aside, although there had been robust and defiant cries from the Consultative Assembly and more than one Churchillian growl, they probably felt that the 101 new European spokesmen would now be better left alone, to discover for themselves some of the facts of international life. They are, after all, now under the charge of M. Spaak. By a lucky chance he had one day been a leading member of the Committee of Ministers and Belgian Foreign Minister; and the next he had become a parliamentarian out of power and ready to take the chair in the Assembly.

M. Spaak is playing with great skill the role of a stern but judicial uncle, who can also be jovial and argumentative without losing one jot of his authority. With this vigorous and only mildly socialist personality in the chair there will be no nonsense, no disorderly procedure, no serious tampering with the constitutional rules laid down in the Statute that he helped to prepare. If it can learn to begin work punctually and stick to the point, the Assembly has now some chance of getting through its agenda by the end of August—a prospect that seemed hopeless in the debates of last Thursday and Friday.

It is difficult as yet to say anything more about the dignity and prospects of the Consultative Assembly. It has not yet found a style or spirit of its own. Is it the organ of new voices, the medium of new forces in Europe, which give it an irresistible power to force governments towards great acts of European policy? Or is it an amateur advisory body, carefully picked by the men in power and girt around with restrictions which will prevent it developing too much weight and too much voice?

Individuals or Parties?

Clearly, the Assembly is not yet certain on this point. Indeed it hardly can be till it has shown its capacity to define in workable form proposals that can be passed as recommendations to the Committee of Ministers; and before it can do that there are one or two great issues to be thrashed out. It has to be discovered by just how much the anti-planners can out-vote the planners; by what methods the various parties can keep their federalists and impatient visionaries in order; whether Right and Left will allow a centre group to establish itself, in which practical recommendations can be agreed on which will command a two-thirds majority in the Assembly. In theory, of course, everyone here thinks and votes as an individual. In fact one powerful and highly organised international party already exists—that of Mr Churchill—and the second week should show whether an opposition of Socialists and progressive Catholics can or will mobilise itself as well.

By next week the Assembly should have spent five or six days debating the three crucial items of its agenda. One of them only was proposed by the Committee of Ministers; the other two were proposed by the Assembly after some rather irritable debating, in which it seemed to be assumed that the Ministers would be stubborn and suspicious in their attitude to any attempts by the Assembly to change or add to its agenda. (In fact the Ministers were reasonable; and Mr

Churchill, who had been preparing a charge in the spirit of 1789—or perhaps 1911—found he had been shaking his lance at a shadow).

These three items will raise every argument and issue that cuts across the national groupings of the Assembly: first, the changes in political structure needed to get closer unity between members of the Council of Europe; second, the kind of measures needed to achieve the Council's aims and to assure the human rights it claims to defend; third, the role that the Council should play in economic matters. Frank discussion on the first and third of these should bring some clarity of line into the vague Strasbourg atmosphere. For Mr Churchill and his principal followers do not really want the federation of Europe, and they certainly do not want to find themselves advocating here the central economic planning which they denounce so explicitly at home. Likewise, the Socialists are not really ready to make sacrifices of sovereignty to an international body, especially in circumstances which would give the Right the kind of effective majority it has here. It is better that these inhibitions should be dragged out in debate, and that honest criticism should disperse some of the dishonest illusions about European unity which have been created by oratory at social occasions and by journalists anxious to produce a dramatic and hopeful story for the dog days of August.

Need for Practical Proposals

With these fundamental debates out of the way, it might then be possible for a re-grouped Assembly to produce some recommendations on relatively small but practical matters which could be carried out by ministers before the next session next year. On the agenda are proposals for a European passport, for a programme of public works, for co-operation in scientific research and cultural matters, and for arrangements which would enable a European worker to enjoy full rights to social services wherever he may move. Some progress in these matters would make it possible next year for the Assembly to establish its proper relation with the Committee of Ministers: that is to say, the Ministers would report progress and the Assembly would express satisfaction or the opposite with what its masters had done. At that point, too, the Assembly might divide into defenders and critics of the Ministers, a division which would begin to give some reality to its claim to constitute a European parliament—a claim which is already being made most inaccurately and somewhat irresponsibly.

The most striking feature of this first rather disorderly week has been the British predominance in the Assembly. The very first day of debate provoked Mr Morrison into a resentful little speech which exposed him to a statesmanlike but mischievous rebuke from Mr Churchill, who had previously been deprived of the opportunity for a great oration. And so it has gone on. The British have talked more than anyone else: they have provided all the best stories in the coulisses; they have brought a little of the hurly-burly of the House of Commons into the grey and somewhat wagon-lit atmosphere of the Assembly chamber.

Indeed, British manners have not been too good, either on the Right or the Left. There is a tendency for the Left to sulk and for the Right to gloat. Watching the British Labour delegates one feels we really must "educate our masters" in the ways of Europe. Watching the Conservative delegates,

one marvels at the confidence and glibness with which the advocates of Empire are committing the British to leadership in this so far shapeless enterprise. It is something more than the fact that Conservatives are demonstratively at home with coffee and sweetbreads while Socialists look surreptitiously for pots of tea and kippers. It is the fact that they are in power at home and have no mandate to go very far with European union. The men of the Right are in the majority here; to support them may run counter to domestic responsibilities. To oppose them lays the British Socialists open to the charge of being reluctant, unenthusiastic and even cynical.

Pressure Group Lobbying

Doubtless Mr Morrison will try to stop the rot, and will take steps to see that the thirty-four or five votes needed to veto the moves of the Right will be available if necessary. He will also, doubtless, challenge the sincerity and explicitness of the programme of the European Movement, of which Mr Churchill is the main exponent. Unless something like this is done, or unless the French—so far silent and apparently bewildered—oust the British from their dominating position in debates and commissions, it is difficult to see how any recommendation to Ministers can get the two-thirds majority needed.

For a while, then, Strasbourg may look like the talking-shop Mr Bevin first feared, then perhaps hoped, it would become. And in and around the Assembly there will be manoeuvrings and lobbying which will depress the younger enthusiasts. But the hard-hitting talk and the astute manoeuvring will give to the Assembly just the life and vigour it needs. Delegates will learn a lot, the British Labour delegates in particular. The economic arguments of the Right will have to be treated seriously, coming as they will from delegates who are no longer ready to accept at their face value British accounts of Britain's economic achievement. And the Right itself will be obliged to clear its mind. It cannot be allowed to enjoy indefinitely the luxury of advocating free enterprise with one voice and European planning with another. It will have to explain just how it proposes to achieve economic integration—if it really wants it—without cartels, without restrictive practices and without antagonising the whole trade union movement in western Europe. The European Movement, whose lobbying on American pressure group lines is beginning to get on delegates' nerves, may find one or two bluffs called.

Germans at the Polls

[FROM A CORRESPONDENT]

DOCTOR KONRAD ADENAUER has stoutly defended his country against reports in the foreign press that a new wave of nationalism is rampant in Germany. The results of last Sunday's national elections, in which his party, the Christian Democrats, with their Bavarian affiliate, the Christian Social Union, came out at the top of the poll, prove them to be baseless, he maintains. Nevertheless it was the former Nazi element which decisively shaped the final figures. Of the 6,000,000 new voters who have become eligible since the last state elections, the vast majority are Nazis cleansed in the health-giving trough of the denazification laws, or Hitler Youth now of voting age. Three million of these votes went to four blatantly right-wing extremist splinter parties, and another million bolstered the fortunes of the right wing Liberal Democrats. Over a million votes cast for independents and 800,000 spoilt slips certainly did not come from the left.

The vast body of more moderate elements is looking narrowly at the electoral law which has thus disturbed the placidity of their former monopoly. Under the partial proportional representation procedure adopted by the Bonn Assembly, western Germany is divided into 240 constituencies, each electing one member by direct franchise. The remainder of the nominal

total of 400 deputies are chosen from the party reserve lists established in each of the eleven member states. Under the d'Hondt system of counting, the total votes gained by each party in the state are set out at the head of separate columns. Parties with less than five per cent of the votes and the figures for independent candidates are ignored.

Each total is then divided successively by 1, 2, 3, 4, 5 and so on. Starting with the total of the leading party, seats are then allotted to the next lowest figure in succession until the total number of candidates, both indirect and direct, for the state is reached. If each party has elected less candidates by direct vote than it is entitled to proportionately, then it may draw the difference between the two figures from the reserve list. If a party has received more direct mandates than it is entitled to, those candidates remain elected, but the difference is added to the total number of candidates allotted to the state and these extra members are chosen from other parties.

Even a system so perfect in its complexity as this has its anomalies in practice. Independent candidates, with five per cent of the total vote, obtained only two members or one-half per cent. On the other hand, the Communists with 15 members, the leftish catholic Centre party with ten and the German (ultra) Right party with five, owe their representation in the new Federal Parliament entirely to the reserve list, as they did not elect a single candidate by direct suffrage. The Bavarian, German and Reconstruction Parties obtained two-thirds of their members from the reserve list, which also came to the rescue of such party stalwarts as the Communist leader, Max Reimann, the Minister for Food and Agriculture, Hans Schlange-Schoeninger, and Professor Theodor Heuss, leader of the Liberal Democrats and federal president presumptive, none of whom succeeded in their constituencies. It has also provided a back door for several score party hacks who would otherwise be excluded from the active political life they can hardly be said to adorn.

Rise of the Splinter Parties

The campaign provided one of the dullest national elections on record. And when 24 million people heaved themselves out of what was indistinguishable from apathy, to vote along preconceived lines on the grounds that if they were going to have a quasi-government, they might as well have some say in its composition, they surprised themselves as much as they did the outside world. Even violent attacks on the occupying powers by Dr Adenauer and Dr Kurt Schumacher, leader of the Social Democrats, did little to erase the distaste their two parties had caused by the protracted bumbblings and bickerings during the framing of the Bonn Constitution. If they had been a little quicker and shown a little more spirit of compromise, the smaller parties now plaguing them would probably not have had the time or the reasons for organising themselves.

The splinter parties provided every vagary between the waving of red, white and black flags and the singing of the forbidden *Deutschland über Alles* by the German party, the daubing of swastikas and Hitler moustaches and cowlicks on opposition posters, to sporadic efforts by the Bavarian party to enlist the support of 82-year-old Rupert of Wittelsbach, heir to the Bavarian crown. Denigration of the established parties and thinly-disguised appeals to neo-Nazi sympathies provided their chief weapons, with most regrettable success. With loftier phrases and far more genuine idealism, certainly among their leaders, in favour of freedom of enterprise and the individual, the Liberals found in the outcome that they had been catering for the same public.

The two chief protagonists, the Christian Democrats and the Social Democrats, are surveying ruefully the gaggle of minor Frankensteins their violent and vindictive abuse of each other during the election campaign served so largely to bring into existence. It is an open question who is more embarrassed, the Socialists at being kept out of power by the eldritch cacophony of an extreme right wing, or Doctor Adenauer for having to depend on such disturbing elements for his majority.

Ethiopia and Eritrea

[FROM A CORRESPONDENT RECENTLY IN EAST AFRICA]

BY 37 votes to 11, with two abstentions, the May Assembly of the United Nations awarded the whole of Eritrea to Ethiopia. The project failed because the Bevin-Sforza plan for the ex-Italian colonies, which was to stand or fall as a whole, failed on other clauses. The September Assembly is due to tackle the problem again. A clear majority of the inhabitants of Eritrea are now hoping for a different verdict. The bulk of the Unionist party, which is the Christian group representing, at a guess, 40 per cent of the population, which is related by race, religion and language to the Tigray province of Ethiopia, and which lives in the area round Asmara, is faithful to Ethiopia. All the other parties, Moslem and Italian, have now made common cause in their aversion to Ethiopian annexation. They have joined in an Independence Front. They demand what this name implies—"with possibly a limited period of international tutelage." They are sending a "strong delegation" to Lake Success in the hope of reversing the May verdict.

A visit to Ethiopia as well as Eritrea suggests that they have something of a case. The Emperor Haile Selassie claims Eritrea partly for strategic reasons—twice in his lifetime it has served as the base for an Italian attack—but chiefly on economic grounds, and superficially, at least, the latter looks more valid than the former. Possession of the Eritrean coastline would give him an outlet to the sea, while his great hinterland would furnish Asmara and Massawa—a town and port swollen by the traffic of two wars—with a body to match their head. But is Ethiopia in a position to take on a territory that is, administratively speaking, years ahead of it, and that has proved a financial liability even to Britain?

The Emperor has engaged an American economic mission, appointed Britons and Swedes to train his army, air force and police, chosen an American governor for his state bank, given the Russians permission to open a modern hospital in Addis Ababa, and has granted a concession to the American Sinclair company to prospect for oil. Ethiopia today abounds with foreign advisers. There are 17 nationalities on the state bank staff alone. But their advice is not taken. Two modern wars have not really changed the Ethiopian skin. Despite the efforts of the Emperor and of the few minds like his, and of the foreign employees, local pride and conservatism still prevail. Good men who went to Ethiopia full of resolve to do a proper job have therefore tended to resign. Some notable exceptions struggle on in the teeth of Ethiopian masters who cannot keep an appointment or remember to pay over the money for wages and salaries on the right day. But a mixture of ignorance and sheer lack of funds tend to defeat their best efforts. Far too many of the foreigners who remain have therefore become content to draw their salaries and do nothing.

Why is there no money to pay for what the Emperor wants to do? Allied war expenditure was, by standards of the Ethiopian budgets, considerable. A few small but useful loans in hard currency were secured just after the war—\$3,000,000 gold from the United States, Kr. 5,000,000 from Ethiopia's old friend Sweden. But the handsome new American cars in which the aristocracy rolls round the Addis Ababa area symbolise the destination of most of the war earnings. A race accustomed by tradition to trampling on the underdog never questioned the absorption of these loans by a few private pockets. The treasury, therefore, is empty. It is not easy to reveal this fact in figures. The last published budget was for the year 1946. This was balanced at Ethiopian \$38,189,932, or about £3,800,000. Revenue was mainly from customs duties. There is no machinery for the collection of the existing income tax, while the land tax is said to be greatly pilfered on its passage through provincial fingers to those of officials in the capital. In 1946, £167,000 was spent on education and £796,000 on defence. According to the Emperor, 50 per cent of the 1949

budget is being spent on education. If total expenditure is, as is believed, running at around £5,000,000, this percentage is a remarkable figure. Yet ocular evidence of local expenditure on schools is not great. There are said to be 65,000 children (out of a population of 10-12 million) at school at state expense, and some 300 students at higher schools and universities in Britain and elsewhere.

While the sellers' market prevailed throughout the world Ethiopia did well with its hides and grains, coffee and beeswax. But the economics of 1949 are a different story. Sales are hanging fire because Ethiopia's products are dear and of poor quality. Grading is unknown. Transport costs are prohibitive. It is said to cost as much to ship a car from Detroit to Djibouti (in French Somaliland) as to ship it by rail from Djibouti to Addis. It is not surprising that the trade balance is now adverse. Who is going to meet the continuing deficit?

The Emperor hopes, he says, for a loan of \$100 million from a source in America—maybe the World Bank, maybe the Export-Import Bank, maybe the private investor. But will he get it if he stands out—as in British experience he has always done—for his own terms? These are: no guarantees to be asked as to how the money shall be spent and no safeguards to be imposed in the shape of joint development trusts, or any other such devices for ensuring some degree of foreign management. The overseas investor of 1949 is growing chary of loans poured into the sieve of a primitive administration. He is unlikely to swallow the propositions of a country where improvements seldom materialise, where the once good Italian



roads have been allowed to fall into complete disrepair, and where the provinces, for lack of communications, are only under remote control from the capital. He is ready to lend, but only under conditions which most Ethiopians would find unacceptably humiliating.

But it would be wrong to assume from this depressing picture that the country is in any disorder. The Emperor is supreme. There are no more provincial *razes* to question his authority. The church, tough and powerful, is at his back. The "revolt" reported by Rome in May last was only a local brawl about the rights of a dismissed provincial headman. It was put down by the police with traditional brutality. *Shiftas*, who are just ordinary bandits, make raids on most roads, but get summarily dealt with if caught. They do not molest foreigners who can travel anywhere in the rickety cars which still provide a livelihood for some 6,000 Italian beachcombers, and which are the only mechanised means of getting about from province to province.

It is fashionable among the Emperor Haile Selassie's many admirers, African and European, to venerate Ethiopia as a land successfully independent and storiedly noble. Anything that its ruler proposes, whether it be a loan or the acquiring of Eritrea tends to be regarded as due to him in compensation for the raw deal that he suffered at the world's hands when Mussolini attacked him. But is his case in equity the only consideration?

He has no money to maintain Eritrea even in its present state of repair. It is a financial liability to any owner; even under careful and experienced management, it has cost the British tax payer, in the years 1941-48, £1,439,522 in grants in aid to cover budget deficits (or if the large sum of £854,521 spent on the relief and repatriation of Italians be deducted from this figure, £585,000). He would acquire, in addition to 475,000 Christians of his own race, 570,000 Moslems, 23,000

Italians and 25,000 sons of Italian fathers and Eritrean mothers, some of whom are far more politically advanced than his own people, and none of whom want his rule. Massawa is a good port but is a very long road haul from the productive part of the Ethiopian plateau. Would not it be equally accessible, and far less of a charge on Ethiopia's slender means, if it were under international management? In any case, the once fine Italian roads, still not too bad in Eritrea, have in parts of northern Ethiopia practically disappeared. Last but not least, Eritreans are far more accustomed to modern ways of life than are Ethiopians. By comparison with Asmara, Addis Ababa is an untidy village. Might not the tail want to wag the dog? A few Ethiopians see these drawbacks. They are rumoured to include the crown prince. But among most, the idea of more territory, of access to the sea, and of greater grandeur inevitably prevail. Thus evidence collected on the spot all points to the conclusion that a period at least of trusteeship for Eritrea would benefit the Empire of Ethiopia as well as the Eritrean people.

Co-operative Farming in Eastern Europe—II

[FROM OUR SPECIAL CORRESPONDENT]

IN Hungary, Bulgaria and Yugoslavia co-operative farms have been formed ever since the new states came into being at the end of the war, but up to last year there were not very many in existence in any of these countries. During the past year their numbers have increased enormously, and there can be no doubt that this increase is due to a tremendous drive on the part of the governments concerned. In Yugoslavia in July last year there were 800 producer co-operatives; there are now 3,700 (comprising 7.8 per cent of its arable land). Bulgaria, which last year had less than 500, now has 1,342 (comprising 12 per cent of arable land). Hungary has 2,800 this year (comprising 1.1 per cent of arable land). The governments of all three countries insist that this co-operation is on a genuinely voluntary basis, but there is no doubt that during the past year moral pressure and propaganda to the peasants has been very strong, and in some cases it is clear that pressure has not only been of the moral kind. Kolarev's speech to the Bulgarian Communist Party Executive on June 11th and 12th admitted that land had been confiscated from peasants who had been unwilling to join co-operatives, that others had been forced to give up good land to co-operatives and given poor in exchange, and that the voluntary principle had been violated. It would be surprising if this were only true for Bulgaria. But it seems to have been the experience of all three countries that the policy of force does not pay and may be a serious danger in countries that are predominantly agricultural. The official policy today in each of these countries seems to be that reluctant members of a co-operative are a liability rather than an asset. As one Bulgarian official said: "A disgruntled member of a co-operative can poison a whole group; we only

want people who are willing to join"; and in order to persuade the peasants to join the co-operatives the governments are doing everything to make the co-operatives a material success.

Material inducements are quite considerable. The state gives cheap credits to new co-operatives, they can buy improved seed at cheap prices, get priority for machinery, use tractors from the state tractor stations at cheap rates. Members of the co-operatives are also freed from certain taxes and can congratulate themselves on being considered for the time being the most progressive part of the peasantry. Because of these advantages, some co-operative farms last year were able to boast of phenomenal increases in the output per acre, and the governments hope that if this can be extended to other co-operative farmers more peasants will join. In few villages in any of these countries have all the peasants joined the local co-operative, and the feeling of competition between the co-operative group and those outside it is very tense.

As the majority of these co-operative farms are less than a year old, it is still impossible to tell whether this experiment is going to be successful. In the past two years there have been cases of co-operatives that failed, in Bulgaria some have been closed down and reorganised because of inefficient administration. There was a notorious case in Yugoslavia of a co-operative farm in which the members agreed to swindle the government and pretend that they could only produce a gallon of milk a day from each cow; there have been cases in Hungary of financial failure due to the inexperience of the members. All these things can recur under present conditions. But governments are now particularly alive to the danger of too many co-operative farms failing, so that everything is being done to make the co-operatives a success.

Payment of wages varies very much. In some farms payment is made in kind at various intervals during the year. Other co-operatives have a store, and members are allowed to buy whatever produce they need up to a certain sum of credit which is deducted from their earnings when the share-out is made at the end of the year—that is after the harvest.

In all three countries it is clear that the majority of peasants who have joined the co-operative are small peasants, and it is almost certain that if the farm is efficiently run they do better out of the co-operative than they did out of a smallholding farmed on the strip system which was what most of them contributed. The drive that is on at present in all three countries is to try to persuade the middle peasants—the peasants with 40 to 50 acres—to join the co-operatives. In Bulgaria and Hungary kulaks are in no circumstances allowed to join co-operatives; in Yugoslavia they are allowed to join if they are considered politically and socially reliable, in which case they cease to be kulaks.

As long as the governments of these countries are dependent on their peasants to produce food as the lifeblood of their economies, they are not likely to collectivise outright. They cannot afford the fiasco which the Soviet Union experienced during the enforced collectivisation of Russian peasants in the early nineteen thirties. There have been enough failures in

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the early stages of co-operative farming in Hungary, Bulgaria and Yugoslavia to show that it can only be successful if introduced gradually, and the lessons of Stalin's famous *Pravda* article, "Dizzy with Success," are now being carefully applied in eastern Europe. It seems almost certain that co-operative farming will become the rule rather than the exception in these countries; the only matters that remain in doubt are how the native opposition to the system of the majority of the peasants will be overcome, whether the system can be introduced without loss in output, and how long the process will take. It will also be interesting to see whether a national form of co-operative farming will be superimposed on the Cominform master pattern by any of the countries as the system evolves.

(Concluded)

Perón in Trouble

[FROM A CORRESPONDENT]

THE Perón regime has run into heavy weather. Each of the three principal supports of the regime—the Army, the Catholic Church and the trade unions—has recently shown some signs of weakening. And last week, Dr Bramuglia, the Foreign Minister, resigned after some months of internal disputes.

The root of President Perón's troubles is economic. During the last year and a half the international trade situation has turned against Argentina. The injection of US dollars which President Perón expected to receive from the Marshall Plan has not been forthcoming. (In fact, only about \$200 million was spent in Argentina during the first year of ERP.) Argentine prices have risen so much that, although they meant large revenues for the Perón regime while the food shortage was prevalent, they have now made Argentina's customers eager to purchase elsewhere if they are in a position to do so.

The year 1948 marked the turning point in Perón's economic fortunes. In March of that year the government statistical bulletin ceased publication, while in August, the Bulletin of the Central Bank also stopped appearing. Prices continued to increase rapidly, with the cost of a loaf of bread rising to one peso, whereas President Perón had boasted only a few months earlier that he would never let it reach that height. Meanwhile, much of the 1947-48 crop remained unsold and when the 1948-49 cereals began coming in, the warehouses were already half full. In the middle of July, 1949, the government apparently threw up its hands at any attempt to control prices, at least for the time being, and subsidies on a number of key goods were suddenly ended.

The quickly moving inflation led to increasing pressure on the workers' wages, which the government is now loath to increase. The result has been an increasing number of strikes which the government have regarded as "illegal," and which, in spite of the pro-Perón attitude of the unions concerned, were met with the sternest measures—the officials of the unions being jailed, the leaders of the strikes being dismissed and in many cases submitted to police interrogation, while an increasing number of unions were "intervened" by the General Confederation of Workers (CGT) and run by delegates appointed by the Confederation.

One result of this train of events was shown in the fall in the Peronista Party's vote in the March, 1949, provincial elections as compared with the December, 1948, national poll. Although the drop was not serious enough to lose the President control of any of the provinces, it did indicate a marked falling off in the popularity of the regime.

Quarrels with the Church

In the face of these indications of growing trouble between Perón and his working-class supporters, the other two stalwart supporters of the regime—the Church and the Army—have also become restless. As a result of one of the frankest political deals made by any Catholic Church in Latin America in

recent years, the Argentine hierarchy until recently has given President Perón open support, in return for allowing them to control the educational system. But in recent months, the alliance between President Perón and the Church has given some indications of becoming frayed. It may be because the Church feels that in a period of Perón's declining fortunes there is no point in becoming too closely tied to him, or because they have finally come to realise that their alliance with President Perón has caused the revival of fires of anti-clericalism which all had thought dead in Argentina.

There are probably two sources of discontent in the Army ranks—although no official pronouncement has as yet been made: the effects of the economic crisis on the plans of the military leaders, and the activities of the president's wife, Maria Eva Duarte de Perón.

Although there has been no public disclosure of how much money the armed forces have been receiving from the Perón administration, it is known that the Army and Air Force have been carrying out large rearmament programmes. The illegal opposition press has published information indicating that much of the money for this programme came from the profits of the Argentine Institute of Production and Exchange (IAPI), and with the decline of these profits it seems reasonable to suppose that there has been a certain dropping off in the sums available for the armed forces, in spite of the fact that over 25 per cent of the government's official budget now goes to the maintenance of the Army, Navy and Air Force. Furthermore, since most of the new arms have been coming from the United States (though a fair share has also come from Britain) the dollar crisis has undoubtedly hit the armed forces as well as other groups of the population.

The activities of President Perón's wife undoubtedly have added fuel to discontent which probably had its roots in the economic situation. She has been exceedingly active since becoming the First Lady and has been particularly astute in winning support from among the President's labour followers. In carrying out these activities, Señora de Perón has made many speeches and other public appearances, has bought several newspapers and carried out extensive "social welfare activities" through the Eva Duarte de Perón Fund. Such activities have built her into a rival of her husband for influence among the people and have disturbed high army officers. The Army's resentment against Señora de Perón was the ostensible reason for a near-mutiny in the Army in February, 1949. For a month the Minister of War, General Sosa Molina, refused to leave the army garrison outside the capital, in spite of urgent pleas by President Perón to come into the city and discuss the matter. After a great deal of rumour and speculation, the quarrel was patched up and "peace" was declared at a gala dinner at the army base at which the chief speakers were President Perón, General Sosa Molina—and the President's wife. Only time will tell how complete the reconciliation has been.

Army Delays and Doubts

The final decision concerning the Perón regime must come from the Army. Although some foreign observers have predicted that Perón will be ousted by the Army within the next six months, there are factors which would tend to prevent such a coup from taking place so soon. The principal factor is the personal popularity of President Perón and his wife, and its effect on the Army. The armed forces have always been more feared than loved in Argentina, yet in recent years because of the vast popular appeal which General Perón has had, the popular attitude towards the Army has changed notably. So long as the President and his spouse maintain their admittedly strong hold on the loyalty of the populace the Army will not want to risk possible fighting with the President's working-class followers which would be likely to accompany an Army attempt to oust him. But, although it is doubtful whether President Perón will be overthrown within six months, it does for the first time appear questionable whether he will be able to fill out his full term, which does not expire until 1952.



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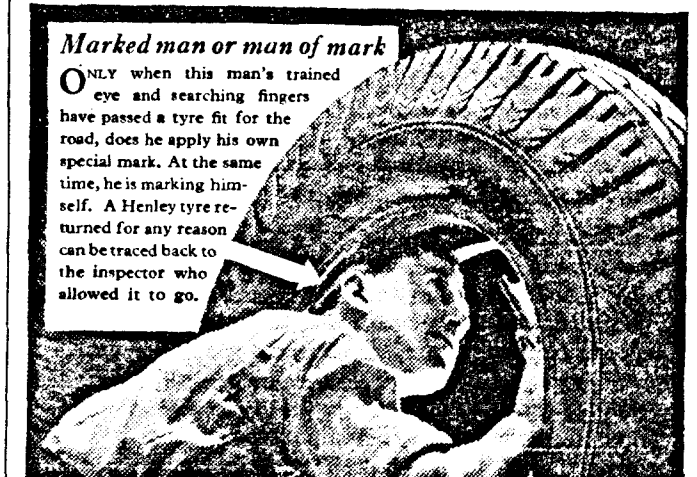
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THE BUSINESS WORLD

Shipping Earnings and Costs

SHIPPING, except for the passenger liners which benefit from the summer tourist traffic, normally experiences a decline of activity about this time of the year. This summer, however, the freight market has been so quiet, and rates have receded to such a low level, that shipowners have begun to wonder whether they are not experiencing a recession rather than a mere seasonal fluctuation of business. Their uneasiness is heightened by the knowledge that a great many tramp ships are, by contemporary standards, inefficient, and will soon have to be replaced; but while freight rates have fallen the prices of new ships have not.

The general decline of freight rates from the peak of the immediate postwar years is not new; indeed, the average decline between 1946 and 1948 was about 15 per cent. The average rate for grain from North America to Europe in 1946 was about 11s. 1½d. per quarter; by 1948 it had fallen to about 9s. 6d. For some weeks after the abandonment of scheduled rates last December rates as high as 10s. 3d. a quarter were obtained, but recent fixtures have been made at only 7s. This fall of about 30 per cent in six months may not be representative; it would be misleading to make general assumptions from the results of one particular trade. Unfortunately, no reliable freight rate indices are published, unless it is possible to accept the official Danish index of freight rates without knowing the basis of compilation. This index (Jan.-Mar. 1949 = 100) has shown a steady decline from 102 in January to 94 in June. A fall of eight points may or may not, in itself, give cause for alarm, but there is no doubt that business in certain trades has reached a point where some owners have to consider seriously the advisability of laying-up ships. With coal bunkers at their present price levels, no coal-burning ship can be operated profitably on a transatlantic grain voyage at less than about 8s. a quarter, and at 7s. even a motorship may show a loss if it happens to suffer, for any reason, the slightest delay.

Two principal influences can be blamed for the depression in freight rates. First, the absence of employment for tramp ships in the Plate since the end of the Andes Agreement has increased the supply of ships looking for business elsewhere. In the time taken by one round trip to the Plate, a ship can make two round trips across the North Atlantic. Secondly, grain imports to Britain have come practically to a standstill, and most imports lately have gone to the Continent. The Ministry of Food has the monopoly of grain chartering through its chartering committees on the Baltic Exchange and has forced shipowners to cut their rates for grain.

Monopoly chartering, combined with the bulk buying and selling of commodities, puts Government departments in a strong position against the shipowner, but its economic results are sometimes incalculable and not always to the department's advantage. The Timber Control, which is the monopoly charterer for United Kingdom timber imports, has resolutely opposed the terms and conditions for Baltic timber for which British shipowners have asked. In consequence of the prolonged disagreement, Baltic timber imports are being carried almost entirely in foreign ships. The result-

ant condition of freight rates is worth noting. Although the rate for pitprops from British Columbia declined last month by about 10s. from its previous level of 180s. a fathom, the rate from Finland had to be advanced from 105s to 117s. 6d. The only people to benefit are the foreign vessels, mainly Scandinavian and German.

The Plate trade has always been, and is likely to remain, the key to the market for ocean-going dry-cargo tramp freights, and the depressed state of the market (as of the meat ration) is largely due to the inability of the two Governments concerned to come to terms promptly after the lapse of the Andes agreement. So few homeward cargoes have been offering, that it was necessary to raise the rate from 25s. to 45s. to persuade owners to accept outward coal cargoes for the Plate. This rate has eased to about 37s. 6d. now that the new trade agreement has opened up better prospects for return cargoes of grain. The new agreement does provide for renewed exchanges of coal and grain, which will eventually absorb a good deal of tonnage, but so far only the liner section of the industry has gained any advantage. Oilcake has begun to move in liner "parcels," and soon there may be enough meat shipments to justify the building of expensive refrigerated cargo vessels.

The liners, too, have had their difficulties in other trades. The short but sharp freight war in the India, Pakistan and Continental trade was a sign (an expensive sign) of the growing competition for cargoes, which are becoming scarcer in relation to the number of ships available. The South African import restrictions, now that the initial rush of forestalling is over, have begun to affect the liners engaged in trade with the Cape. Meanwhile, with liner fleets now well on their way to prewar strength, tramp ships are being released from time-charter by the liner companies, and the volume of tonnage competing for bulk cargoes is increasing.

Chartering in the tanker section of the industry has been meagre, and there has been a notable increase in the number of American tankers laid up. It is true that the market is always at its weakest at this time of the year; there are already signs of a firmer tendency in forward chartering. But the Norwegians, who are probably the parties most keenly interested, are pessimistic. With so much new tonnage leaving the shipyards, it is unlikely that tanker rates will return to the heights of last winter.

There has been no corresponding decline in operating expenses. The most serious handicaps in this respect are bunker prices, maintenance charges and port disbursements. The costs of stowage, stevedoring and other port services continue at high levels; indeed, shipowners are continually having to resist demands for further increases. But most serious of all is the drain on earnings represented by the cost of unnecessary delays in port. In some ports congestion is the cause, but more commonly it is fair to blame labour difficulties and the entrenched strength of restrictive practices among dock workers. In New Zealand and Australia strikes and "holidays" are almost a matter of routine. In United Kingdom ports the recent strikes have spoilt a record of im-

provement which had been noticeable during the previous twelve months. The faster and more efficient ships are compelled to spend a greater part of their life than ever before idle in port, instead of at sea earning freights. In 1938-39 the vessels of one liner company spent an average of 204 days at sea and 161 days in port. Last year the average for the more modern fleet of the same company was 159 days at sea and 206 in port.

British ship-repairers, though they are no longer under the great pressure of work which was a legacy of the war, have not been able to reduce their charges to any material extent. This means that the repair and maintenance bills for some ships still amount to about £6,000 a year; before the war £1,000 would have been thought a reasonable figure. This does not mean that ship-repairing costs are six times as high as they were, for modern ships, machinery and materials often require more costly maintenance. But instances have occurred of owners finding it cheaper to scrap their ships than to repair them.

Changes in bunker prices in recent years have put the coal-burning ship in an unenviable position. Although the prices of fuel oil and diesel oil have receded from their 1948 peak, the cost of coal bunkers has remained obstinately high. When the National Coal Board increased its prices for bunkers by 25s. a ton in January, 1948, the Ministry of Transport schedule of freight rates was correspondingly adjusted. But freights have since been released from control, and have fallen so low that the coal-burning tramp will be forced to lay up unless the Coal Board can modify its price policy. The differential maintained between domestic and export or bunker prices means that the owner of a coal-burning ship engaged in foreign trade pays a subsidy of about £12,500 a year for the benefit of home consumers of coal. It is no matter for surprise that shipowners are converting many such ships to oil burning, despite the fact that the cost of conversion is rarely much less than £25,000.

It is evident that shipowners are being squeezed between falling freight rates on the one hand and, on the other, high and rigid costs of maintenance and operation—and virtually prohibitive costs of replacement. On a falling market, the owner has to watch for the point at which it becomes cheaper to lay up a ship than to keep it working. For the older and less efficient ship, the point is reached sooner. It follows that the desire to replace some of the less economical tonnage which now forms such a large part of the tramp fleet is widespread. Figures published by the *Shipping World* show that at the beginning of July there were about 3,215,000 tons gross of ocean-going dry-cargo tramp ships in private ownership on the United Kingdom and Colonial register. Of these, 738,500 tons were 20 years

of age or older, while 1,915,000 tons were built during the war (and therefore mainly in the standard 10,000 tons d.w. category) and nearly 422,000 tons gross dated from the decade preceding the war.

Building costs, however, are still an insurmountable obstacle for the majority of tramp companies. The chairman of one company, which was bold enough to order seven vessels more than two years ago, has revealed that already the cost of these has risen to £375,000 above the original estimate, a rise almost equivalent to the cost of another new vessel. That is a fair measure of the rise in shipbuilding prices that has taken place in the period. It is probable that building prices have passed their peak, and as time goes on shipbuilders will be able to quote fixed prices and firm delivery dates. But, even so, it is not easy to see how their prices can be brought down low enough to encourage tramp owners to build unless there is a substantial recovery in the freight market. The deadlock between building costs and freight levels is, in fact, a symptom of the general crisis of production costs in which British industry as a whole is concerned. The customers of the shipbuilding industry have to earn their living in an international sphere, and their customers in turn will not pay prices high enough to support an inflated cost structure in Britain.

Some reductions in the cost of operating ships are not impossible, and would tend to bring in replacement orders for tramp ships. Reductions in the price of fuel, or a marked improvement in the turnaround of ships in port, might increase the margin of profit, even on current freights, sufficiently to enable the high depreciation charges on modern tonnage to be met. Nothing, however, would improve the position so much as a recovery in the international movement of goods.

For the immediate future, there are, in fact some possibilities of improvement which might relieve the gloom that has settled over the freight market. The Argentine trade agreement will provide useful employment for tramp ships as well as for cargo liners. Chartering in accordance with the new Russian trade arrangement has already begun. The transport of materials and equipment to the Persian Gulf for oilfield development continues. The movement of equipment for the colonial development schemes in Africa will eventually, it is hoped, be matched by homeward cargoes of groundnuts and other bulk commodities. But, beyond considerations of this kind, the shipowner has to look for a revival of world trade, for a removal of restrictions and a weakening of the rigid bilateral channels in which trade has tended to set, before he can with confidence estimate what level of costs and what scale of capital expenditure his undertaking will be able to bear.

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New Regime for Sugar

THE discussions between the West Indian sugar producers and the Colonial Office ended last week without reaching any conclusive result. The Government intimated that it intended to give Commonwealth producers of sugar a guaranteed market at reasonable prices, but at this stage it was not willing to commit itself to the ten-year contract which the West Indians requested. This is understandable, for the West Indies is only one of the Commonwealth sources of sugar and no general arrangements can be made without discussions not only with the other producers but also with other Commonwealth importers. These further talks are expected to take place in the autumn, most probably after Sir Stafford Cripps's visit to Washington. There is no suggestion at present of a separate marketing scheme for Commonwealth sugar producers; that would not be possible under the terms of the charter of the International Trade Organisation. But Britain has at least the alternatives either of signing a series of long-term contracts with the Commonwealth producers or of participating in an international agreement which would include the other main suppliers and consumers.

Britain's own interest in sugar is twofold. If dollar imports are to be cut and, still more, if rationing of sugar and confectionery is in due course to be effectively abolished in this

TABLE I—WORLD SUGAR PRODUCTION
('000 Tons Raw Value)

	1937-38	1945-46	1946-47	1947-48	1948-49
BETTER					
Germany	2,213	772	987	770	1,283
Czechoslovakia	741	457	592	345	825
Poland	563	190	419	541	682
France	969	454	750	650	950
United Kingdom	426	565	600	463	615
Other Europe	2,369	1,209	1,854	1,748	2,582
USSR	2,300	1,200	1,990	2,000	2,400
Other world	1,374	1,249	1,541	1,829	1,324
TOTAL BETTER	11,054	6,096	7,723	8,350	10,506
CANE					
British West Indies	401	488	452	440	609
British Guiana	135	162	173	154	184
South Africa	452	494	424	457	544
Australia	810	665	552	605	944
Fiji	141	65	117	140	133
Mauritius	314	136	288	345	390
British East Africa	55	69	70	93	86
India and Pakistan	3,240	3,220	2,960	3,150	3,200
Total Commonwealth Cane	5,509	5,299	5,036	5,404	6,090
Cuba	3,018	3,996	5,758	5,960	5,146
San Domingo	419	452	458	415	469
Mexico	299	425	600	610	650
Brazil	985	1,270	1,476	1,535	1,590
Pera	338	578	405	465	440
Other world	7,362	3,401	3,888	4,678	5,674
TOTAL CANE	18,050	15,221	17,621	19,067	19,950
TOTAL SUGAR PRODUCTION	29,084	21,317	25,344	27,417	30,456

Source: Messrs. C. Czarnikow, Ltd.

country, there is an urgent need to develop production within the sterling area. Secondly, there is the need, equally urgent, to give some form of economic stability to those colonies whose prosperity is primarily dependent on the export of sugar. For example, sugar accounts for more than a third of the total exports of Jamaica, 90 per cent of those from Barbados and the Leeward Islands, more than 50 per cent of those from British Guiana, and is virtually the only export from Mauritius. The problem, then, is to discover a solution which will satisfy both the domestic requirements of the British market and the special interests of these territories. It is not easy to see a solution which will induce an expansion in Commonwealth production—presumably

requiring a higher price—but will avoid the added long-term instability for the producing countries which higher costs and prices may involve.

World production of sugar, including both cane and beet sugar, has shown a remarkable recovery during the past three seasons, and in 1948-49 it reached 30.5 million tons compared with 29.1 million tons in 1937-38 and with the low point of 21.3 million tons touched immediately following the war. Even the current output is not sufficient to permit consumption per head on the prewar level; this would require a world production of the order of 32 million tons. From Table I it can be seen that the production of beet sugar in Europe has not yet regained its 1937-38 level; and the present dry summer is likely to reduce the sugar content of this year's

TABLE II—BRITAIN'S SUGAR SUPPLIES
('000 Tons Raw Value)

	1934-38	1946	1947	1948
Domestic production*	545	600	463	615
Imports, total	2,173	1,469	1,977	1,913
<i>Of which—</i>				
Australia	334	15	21	199
Mauritius	241	—	17	173
British West Indies	172	250	239	256
South Africa	155	—	105	101
Other Commonwealth	161	115	105	101
Cuba	575	737	1,134	734
San Domingo	221	324	315	213
Pera	114	—	20	58
TOTAL available supplies	2,718	2,069	2,340	2,528
Consumption†				
Total disposal‡	2,470	1,815	2,070	2,345
For food in United Kingdom‡	2,111	1,659	1,778	1,910

* Crop years beginning in year stated. † Refined value. ‡ Includes exports. ‡ Includes use in the manufacture of foods.

harvest. The increase in total output beyond the prewar level is attributable to cane sugar, particularly within the dollar area, in which the chief producers are Cuba, Mexico, San Domingo and Puerto Rico. Production in Commonwealth countries has also increased, but not so markedly. In 1948-49 it reached 6,090,000 tons compared with 5,609,000 tons in 1937-38. The largest increase occurred in the British West Indies, followed by Mauritius, South Africa and Australia. But the Commonwealth in general and Britain in particular is still a net importer of sugar, and these imports from non-British sources, which since the war have been running in the region of 1,000,000 tons, have had to be purchased mainly from the dollar area. Some 400,000 tons of this deficit represents Canadian imports which are purchased with dollars, while a further 500,000 tons is imported by Britain as raw sugar and exported after refining.

British consumption of sugar last year amounted to 2,345,000 tons (refined value), of which 1,810,000 tons was consumed domestically either as food or in the manufacture of food. Between 1934 and 1938 annual consumption averaged 2,470,000 tons of which 2,111,000 tons was for domestic consumption. Production of beet sugar, however, has increased from 545,000 tons (raw value), the average for 1934-38, to 615,000 tons in the past season. Imports of unrefined sugar, on the other hand, have declined from 2,173,000 tons in 1938, of which 1,066,000 tons came from Commonwealth sources, to 1,913,000 tons in 1948, of which 729,000 tons came from the Commonwealth. Britain's sugar imports have not, therefore, regained their prewar

pattern; both a larger proportion of imports and a larger total quantity of sugar has to be bought with dollars.

This year, however, some improvement should be evident. In March, before sweets were rationed, Dr Edith Summerskill, the Parliamentary Secretary to the Ministry of Food, put Britain's domestic requirements for 1949 at 2,035,000 tons of refined sugar, of which 544,000 tons were to come from domestically grown beet, 1,150,000 tons from Commonwealth sources, and 90,000 tons from dollar sources. Some 280,000 tons of sugar from the sterling area was, however, to be sold to Canada against dollars, with which Britain would buy a similar quantity from dollar sources. Britain's imports from the dollar area were therefore to be in the region of 400,000 tons, and this quantity was in fact purchased from San Domingo. These figures, however, do not take account of the import of sugar (also from the dollar area) which is required to maintain Britain's overseas trade in raw and refined sugar and which earns dollars. This additional quantity will presumably be again about 500,000 tons.

If the export of sugar from the sterling area could be increased by 100,000 tons a year Britain would not need, on the present scale of consumption, to purchase any sugar for dollars, except to make good supplies sold from the sterling area for dollars. According to Dr Summerskill, however, if sugar were de-rationed, Britain's annual requirement would rise to 2,500,000 tons, in which case a further 500,000 tons would have to be imported. This still takes no account of the import requirements of other Commonwealth countries, such as New Zealand, Ceylon and Malaya, which probably amount to 250,000 tons. The immediate objective must therefore be to raise exports of sugar from the sterling area by at least 100,000 tons a year, and the ultimate objective by between 500,000 and 750,000 tons a year—if the sterling area portion of the Commonwealth is to be self-sufficient and unrationed.

Consider now the second aspect of the problem—the need to ensure some form of economic stability to those colonies whose main export is sugar. The world price of sugar, both before the war and now, is determined by the amount of Cuban supplies available to the "free market," that is, to buyers other than the United States. Because Cuban producers receive a relatively high price for their sugar in the American market (owing to the high preferential treatment which Cuban sugar enjoys there) the market price for Cuban "free" supplies tended to be much lower than that at which other producers could profitably sell. This was one of the causes of the depression in the West Indian sugar industry before the war. Colonial sugar, admittedly, enjoyed a preference on the British market, but it was insufficient to counteract the effects of the lower Cuban price.

More important still is the United States interest in the economic welfare of Cuba. Earlier this year, there was every prospect of a glut of Cuban sugar owing to the shortage of dollar purchasing power outside the United States. American production of beet sugar was smaller than was expected, and the exports from the Philippines to the United States were less than their quota, so that Cuba was allowed to sell a larger quantity to America. Even so, a large stock remained unsold in Cuba. With the help of ECA funds Britain has recently purchased some 600,000 tons of this surplus and the US Commodity Credit Control 400,000 tons, while other western European countries took the remainder. Thus within a period of six months, Cuba, instead of being burdened with an unsaleable surplus, has now only a normal carry-over stock till the end of the year. This interest which the

United States takes in Cuban affairs makes it clear that the Commonwealth, quite apart from the restraints imposed by the ITO charter, could do little to stabilise its own sugar trade except within the framework of an international agreement—because to make the sterling area self-sufficient would in turn create a problem for Cuba.

The international sugar agreement concluded in 1937 is still in force. It was originally intended to operate for five years but has since been extended by a series of annual protocols. The scheme was concerned with regulating supplies of sugar to the "free market" by which was meant that part of the international trade in sugar not regulated by bilateral or other preferential arrangements. Each of the participating countries was allotted a basic export quota which was increased or reduced each year so that total exports should cover world requirements at a reasonable price. Importing countries such as the United Kingdom also undertook not to expand domestic production above a certain level. No quotas have been operative since September, 1944.

Such an arrangement as this, whereby individual producers could not expand their exports at the expense of others without the consent of these others, could hardly promote the necessary expansion in Commonwealth production at the present time, unless Britain induced increased supplies specifically by long-term contracts which would necessarily be outside the scope of the scheme. A more promising solution, it has been suggested, might perhaps be found in applying an arrangement resembling the international wheat agreement, which guarantees sales to producers at prices within fixed limits. The lower limit would be determined at such a level as would enable Cuba to dispose of its "free" supplies, while the upper limit could be sufficiently high to encourage a larger production in Commonwealth areas. An element of stability might thus be assured to the industry without the rigidity of fixed quotas and without the restriction of output. Within the framework of such an agreement the British Government could also, if it wished, enter into long-term contracts with particular colonies where such arrangements were regarded as necessary to their economic stability. If such an agreement allowed importing countries to meet their purchasing obligations (which operate when the price is at its lower limit) in their own currencies there would be no need of an escape clause covering balance of payments difficulties such as the wheat agreement contains.

Within the framework of such an agreement it might well be possible to achieve the short-run object of expanding sugar exports from Commonwealth countries to Britain by the 100,000 tons necessary to avoid dollar imports. There would be few technical difficulties to be surmounted in promoting such an increase. Any effort to expand Commonwealth output by 750,000 tons—the amount needed to avoid both dollar imports and consumer rationing—would, however, encounter difficulties of a wholly different order. It is questionable, in any case, whether it would be wise to try to overcome them or, indeed, whether, when they were overcome, economic stability for the colonial producer could be achieved. Artificial price maintenance schemes or other devices to safeguard producers—within relatively moderate limits—may perhaps be justified by the immediate compulsion of dollar shortage; but limits must be set to the distortions sanctioned—or apparently sanctioned—even by that need. Apart from this, it must be remembered that sugar production, in the colonies at any rate, is not only a matter of a profitable price. Any project for large expansion would raise social problems which could not be solved merely by international agreements assuring price stability.

Business Notes

Fall Resumed

The gilt-edged market this week has staged the first perceptible rally since the collapse began towards the end of last month. Just before the weekend the market had begun to show a steadier tendency, with rises of a quarter or half a point in leading stocks both on the Thursday and the Friday. Weekend reflections about the significance of this minor change of mood seem to have persuaded the bears to close their positions and also induced a little investment buying. In a narrow and uneasy market, these relatively moderate operations produced a wholly disproportionate effect. On Monday the movements in prices upwards were hardly less violent than they had been, in the opposite direction, on the worst days of the slump. Virtually every stock in the gilt-edged list, from the money market "shorts" to the irredeemables, participated in this rally, with net rises on the day extending up to 1½ points. The movement made a little further headway in the early dealings on Tuesday, but the gains then could not be fully held, and the market relapsed, to show only a few rises, and fractional ones, on balance. Since then, the shaky morale has been undermined afresh. On Wednesday, the 2½ per cent "Daltons," which had closed at 73 on Monday, were at one time down to 70½, but recovered a full point of this fall before the close—only to subside again during Thursday. At the moment of writing, prices are little above the worst levels reached last week.

This experience plainly shows how little faith the City has in the possibility of any major rally in the market—at least until after the Washington negotiations next month. Since the collapse has been nurtured upon uncertainty, even those who are now beginning to be attracted by the unfamiliar yields now offered in the market are disposed to defer buying until the course of the coming discussions can be gauged. It is argued that, if the fall which began last month was justified, nothing has happened since then to warrant a different opinion. It is recognised, however, that the technical condition of the market now is such that any real revival of confidence might have a very marked effect upon prices. It is hard to see, however, from what source such a revival could be stimulated. Meanwhile, the effects upon the new issue market of the transformation which has occurred in the yield structure in so short a period have been advertised this week by the fate of the Whitbread issue. Of the £1,750,000 of 3½ debenture stock offered for conversion and cash to holders of the 4 per cent stock, no less than 72½ per cent was left to be taken up by underwriters. The stock has since been quoted in the market at a discount of 4½ per cent, narrowing later to about 3½ per cent.

* * *

Easing Europe's Quotas

The Council of the OEEC on Wednesday made its first full public announcement upon the project for liberalising intra-European trade by eliminating quantitative restrictions. This was listed as an objective in the four-year programme published at the end of last year, and OEEC member countries were invited to submit their own proposals for achieving it. It will be recalled that, at the outset, only Britain submitted a plan—which it did at the meeting of the Consultative Group of Ministers last May, since when the British memorandum has formed the basis of examination of the whole scheme by the individual countries and by the appropriate sub-committee of the OEEC. The resultant proposals have now been approved by the OEEC Council, which has agreed that reduction of quantitative restrictions could be a first step towards freeing intra-European trade, and, in the words of M. Alphand, chairman of the Trade Committee, could give

the proof that the OEEC "is not just a machine for dividing Marshall aid." The main objective is to arrange that import licences for as many commodities as possible would be issued automatically for trade between OEEC countries; but it is recognised that at the outset the most that could be hoped for would be a system of "global quotas" providing freedom for imports into each country for each commodity up to the prescribed total. It is emphasised that the total should not, in any particular case, be less than the sum of the bilateral quotas previously extended by the granting country under its several trade agreements with OEEC members.

The next stage in the effort to launch the scheme will be for member countries to notify to the OEEC—they are asked to do so before October 1st—two lists of commodities on which they are prepared to make relaxations. The first list is to comprise commodities for which the individual countries would be prepared to grant open general licences or global quotas without specific reciprocal action by other members of the OEEC—but on the understanding that the whole group would be acting in the spirit of the plan. The second list is to comprise those further commodities upon which restrictions would be relaxed in return for specific relaxations elsewhere.

As a blueprint of good intentions, the plan looks impressive—much more so than it is likely to appear by October 1st, if one may judge by the terms of Mr Harold Wilson's advocacy when he explained the British proposals in Parliament early last month. At that stage he emphasised so many and such paralysing qualifications upon which Britain would insist that one might have imagined him to be opposing an initiative taken elsewhere instead of supporting, as he purported to do, proposals which Britain had itself made. He emphasised that the relaxations could not be applied if they were likely to cause balance of payments difficulties or involve any loss of gold or dollars; nor could they be permitted to harm the "legitimate interests" of Britain's industries. It is small wonder that, at that stage, Mr Wilson was unable to instance any single commodity which could successfully run this Board of Trade gauntlet. The approach of the Washington discussions may perhaps encourage a little give and take in the formulation of this scheme. But it seems all too plain that it can scarcely provide that "vastly freer movement of goods and peoples" within western Europe for which Mr Paul Hoffmann, the ECA administrator, appealed in Paris this week—and which he hoped might happen within the next three or four months.

* * *

The Utility Price Cuts

The question of the utility price cuts has not been settled as swiftly and simply as the President of the Board of Trade, in his first statement at the end of July, seemed to expect. Neither the Government nor the traders have shown much anxiety to stick to an indefensible position, and the Board this week sent new proposals to the traders' organisations, which may enable the latter to climb down gracefully. The proposals contain some novelties, but how far they contain real concessions remains to be seen. It appears that, in place of the original intention that the full cut, or nearly all of it, should at first be borne by the distributors, there is now talk of spreading it from the outset over manufacturers' ceiling prices as well as wholesalers' and retailers' margins. This may mean that the reduction would take place gradually, and the full five per cent would be attained only when new production reached the shops.

Even so, there is still a good deal of uncertainty about how the cuts will work. The impression persists that manufacturers are expected not to make actual cuts in their margins, but merely to accept reductions in the statutory ceiling prices;

some of these are higher than the present permitted selling price, which is reached by adding a succession of producers' margins on to the starting price of the raw material. If this proves to be so, the real incidence of the cuts will be substantially on the distributors after all, and the quarrel may go on. The public, as well as the manufacturers and traders, are concerned, and a precise statement of what is intended would be welcome.

* * *

How Much Sterling for Pakistan?

The sums involved in the agreement on sterling to be released to Pakistan in the year ending June 30, 1950, may be less startling than those released to India—but then Pakistan is smaller. Under the new agreement Pakistan will, during 1949-50, have £17 million transferred from its blocked No. 2 account at the Bank of England to its free No. 1 account (India may draw £100 million in the same period) to provide £12 million for general spending and £5,000,000 to finance imports for the resettlement and rehabilitation of refugees. These amounts may look moderate, but they are substantially larger than those for 1948-49, for which £12 million was released—£5,000,000 for general spending, £5,000,000 for refugees and £2,000,000 to augment working balances. Moreover it cannot be taken for granted that the £17 million represents Britain's full commitment to Pakistan during 1949-50. Pakistan has indicated it may "need additional releases for the current year in order to meet abnormal expenditure which might have to be incurred during the period on the import of feed grains." The British Government "has taken note of this statement, and agreed to consider such a request if it were made." Evidently, the £17 million may prove to be not the maximum, but the minimum, release. In 1948-49, in addition to the £12 million released from its No. 2 account, Pakistan ran its No. 1 account down by £15 million (to £10 million), thus drawing £27 million in all. Demands for additional releases this year will probably depend largely upon the course of Pakistan's balance of payments with India. Under arrangements between India and Pakistan, each is prepared to hold £9,750,000 of the other's currency. Any deficit up to £7,500,000 in excess of the £9,750,000 has to be settled in sterling. Last year Pakistan received in this way several million pounds sterling from India.

Pakistan, like India, is no longer to be tied—the tie was in any case theoretical—to a fixed dollar allocation from the sterling area's central reserves. Last year Pakistan was allocated £5,000,000 and spent some £6,000,000. Now, in common with other full members of the sterling area, it has the right to call upon the central reserve for its net requirements for dollars, but has agreed to limit its total dollar spending to three-quarters of the amount spent last year. Incidentally, the amount of India's draft on the dollar pool last year was understated here last week; the figure of £21 million represented not its drawings but its over-drawings, so that the total demand was £36 million.

* * *

Sterling and Dollar Oil

Some of the unresolved international questions in the oil trade were outlined in *The Economist* on July 23rd. Their discussion between the countries concerned will soon be resumed. The petroleum committee of OEEC meets shortly in Paris, and the coming talks in Washington cannot avoid the subject of oil.

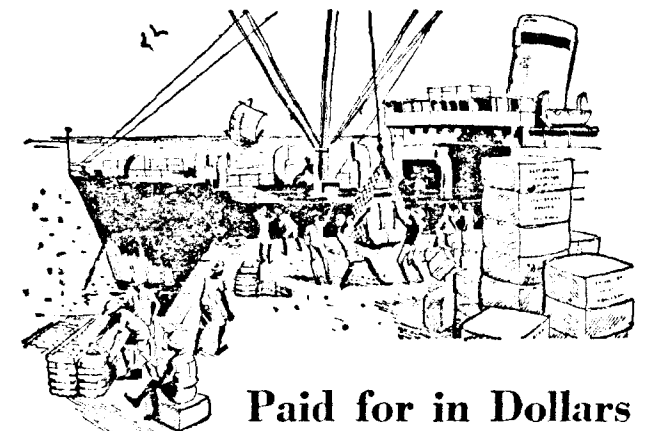
The controversy over the European refinery programmes has subsided momentarily, the member countries of OEEC having agreed in general terms not to encourage any fresh refinery projects before the autumn. A first step has been taken towards the examination of the European programmes "in terms of an analysis of world oil economics," on which the Economic Co-operation Administration has sought to insist: British,

Dutch and American representatives in Washington last month made the first attempt yet made at a comprehensive survey of world requirements and supplies from the points of view of the three countries mainly engaged in the international oil trade. The survey runs only to 1953, and, even so, much of it must have been tentative; but it may help the OEEC oil specialists to get on with their work with less entanglement than before in world-wide questions.

The agitation in the United States oil trade against the European plans has not died, but it is often (though illogically) a reflection of uneasiness in the United States domestic oil trade. Signs of an improvement in that trade have begun to appear; the accumulation of stocks and the pressure on storage space have begun to ease. To that extent, the task of ECA in getting American agreement to a constructive policy for Europe may have been slightly eased. But it is still difficult. At the end of July, Mr. Walter J. Levy, then chief of the petroleum branch of ECA, spoke to the National Petroleum Council in Washington on "the impact of the European Recovery Programme on the American oil industry," and appealed for a practical and moderate approach on both sides. He made one remarkable suggestion:

Arrangements can, I believe, be made to protect American outlets without retarding European recovery. Such arrangements among others might consist in making it possible for American oil companies to sell their oil to non-sterling areas for sterling, limiting at the same time the convertibility of their sterling income into dollars to an agreed percentage and otherwise establishing the responsibility of the American companies to spend the rest of their sterling income in the sterling or non-dollar currency areas.

If this suggestion has the backing of the United States Government it is obviously of the highest importance. But has it? Mr Levy has resigned from his post in the Economic Co-operation Administration, and may have chosen this moment to speak freely in a personal capacity.



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Finance and Investment

Record Treasury Bill Tender

The policy of increasing the supply of Treasury bills offered at the weekly tenders, discussed in these columns at end-July, has since then been pushed a further stage forward. The original increase, from £170 million to £190 million, which occurred at the Treasury bill tender on July 29th, was followed by further increases of £10 million in each of the ensuing weeks. At the end of last week, therefore, the discount market was tendering for £210 million of bills—another record offering. As the Lombard Street syndicate has not yet raised its total of applications to conform with the increased offerings, there was naturally a steep rise in its allotment quota—to no less than 70 per cent. Thus in the past week the discount houses will have taken up nearly £150 million of bills, almost twice the average weekly allotment secured in the second quarter of the current year. As a measure of the expansion which the war period has brought to Lombard Street operations, it may be noted that the average in the last prewar year was only about £13 million.

The total of outstanding tender bills will by the end of this week have been raised by £120 million to £2,230 million, which contrasts with £1,690 million four years ago. It is still too early to guess how far this last move in the supply of bills is likely to be carried, since the offering for yesterday's tender was slightly reduced, to £200 million—which still exceeds the corresponding maturities by £30 million. It seems probable, however, that the object of the authorities is not merely to enlarge the bill supply at the expense (at least temporarily) of the volume of Treasury deposit receipts, but also to restore a little flexibility to the system of borrowing on Treasury bills. Since the introduction of the Treasury deposit receipt, it is this element in the floating debt which has borne the impact of week to week fluctuations in the Government's total requirements. This arrangement was not affected by the large switches made in the past few years from TDRs to bills; but there now seems a possibility that the effect of week to week fluctuations will sometimes be shared between the bill issue and TDRs.

Higher Commercial Bill Rates

In one other respect, too, some unaccustomed flexibility has lately been noticeable in Lombard Street—in a slight increase in discount rates. It should be emphasised, however, that these two tendencies are quite unrelated, since the discount market's move is confined strictly to commercial bills and does not in any way arise from the expanded supply of Treasury bills. A fortnight ago, the largest discount house took the initiative in raising its quoted buying rate for three-months bank paper from a flat $\frac{1}{2}$ per cent to $\frac{1}{2}$ - $\frac{1}{4}$ per cent. The distinguishing feature of this change was that, unlike the small increases in commercial discount rates which have been made in the past eighteen months, it did not result from any agreed action by the Discount Market Association. It was quickly followed, however, by several other houses in Lombard Street and now commands almost general support.

As the houses which were sponsoring the move were prepared also to resell commercial bills to clearing banks at correspondingly higher rates, the move was quickly reinforced by the banks themselves, since several of them promptly declined to buy bills below $\frac{1}{2}$ per cent, instead of at the rate of $\frac{1}{2}$ which had been general previously. There is some reason to believe, also, that the views which prompted the move are regarded sympathetically in official quarters. The argument in Lombard Street is that the growing international uncertainties, and especially those arising from the impending discussions in Washington, create a greater risk of variations in money rates than the market has had to contemplate for a very long time. In consequence, it is felt that some indication of the possibility of change ought to be given in the terms at which the market is prepared to discount commercial paper.

Freer Switching?

It is not often that the Exchange Control authorities specifically invite people to apply for permission to embark on transactions not definitely allowed by the published regulations, so that a good mark should perhaps be given to the authorities for the two notices issued this week on the subject of security switching—even though they do nothing to remove the familiar anomalies in the basic policy. The first notice reminds resident holders of non-sterling securities that they may at any time apply to the Bank in respect of "transactions in foreign currency securities which do not fall strictly within the range of those generally permitted." Nothing is stated that has not been known previously. But the timing of this part of the announcement may be significant. For instance, in recent weeks the Bank has approved a substantial number of applications by British holders of Dutch guilder securities to sell their holdings in Amsterdam provided a Dutch owner of sterling securities could be found willing to sell a similar amount—calculated at the official exchange rate—in London. The second notice concerns dealings by non-residents in sterling securities, and contains a similar reminder. Here, however, the wording denotes some modification of policy, since it specifically mentions transactions "between non-residents living in different countries or monetary areas," whereas the switching regulations, as amended last year, restrained London brokers or bankers from acting as intermediaries on sales involving such transfers of ownership.

Those who have been chafing at the regulations—and at this one in particular—remain unimpressed by this latest hint of greater flexibility, demanding instead that relaxations should be made and announced for general application. It is contended that *ad hoc* scrutiny of transactions tends to work unfairly as between one dealer and another. This is surely a short-sighted attitude. Whether the principles of control are excessively stringent or not, they will always operate more restrictively than is necessary if the authorities can work only to rigid rules which are publicly announced—because the rule could never be extended to cover the marginal case which might be acceptable, on specific application, in the light of the particular circumstances at the time.

Bank of England Report

With the publication of the third annual report of the Bank of England, it seems that those who had hoped that this innovation might provide a valuable and informative commentary on current financial trends must now reconcile themselves to the colourless and formal presentation which is evidently all that the authorities are prepared to offer. The third report follows the same dreary precedent set by its predecessors. The information given is confined strictly to events in the Bank's accounting year, which ends on February 28th, and most of it reproduces material readily available in other official documents and regular series of statistics. It is evident, indeed, that care is taken to exclude from the text anything which might give the slightest hint of official views on matters of policy—with the sole exception of certain aspects of exchange control policy upon which the authorities' views were already well known and had been repeatedly explained officially. Among the slender shreds of information not previously available are those relating to the different denominations of currency which comprise the note circulation, the volume of public debt managed by the Bank, and the activities of its stock transfer department. The most exciting revelation which can be found among these scraps is that in the year 1948-49 the total number of transfers registered at the Bank rose by 206,000 to 900,000, an increase of 29 per cent. Apart from recording baldly a few well-known facts, nothing at all is said about money market or floating debt policy, about credit policy or about trends in the gilt-edged market. There is, however, a summary of the principal redemptions, con-

versions and new issues among stocks managed by the Bank. Excluding floating debt, the total for which it is responsible now amounts to nearly £14,500 million, or rather more than double the prewar total.

A useful section of the report is the appendix, which summarises the payments and financial agreements negotiated during the year; but, owing presumably to the large number of agreements involved—a consequence of the changes necessitated by the abandonment of sterling-dollar convertibility in 1947—the record has been reduced to a bald statement of salient facts. In the main part of the report it is affirmed that these re-negotiations did not

"entail reconversion of the system to a bilateral basis. On the contrary, it was a cardinal point of policy that transferability of sterling should be maintained over as wide an area as possible, the limiting factor being the risk of a further reduction of the central reserves. . . . Even where automatic rights of transfer had to be suspended on account of this risk, arrangements were made for transfers to and from third countries to be continued on an 'administrative' basis. . . . In arriving at an estimate of the balance of payments in any given direction, full allowance was always made for the greatest volume of third-country transfers compatible with the avoidance as far as possible of the loss of gold or dollars."

It is stated that ample use is made of the system for such transfers. The aggregate amount estimated to have been transferred by countries outside the sterling area was £240 million in 1948, excluding transfers to and from American account countries. Of this total, £152 million resulted from the system of "administrative" transferability. In addition, merchanting transactions and payments under the coffee and rubber schemes amounted to £40 million. The most important users of these facilities were the French and Netherlands monetary areas, Norway, Finland and Italy.

Israel's Central Bank

For nearly a year now the Anglo-Palestine Bank has, in addition to transacting its commercial banking business, been acting in effect as the central bank of Israel. Published this time rather later than usual, the bank's latest accounts—for the year ended December 31, 1948—are of double interest, revealing the impact of a turbulent and inflationary year in Israel upon the bank's commercial business, and including for the first time the balance sheet of the newly created issue department. When the bank was approached by the Israeli Government to undertake the issue of the Israeli pound which replaced the Palestine pound—and likewise is maintained at par with sterling—Israel's currency was "controlled by a body [the Palestine Currency Board] which had ceased to function within its own territory and which was controlled by a government which did not recognise the existence of Israel and entertained no diplomatic relation with it." At the year-end the issue department had outstanding £130,655,000, backed as to £16,800,000 of foreign currency (mainly sterling), £118.8 million by currency notes of the Palestine Currency Board which will be redeemed by stages, and by £15,000,000 of Israeli Treasury bills.

The issue department is being run entirely separately from all other transactions of the bank. The bank is not liable to satisfy banknote holders out of any assets other than the assets held in the issue department specifically as backing for the note issue. The department operates on government account and has the sole right to issue notes. The bank was at the same time appointed the only banker and financial agent of the government. This side of its official activities is being carried out by the old commercial part of the bank. It should be an interesting if not always an easy source of business. The agreement appointing the bank to all various public duties

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remains in force until June 30, 1951, unless terminated by the government upon giving six months' notice.

During the year covered by the accounts the bank's balance sheet (expressed in sterling while the issue department figures are in Israeli currency) expanded from a total £55 million to £72 million. British government securities valued at £8,400,000 have been replaced by £18.2 million of Israeli Treasury bills. Cash holdings have fallen from £17.3 million to £14.3 million. Advances, at £26.1 million, are a full £7,000,000 higher, and liability on documentary credits, etc., has risen from £7,500,000 to £10.9 million. During the period of transition the bank's ingenuity was at times hard tested to maintain its liquidity. Holdings of British government securities were disposed of and were at first replaced by Palestine currency notes. A more normal and more profitable form for holding liquid balances was found when Israeli Treasury bills became obtainable. It reflects the high level of activity in Israel that, notwithstanding all these difficulties, the bank's net profit has risen from £198,387 to £255,282. The bank is now regarded as being non-resident in the United Kingdom for taxation purposes, and is relieved from paying United Kingdom tax on profits earned outside Britain.

* * *

New Payments Pact with Western Germany

After some delays the new payments agreement between the United Kingdom and the Military Governors of western Germany has been signed. As foreshadowed in these columns a fortnight ago, it provides for a lifting of the "gold point" between the two countries from £1,500,000 to £7,500,000. Either party is now willing to hold up to £7,500,000 of the other's currency before demanding settlement of any deficit in excess of that point in dollars. The agreement is for a period of two years in the first instance, but provision is made to alter the gold point at the request of either party.

Hitherto, short-term fluctuations have led to repeated dollar payments by Britain to western Germany (though the seasonal swings seem never to have gone in favour of this country), and losses of this kind may well be eliminated by the new arrangements. But if the balance of payments between the sterling area and western Germany continues to be adverse, this increase in the gold point will scarcely suffice to stop the gold losses, though it will postpone them. While Britain continues to subsidise western Germany under the revised fusion agreement between this country and the United States at the rate of £17.5 million a year, it will prove difficult enough to attain a balance and harder still to accumulate a surplus.

The agreement is certainly an improvement on the previous arrangements. But its limited usefulness is best seen from the official attitude in this country to the Deutsche Mark, which is still regarded as a hard currency. One of the troubles is German reluctance to buy from Britain and the rest of the sterling area. Doubtless under local American influence, German importers are at present delaying sterling purchases—and are certainly finding that they can often buy more cheaply, in terms of marks, in the United States than in Britain.

Industry

Unemployment's Low Record

The monthly figures published by the Ministry of Labour this week show that on July 11th unemployment reached its lowest figure since the war. The total of unemployed (including "temporarily stopped") on that date was 243,041. A lower figure was last returned in September, 1945, but the basis of computation has since been broadened to include some thousands of persons who were not insured under the old unemployment insurance, but who are insured under the National Insurance Act.

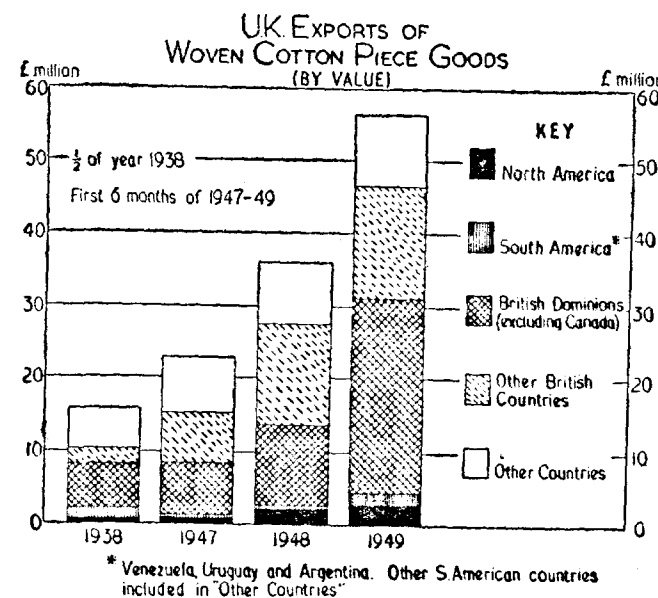
It would be misleading to read into these low unemployment

figures any improvement of the use which the national economy is making of its manpower. A brief examination of the pattern of employment in the different industrial groups will explode any such theory, together with any theory that Government manpower policy is approaching the results which it set out to achieve. The total number in employment increased by 21,000 during June. The group "basic industries" gained 8,000 of these workers, but the gains were seasonal gains in agriculture (4,000) and transport (4,000); the labour force in coal mining fell by 1,300. The manufacturing industries lost, on balance, 5,000 workers. But within that group the industries largely concerned in the export trades appear to have lost still more heavily: "metals, engineering, and vehicles" lost 12,000 and textiles 1,000, while "food, drink, and tobacco" gained 7,000 workers. Public administration lost, on balance, 5,000 workers, which is to the good; but the gain of 14,000 in "professional, financial and miscellaneous services" is explained by the summer increase in tourist activity. The distributive trades gained 2,000. Nothing in this bears out any of the brave words on the use of manpower in this year's or last year's *Economic Survey*.

* * *

Direction of Cotton Exports

The cotton textile industry has done well, by comparison with others, in expanding its exports in the first six months of 1949. Total exports of cotton yarns and manufactures amounted to £84.3 million in the six months; this compares with £55.3 million in the first half of 1948 and £35.8 million in the first half of 1947. The peak month so far was March, when the total of £15.9 million of cotton goods exported passed



the target (a monthly rate of £15.1 million) set for the end of the year in the *Economic Survey*, and earned a letter of congratulation to the industry from the President of the Board of Trade. The figures in April, May, and June were lower (cotton exports in June totalled £13.2 million), but the state of order books and the rate at which export business is coming in are not discouraging. It is true that the proportion of export goods in production which are still unsold has been increasing, but it would probably be erroneous to assume from this that exports as a whole are on the decline. The true significance is, more probably, that more and more foreign importers are insisting on firm—and reasonably short—delivery dates, and will no longer buy goods which are still in the early stages of production. This is healthy enough.

Yet the limitations of the cotton industry's achievement are serious, and illustrate the general difficulty which Britain is

meeting in foreign trade. It is coming to be recognised that total export figures—and official targets which are stated in those terms—are not of decisive importance; at present the destination of the exports matters more. British cotton textiles are being taken readily—more readily than they can be produced—by sterling and soft-currency countries, but there is no sign of any serious impression on the hard-currency markets. The expansion of cotton exports to Canada, on which so many hopes were pinned a year ago, seems to have come to a standstill. Between 1947 and 1948 a fourfold expansion was achieved. But exports of cotton manufactures to Canada in May and June this year, added together, were less than in May and June, 1948, by quantity, and substantially less by value. There are no hopeful market reports from Canada to contradict this apparent trend. Mr F. I. Aickman, director of the export department of the Cotton Board, reporting in the *Cotton Board Trade Letter* on a recent visit to Canada, observes that the Canadian trade buyer has now virtually a free choice of Canadian and American textiles "at prices and deliveries with which our present conditions at home make it extremely difficult to compete."

The chart on the preceding page shows a rough distribution of exports of cotton piece goods in the last three years. It is worth noting that exports in 1938, though so much less in money value, were much more than the present quantity.

* * *

Cotton Industry Faces "Adjustment"

The autumn conferences which the Cotton Board organised for the cotton textile industry in 1947 and 1948 were concerned mainly with questions of production: re-equipment, wages structures, redeployment. The autumn conference this year is to range more widely over the trading position of the British cotton industry in the framework of world trade conditions. Some remarks by the chairman of the Cotton Board, Sir Raymond Streat, in the *Trade Letter* for August draw attention to the implications of this. While the internal production problems of the industry have not ceased to matter, Sir Raymond Streat implies that external trading conditions already threaten to complicate its task. Price resistance and competition have reappeared. American prices (though "not necessarily an accurate measure of long-term competition from that quarter") and some other prices are "definitely below average Manchester quotations."

Sir Raymond Streat is, as always, guarded in his utterance, and does not use the word "slump." Indeed, he does not believe that Lancashire need fear a repetition of what happened to prices after the first world war: "The situation has not this time developed in the same manner." Instead, he would expect "gradual adjustments over a fair period of time." Adjustments have already happened—he points out—in the United States, and it would be well if the British cotton industry "began to think and act rather more positively in the direction of adjustment." If the adjustments are not made in time, there may be a "bump" instead of a gradual process.

The advice is good, but the best advice can only serve if it is followed, and the alarming thing is that the world markets are changing swiftly and openly, while the process of self-adjustment in the British cotton trade is, as yet, barely visible to the naked eye. Costs, which should be falling, are still tending to rise. The bulk of production for export is being drained off into the easy, sheltered markets which pay in soft currencies or in Treasury releases of sterling. In these circumstances it is hard to see any direct inducement to the trader to make those "exceptional efforts in the vital markets" for which the chairman of the Cotton Board calls. Redeployment is proceeding, but not fast enough; the discussion of the reforms in the wage structure which are so urgent drags on. These, as Sir Raymond Streat urges, are the essential measures which would enable the industry to go out and meet its trading problems offensively; the alternative is to sit tight and

wait for the approaching storm to blow over. Up to now, hardship has not applied the spur to reform, and the pace is too slow.

* * *

Profitable Cement Exports

The cement industry is still exporting to a sellers' market. British manufacturers exported 1,102,226 tons of cement in the first seven months of 1949, compared with 896,493 tons in the same period last year. The industry itself calls the prices obtained "remarkably good." The British home price for cement is the lowest in the world, as the accompanying table shows, and it is likely to go still lower in the next few weeks. But British cement exports are sold at the market price in the country of destination.

PRICE OF CEMENT PER TON DELIVERED IN BAGS
London 70s. Od.

	s. d.		s. d.
Auckland	141 0	Madrid	109 10
Brussels	75 6	Mexico City	85 0
Buenos Aires	157 6	New York	121 7
Cairo	91 5	Oslo	94 0
Copenhagen	104 6	Ottawa	106 2
Delhi	127 11	Paris	77 4
Frankfurt	80 2	Rio de Janeiro	153 3
Johannesburg	117 0	Rome	103 10
Karachi	143 1	Santiago	145 1
Lisbon	135 2	Stockholm	106 2
Los Angeles	109 2	Sydney	95 0

The largest markets are in Africa and the Middle East, although Holland continues to import largely, and so do Brazil, Australia and Ceylon. South Africa has been an important buyer, but the present currency difficulties and the anticipated opening of a big cement plant there in October are expected to make the Union self-sufficient; it may, indeed, begin to export.

The discrepancy between British and world prices raises the question of whether the British price is high enough to give an economic return. It covers immediate costs of production, but probably leaves insufficient margin for depreciation since the costs of capital replacement are high. This suggests that British manufacturers are relying largely on their profits from overseas sales to provide the sums which they have to set aside for depreciation. Increasing world production makes it unlikely that the high export prices will persist beyond the end of the year, but it would require a severe fall to cause British manufacturers serious concern.

* * *

Analysing Commonwealth Coals

Germany, with its extensive electricity and briquetting industries based on brown coal, is the only highly industrialised country to have exploited on a large scale the "immature" coals with a carbon content below 78 or 80 per cent; in general, industrial development tends to be associated with "mature" coal or with oil. Some of the less developed Commonwealth countries have neither oil nor mature coal, but have considerable resources of immature coal; surveys are being carried out to determine the best use to which those resources can be put. Powell Duffryn Technical Services are at present working on deposits in Nigeria, Pakistan, Queensland, Victoria and Southern Rhodesia. The method adopted is to classify coals according to their hydrogen and carbon content rather than on the conventional method which concerns itself primarily with the proportions of volatile matter. Such a classification is said by its advocates to reflect more exactly the properties of a coal for different purposes. The lower its carbon content, the less valuable a coal is as fuel; but the higher its hydrogen content, the more interesting it becomes as a starting material for chemical processes.

In a paper presented to the recent Empire Mining and Metallurgical Congress, the chairman of Powell Duffryn Technical Services, Mr Robert Foot, discussed the composition

of the coal resources of the Commonwealth countries. He emphasised that it would be mistaken to treat these coals by methods practised with the mature European and American coals. Nigerian coals, for example, have a higher hydrogen content than is normal, and it has been found that by simple chemical processing it would be possible to extract considerable quantities of waxes and resins from the dry coal. These products have a high commercial value, and some of them have up to now, been produced only by laboratory synthesis. While many samples from Queensland have a high hydrogen content which suggests the same possibilities, other samples not only have less hydrogen than is normal, but a disproportionately high oxygen content, suggesting that special attention will have to be paid to the method by which they are burnt. The most valuable fields of all would appear to be in Borneo. Like other hydrogen-rich coals, these are a potential source of chemicals, but some of them have even been found to have good coking properties, although by customary methods they would never have been classed as coking coal. Since there are no other coking coals within an area of four million square miles, this is of vital interest to the potential exploitation of iron ores in India and Pakistan.

The Governments for whom the surveys are being performed are primarily interested in sources of cheap fuel on which to base industrial development. If an immature coal responds well to chemical treatment, the case for converting it into liquid fuel, rather than for devising means of handling and burning it in its existing state, is to that extent strengthened. Big technical improvements are being made in the efficiency of the processes by which oil can be extracted from coal, and since the plants are largely automatic, the problem of finding enough skilled labour would not be severe. The objection to such plants will rather be the burden which their heavy capital cost puts on an undeveloped economy. The less elaborate plant required to extract resins and waxes from the coal before it is burnt as fuel would not present the same difficulty.

Trade and Commodities

One-Way Trade with Argentina?

The new Argentine trade pact has not had a very promising start. Shipments of grain, meat and hides are well up to schedule, but there has been delay in granting import licences for British goods. Indeed, no official announcement of the new regulations, and the procedure to be adopted, has yet been made. The resignation of Dr Bramuglia, the Argentine Foreign Minister, who was instrumental in bringing the recent trade agreement about (and who was more helpful over the Andes agreement than Sr. Miranda) has caused some anxiety to traders.

The new agreement contains an escape clause, or, more accurately, an escape phrase, to the effect that import licences would be freely granted if sufficient sterling were available. Is this to be used as a pretext for hindering the development of trade between the two countries to the level which the agreement envisaged? Argentina's sterling resources, though they are known not to be ample, are believed to be adequate to permit trade to flow in both directions. The Argentine Government may, however, prefer to wait until it has accumulated a large enough balance in its new "C" account. It is also possible that the delay may be due to the usual administrative difficulties in working out a new procedure. In the past, imports into Argentina were strictly controlled, and the new granting of import licences "freely" may be a difficult technique to acquire.

Aluminium Controversy Ended

Six months ago Britain was accused by the deputy administrator of the Economic Co-operation Administration in

Washington of reselling to the United States at a considerable profit aluminium bought with ECA funds. The Ministry of Supply was quick to deny these charges. An ECA mission, however, was appointed to study Europe's requirements of aluminium, and in its report, recently made available, it showed that the original accusation was groundless. There was no evidence that any aluminium bought with ECA funds was re-sold to the United States, although certain European countries which had not received an ECA allocation of dollars for aluminium had sold to America quantities of the metal which these countries had previously purchased from Canada.

The report continued that the shipment of secondary aluminium to the United States, which had in fact taken place, did not contravene any of the conditions laid down by ECA. But the mission suggested that Britain and other European countries could make more extensive use of secondary aluminium in their own manufactures, and thereby economise on the import of virgin metal. It added that the British aluminium industry took prompt action to set up a technical committee to investigate further uses for secondary metal. The mission also estimated that western Europe's essential requirements for 1949 (exclusive of Britain) would be more than covered by its own production of primary aluminium.

This week the Ministry of Supply announced an increase in price of virgin aluminium in ingot form from £90 to £93 a ton delivered into consumer's works. There has been no equivalent rise in the price of aluminium in North America. But since Britain is now using a higher proportion of metal from sterling area producers, whose costs are higher than those in Canada, the average cost of virgin aluminium in this country (home production and imports) has risen correspondingly. This is but a further example of rising costs through the necessity to switch from dollar to sterling supplies. After the war the price of aluminium in Britain fell from £110 a ton to £67 in April, 1946. In the following September the price was adjusted to £72 15s. a ton following the revaluation of the Canadian dollar; since then it has risen fairly steadily to its new level.

* * *

Liquidating Wool Stocks

The strength of the wool market since the end of the war can be gauged by the rapid decline in the stocks of wool held by the Joint Organisation. At the end of hostilities the stock was nearly 10½ million bales. It was reduced to 5,786,000 bales in the first year, and then by about 1,250,000 bales in the two following seasons. At June 30, 1948, the total stock stood at 3,218,000 bales; the quantity of South African wool

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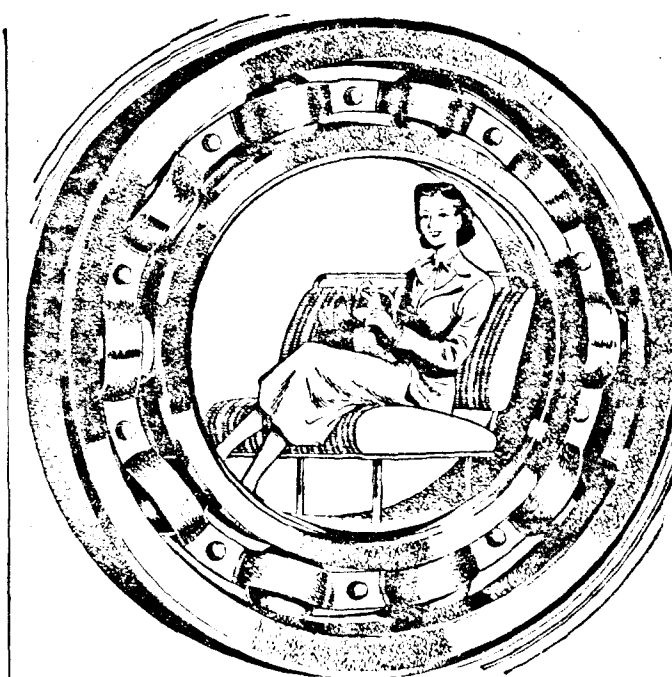
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'Paludrine' for Malaria

'Paludrine' was the outcome of a programme of research for a more efficient drug than quinine or its synthetic substitutes, mepacrine and pamaquin. This was urgently begun in I.C.I. laboratories in Manchester in 1942, when the Japanese conquest of the quinine-producing East Indies jeopardised the health of Allied armies in the Tropics. The biologist of the team, Dr. D. G. Davey, laid the foundations of success by evolving a swift and positive method of testing compounds for antimalarial activity. Then a group of chemists, headed by Dr. F. L. Rose and the late Dr. F. H. S. Curd, began the chemical part of the investigation, striking out along lines hitherto unexplored in malaria research. Many new compounds were evolved, and tested and rejected, but before the end of 1944 one of altogether exceptional power had been developed. This was given the name of 'Paludrine'.

The achievement of the British chemical industry in respect of 'Paludrine' is threefold. It was accomplished in response to a particular need, it was completed against time, and the result is the safest and most effective drug ever produced for the prophylaxis, suppression and treatment of the disease.



Steel spins you smoothly on your way

Through spinning steel ball bearings and steel-sprung seats you are cushioned from all the natural shocks of travelling. You ride so smoothly that you never think of steel. And the steel industry runs so smoothly that you may never think of it either.

STEEL'S DIVERSITY. One reason why the present organization of the industry works so well is that individual firms can show initiative and drive and apply their specialist knowledge in meeting and anticipating demands for steel of special types.

For example, the most powerful modern air and motor engines would not have been practicable without the special and alloy steels developed by the steel makers to stand exceptional conditions.

GOVERNMENT AND INDUSTRY. At the same time, Government supervision over prices and development ensures that the interests of the public are safeguarded at every turn.

This unique combination of individual initiative and Government supervision has helped to make possible the great increases in steel output by which every one of us benefits to-day.

Exports of steel or made of steel are nearly half the total exports now paying for the food and raw materials we need.

STEEL

is serving you well

held was less than a tenth of its original figure, and stocks of Australian wool were only a third; New Zealand stocks fell by a little more than a half. During the past twelve months demand has been good and the stocks of the Joint Organisation have fallen by 1,500,000 bales, leaving at the end of last month a balance of only 1,700,000 bales.

Two-thirds of the remaining stock consists of Australian wool, and although more than 500,000 bales are of merino types, most of it is of inferior quality containing vegetable matter. The 400,000 bales of New Zealand wool still held are largely coarse crossbreds, while only 10,000 of the 35,000 bales of South African wool are merino. Consumption of the better grades of wool during the coming season will clearly have to be met from the current clip. The accompanying table shows the classification of Joint Organisation stocks and their location.

The Joint Organisation has thus nearly accomplished its task of selling the huge stocks of wool which had accumulated during the war. The scheme is, in any case, due for revision next year, and it now looks as if revision might take the form of winding-up. Producer organisations in the three southern dominions have already put forward proposals for a new type of Commonwealth marketing scheme, when the Joint Organisation comes to an end, incorporating a similar system of reserve prices. The scheme would, in other words, protect the producer but not the consumer. The proposals so far put forward—and none of the producer organisations has yet secured official endorsement of its proposal—all suggest British participation which would virtually mean that the

STOCKS OF WOOL HELD BY JOINT ORGANISATIONS,
30 JUNE, 1949
(Thousand bales)

Country of origin	Greasy			Scoured	Carbonised and Shipped	Native Kacaul etc.	Total
	60's and Over	56's-58's	Under 56's (a)				
Australia	553	261	155	278	7*	...	1,254
New Zealand	1	10	319	11	70†	...	411
South Africa	10	...	...	...	...	25	35
TOTAL	564	271	474	289	77	25	1,700
Located in:—							
UK (b)	104	45	67	37	7*	...	310
Australia	1	6	136	11	44†	...	198
New Zealand	10	...	...	...	...	4	14
TOTAL	115	51	203	98	51	4	522
Australia	449	216	88	191	...	...	944
New Zealand	...	4	185	...	26†	...	215
South Africa	...	...	...	...	...	21	21
TOTAL	564	271	474	289	77	25	1,700

(a) Includes quantities of Australian greasy 56's. (b) Includes in transit to UK.

British taxpayer would help to shoulder the financial burden of ensuring an adequate return to dominion wool growers. Under the ITO charter any marketing agreement must include representatives of both producing and consuming countries; it must, moreover, protect the consumer as well as the producer.

COMPANY MEETINGS

GLOBE TELEGRAPH AND TRUST COMPANY LIMITED

SOUND POSITION

The seventy-sixth annual general meeting of The Globe Telegraph and Trust Company Limited, was held on August 12 in London.

Sir Edward Wilshaw, K.C.M.G., the chairman, in the course of his speech said: For the

first time in our history the capital reserve is over £1,000,000 and now stands at £1,030,567. The balance of the profit and loss account for the year to June 30, 1949, amounts to £193,323 and brings the total capital, reserves and unappropriated profits to £5,557,705. Current liabilities stand at £90,875.

The cost of investments is £5,578,608 and they are worth about £10 million despite the exceptionally low values now prevalent in all stock markets. These investments include our holding of £4,252,668 stock in Cable and Wireless (Holding) Limited, which cost us £2,124,486 and on June 30th last had a market value of £5,787,085.

The holding in Cable and Wireless

Shorter Notes

The existing system of control of production in the cotton industry was simplified this week by the abolition of the symbol system. Spinners and weavers will still need licences to deliver and acquire yarn, but the licences will no longer carry symbols specifying the destination or ultimate user group for which the production is intended. Manufacturers and converters will thus be relieved of some paper work and will have more freedom to change the destination of cloth as trading conditions require. Special arrangements are made, however, to safeguard the Utility scheme; weavers are still required to state in advance their programme of Utility cloth production, and the total Utility programme will continue to be supervised by the Cotton Board.

The ECA mission purchased approximately 21,000 tons of natural rubber in the London market last month. Payment which amounted to £2,100,000 will be made from the sterling counterpart fund. Previously the ECA mission purchased 26,000 tons of rubber from the Board of Trade's stock for America's strategic reserve. In this instance payment was also made with accumulated sterling. So far ECA has bought or contracted for nearly £8,000,000 of goods in the United Kingdom; in addition to rubber they include industrial diamonds, sisal, sperm oil and platinum.

Coal output last week was 3,947,800 tons. Production has recovered from the effect of the Bank Holidays, which reduced the previous week's total to a little over 2½ million tons, but the loss of output through recognised holidays last week is estimated at 244,100 tons. Total output for the first 32 weeks of the year now amounts to 129,783,200, but weekly output shows no indication of reaching the weekly average of 4.3 million tons which Lord Hyndley has said to be essential if the industry is to reach its target for the year.

The civil branch of the Berlin air-lift came to an end this week. British civil aircraft engaged in the operation numbered about 50 at the peak, and carried a total of about 144,500 tons of freight to Berlin; more than half of this consisted of petroleum fuels. They belonged to 16 or 17 different firms, and their operation was co-ordinated by a small staff of British European Airways.

The office of the Narrow Fabrics Control in Manchester will close at the end of August. Much of its work has already come to an end; the remaining functions will be transferred to the Board of Trade in London.

(Holding) Limited represents 38 per cent. of our total invested funds and produced 61 per cent. of our total gross investment income for the year under review. What the future of this stock may be I am unable to say until a scheme of arrangement has been submitted to the company's stockholders.

I think I may say that the capital position of your company after 63 years' working, covering times of great stress and anxiety similar to today's conditions, cannot be considered as anything other than highly satisfactory. The profit for the year is £185,484 and the dividends remain at the same figure as last year.

The report was adopted.

GOODLASS WALL AND LEAD INDUSTRIES LIMITED

CRITICISM OF GOVERNMENT BULK BUYING

EFFECTS OF UNREAL PRICES

MR H. S. TASKER ON THE UNSATISFACTORY POSITION

The eighteenth annual general meeting of Goodlass Wall and Lead Industries Limited was held on August 17th in London, Mr. H. S. Tasker, chairman of the company, presiding. The following is an extract from his circulated statement:

The actual trading results for 1948 include a further exceptional surplus which is substantially less than was realised last year, although it is greater than had been anticipated when I made my last statement. This amount, less the appropriate taxation, has been carried direct to reserve. The trading result on the major side of the business, namely that dealing with metals and their derivatives, was very satisfactory, although towards the end of the year there were indications that a change in business conditions might be expected. During the year, metallic lead—our principal raw material—again rose steeply in price from £90 to £112 a ton, and by a further £11 on January 1, 1949. There is no doubt that the upward movement of raw materials in general, as was the case also in 1947, has again exercised a favourable influence on profits.

On our paint side there was some contraction in profits which were nevertheless, on the whole, satisfactory; the lower profits were, to a large extent, caused by the freezing of prices at a time of increasing costs of raw materials and manufacture. There is no doubt that more competitive conditions are now operating in the paint industry, and for this reason I am glad to say that our new paint factory at Liverpool started production early in 1949. This will be of great importance in assisting to keep costs at a minimum.

PLANT MODERNISATION

We have been carrying out a long-term programme of capital expenditure on plant modernisation and renewal and the progress in overtaking arrears accumulated during the war years has been satisfactory. The rise in costs and the inadequacy of the taxation relief for depreciation, however, have necessitated a continual review of policy, particularly with the cash position in mind, and the recent change in trading outlook, together with further emphasis on dividend limitation, has made it necessary to re-examine projects which, under more favourable economic and political conditions, would have been carried forward without question.

During the year 1948 our plans were completed for the merging of certain of the individual home companies, through which the greater part of our business in metals and their compounds was operated, into one single subsidiary, for which we have revived the previously used name of Associated Lead Manufacturers, Limited. No less than four of these companies go back well into the eighteenth century, one of them actually having been established very nearly 250 years. The ancient brands and the long-established goodwill which are connected with these companies are of considerable value, and every care has been taken to preserve them. The change will make for simplification and efficiency in our internal administration. It became effective on January 1, 1949.

During 1948 and in the current year the directors and staff of your company have been active in visiting the branches of the company abroad and also in examining various markets with the object of reviving or opening up export connections. I myself have been fortunate enough to visit the United States and also Australia and New Zealand; other

directors and senior members of our staff have made valuable visits to the United States and many other countries overseas, both within and outside the Commonwealth. It is unfortunate that we cannot reap the full benefit of some of this work by reason of the conditions in the metal market which have existed during the current year and to which I must now refer.

The price of lead rose on January 1, 1949, to the exceptionally high figure of £123 per ton. In March, 1949, the scene changed and the first reduction in the price of lead in America from 21.50 cents per lb., which was approximately the equivalent of the official price in this country, took place. Further falls followed, and by March 31st, when a revision of the official price was due, the American price was 17 cents per lb., or over £20 per ton below the official price in this country, after allowance for delivery, etc.

DISTRIBUTION OF LEAD

Under the present system the Ministry of Supply purchases all imported lead and controls its distribution. It also fixes the price in this country at intervals which, until very recently, have been quarterly.

The practice of the purchasing authority has been to buy most of the lead from the producers at intervals on forward contracts at fixed prices. With rising markets this has, of course, placed them in a favourable position, and it would have been reasonable, on their part, to suppose that, if and when the market fell, a continuation of this practice would cause them substantial losses. These effects might well have been guarded against by, for instance, changing the official selling price at more frequent intervals and thus following more closely the external market. The ostensible reasons for the delay in bringing the official price up to the external market level while prices were rising were the avoidance of raising building costs in this country and the encouragement of export trade; but the first benefit has, as will be seen, been nullified by the higher price ruling during recent months, and the sacrifice for the second purpose was quite unnecessary, as in the sellers' markets then existing the extra assistance was not required and amounted not only to a gift to the foreign buyer at the expense of the taxpayer but also to a loss of foreign exchange.

The result of this policy was that at the end of the first quarter of 1949, when the price for the next quarter was due to be fixed, a reduction to world parity would presumably have faced the Government with the prospect of serious losses. The position was not faced, and the reduction in the official price actually made on April 4 still left it £13 above the price ruling outside this market. Since that date, the world price has continued to fall and, forced by the pressure of events and by public comment, our authorities have abandoned the practice of fixing prices quarterly and have, in fact, on two arbitrary dates made two further reductions of arbitrary amounts, but they have always lagged behind the outside market by £10 to £15 a ton.

DISTURBANCE TO INDUSTRIES

The disturbance caused by this policy to industries whose products are largely based on lead (and the same applies to the other non-ferrous metals) can be readily anticipated by any commercial man. Every buyer, watching the course of world prices, has

realised that the official price was unreal and was liable to unforeseen reduction at any time. No one has bought, therefore, unless the necessity to buy has been pressing. Every effort has been made by consumers to make do with their existing stocks. This state of affairs has been prolonged over a period of five months. The result is that deliveries of all lead manufactures have been considerably reduced, that output has consequently been curtailed, and in some cases men have actually been laid off. Thus, the problems that are normally associated with a falling market have been greatly increased by the policy of the Government. Although there has undoubtedly been some real recession in the consumption of our products by our customers, owing to a general slackening in trade activity, the effect of this has thus been considerably exaggerated.

Such an unsatisfactory state of affairs seems to make advisable the re-examination of the necessary or otherwise of a Government monopoly of the purchase and importation of lead. In our opinion the time has arrived when buyers of lead should be allowed to renew direct relations with their traditional suppliers and with their agents.

PROFIT AND DIVIDEND

Taking the legal accounts of the holding company it will be seen that the profit for the year, including dividends from subsidiaries, amounted to £500,795. The board recommends that the Preferred Ordinary dividend should be paid, and recommends the same distribution on the Ordinary stock as has been made in respect of the two previous years—namely, 15 per cent.

Note.—The foregoing statement, for practical reasons, was written at the beginning of July. Since then the Ministry of Supply has changed its policy and apparently intends to follow closely world prices.

The report and accounts were adopted.

UNITED DOMINIONS TRUST, LIMITED

AN ALL-TIME RECORD

The twenty-seventh annual general meeting of the United Dominions Trust, Limited, was held in London on August 18.

Mr. J. Gibson Jarvie, the chairman, in the course of his speech, said: The company has had an all-time record year both in turnover and profits earned; the record group profit amounts to £408,557, but we expect the government will require in taxation £195,082. We propose a dividend in the ordinary stock of 15 per cent., less tax. This means that out of the record profit of £408,557, the ordinary stockholders will receive only £82,500 i.e., at present values 5 per cent. on their money, less tax; not an excessive reward to the investor.

The success of your company and its subsidiaries is attributable to the fact that they render essential services to the community. Year by year we have developed and extended our services: No company starting with us in its early stages need at any time in the course of its subsequent career have any need (apart from joint stock banking facilities) to seek capital or financial assistance away from your companies. The organisation is unique in the breadth of its activities and in its many services to British industrial enterprise.

Enterprise in Britain today is stultified and frustrated at every turn by the policy and by the enactments of our present government. But in spite of everything I believe that we still have an opportunity for regaining the position which we held at the beginning of the century and we might improve even on that. All that we require is the will.

The report was adopted

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LEADING ARTICLES

Both Sides of the Medal - - -	433
Doves Over Yugoslavia - - -	436
Workers' Participation - - -	457
Consolation Prize in Japan? -	439

NOTES OF THE WEEK - - - 441

Allocating Marshall Aid; Discrimination in the OEEC?; Economics at Strasbourg; The TUC's Dilemma; The Communist Bid; Lausanne and the Arab Refugees; Arab League Prospects; Imports into the United States; Plan for the Clyde Valley; Will the Plan Work?; Burma on the Up-grade; The Curtain Falls on Antecy; New Turn in the Greek War?; Chinese and Mongols; Oh Bring Back My Bottle to Me, to Me.

LETTERS TO THE EDITOR - 448

BOOKS AND PUBLICATIONS - 450

AMERICAN SURVEY

The Disputed Fourth Round -	452
Highway Miracle - - - -	453

Aims on Approval? Mr Hoover's Monument; Money for Jam; Patchwork in the North-east; Federation Sometime?

THE WORLD OVERSEAS

Third Party at the Washington Talks - - - -	457
---	-----

The Finnish Communists Strike; Cat and Dog in Korea; National Enterprise in Spain; Education in France.

THE BUSINESS WORLD

Interest Rates Now - - -	463
--------------------------	-----

BUSINESS NOTES - - - - 465

Curtain Raiser for Washington; The Gold Drain; Ceylon and the Dollar Pool; The Trend of Exports; W. H. Smith Offer for Sale; "Hiving Off" by Tate and Lyle; Contrasts in Rhodesian Copper; Payments Pact with Czechoslovakia; Rise in Silver; A Surplus of Cotton? Uncertainties in Wool; Russian Imports of Rubber; Government Control in Oils and Fats; Utility Price Cuts Defined; The Colliery Winders; A British View of German Steel; Recovery in Radio Sales; Production Indices Compared; Shorter Notes.

COMPANY MEETINGS - - - 475

INVESTMENT STATISTICS - - 478

STATISTICAL SUMMARY - - 479

Both Sides of the Medal

THE Chancellor of the Exchequer and the Foreign Secretary are sailing for America early next week. That both of them are attending the Washington conversations with the representatives of the United States and Canada reflects (among other things) the very great importance that attaches to what is said and done at Washington. These are no mere technical financial discussions; they involve matters of the highest policy. What is at stake is not simply the British balance of payments but the indispensable basis of mutual confidence on which the unwritten Anglo-American alliance, and therewith the political stability of the whole western world, has rested ever since the end of the war.

Unfortunately, it is difficult to believe that any decisions will be reached at Washington next month commensurate with the importance of the occasion. There will, undoubtedly, be some practical results; and if one of these is an abandonment of the present pegged rate of exchange between the dollar and the pound sterling, that can hardly be dismissed as a minor technicality. But though a depreciation of sterling is now necessary and inevitable, and may do good on balance, it is very important that everybody should realise how little it will affect the fundamentals of the unbalance between the eastern and western hemispheres.

It is for action on these fundamental issues that the world will probably look in vain next month. The reason for this pessimistic prognosis is not to be found in the battle of words now going on in the newspapers on both sides of the Atlantic; such duels are disturbing, but they are no more than that. The real reason is to be found in the fact that even the friendly and co-operative sections of opinion in the two countries approach the present crisis from radically different angles. It is easy to find many influential Americans who look at the British crisis with the fullest sympathy and the most tolerant understanding of how matters came to the present pass; but it is difficult to find an American who agrees with even the main outline of the policies that are being followed in Britain with the object of overcoming the crisis. There are many Englishmen who whole-heartedly agree with the American approach to economic problems in general; but few who think American suggestions take nearly enough account of the practical difficulties in the way.

Any large step forward towards a reconciliation of economic policies must, therefore, wait. It must wait until the British people have come to a clearer appreciation than they have today of the realities of their position, and until they have chosen their government for the next five years (and much may turn on the order in which these events occur). It must also wait until the present mood of exasperation has passed in America. Very much hangs on the success that attends the process of mutual accommodation of ideas. If the public minds of America and Britain, which are now apart, are to move together, it follows that they must move in opposite directions. But the whole English-speaking world increasingly tends to be a single forum, and

Vol. CLVII No. 5511
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Applications are invited for two Research Assistantships in Social Studies at a salary of £450 per annum. Applicants should be graduates in History, Economics or Sociology or Political Science or Philosophy. The appointments will date from October 1, 1949. Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications must be received on or before September 3, 1949.

THE Civil Service Commissioners invite applications for permanent appointments as Assistant Experimental Officer to be filled by competitive interview during 1949. Interviews will be held shortly after the receipt of the completed application form and successful candidates may expect early appointment.

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Notice is hereby given that the Transfer Books of the Bank are closed from 24th August to 6th September, both days inclusive, by Order of the Board.

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what it is appropriate and useful to say in London is repeated in Washington, where it may arouse fury. This difficulty particularly afflicts a journal which circulates in both countries. If *The Economist* attempts, for home consumption, to expose the ways in which the policies of the British Government have exacerbated the balance-of-payments crisis, the article receives the flattering but embarrassing honour of being quoted with approval in America by those who would write Britain off as a hopeless case. If, for our American readers,

The Politics of the Crisis

For American readers

Not to be read in Britain

1. It is a gross over-simplification to say that Britain's present difficulties are solely due to mistakes in British policy. They are an expression of volcanic upheavals in the economy of the whole world.

2. In particular, it is wrong to associate the socialist programme of the present Government and the shortage of dollars as cause and effect. It is very difficult to trace any connection between the nationalisation schemes and the balance of payments.

3. Much the largest cause of the present situation is to be found in the dislocation produced by two wars. Not only was Britain (apart from Germany) the only country that fought right through both wars, it was also, from its commercial position, the one most liable to suffer from any disturbance of the delicate mechanism of world trade.

4. In so far as deliberate policies of the British Government have contributed to the present crisis, it is not the socialist policies of the Labour Party that are to blame, but the policies to which all parties have contributed. If there is in Britain today no healthy competition and wholly insufficient incentives to efficiency, the major blame cannot fairly be fixed on one party but must be laid upon the cast of mind of a whole generation.

5. The "welfare state" is not a heresy to be derided, it embodies the healthy aspirations of free democracies all over the world. All that is wrong with the British welfare state is that it chose a singularly inappropriate moment to take several very large steps forward.

6. It is quite wrong to suppose that a change in the party in power would, by itself, have any decisive effect on economic policy. What has first to be done is to bring the British people as a whole to an appreciation of reality. Until that has been done, no party could advance very far. When it has been accomplished, either party will be in a position to do what is necessary. Indeed, in many ways, the Labour Party, if it would make-up its mind to face the facts, would be in a stronger position to serve the country.

7. Nothing could well be more disastrous than that America should take sides, or appear to take sides, in the British general election. It would create what does not exist at present, an active anti-American party in Britain, and might well help it to a Parliamentary majority.

we underline the magnitude of the British efforts at recovery, the article receives the hardly less embarrassing honour of being cited by Dr Dalton at Strasbourg as proof of the perfection of the Labour Government. Truth, of course, is truth the world over. But truth is also many-sided, and if there is to be a full understanding between the nations, different facets of the truth need to be stressed in different places.

From this dilemma there is only one escape—and that is, for once, to give both sides of every medal.

For British readers

Not to be read in America

1. For a generation past the British people have been paying far too little attention to their competitive position in the world. It is true that the causes of most of the changes lie in external events. But there has been a tendency to suffer them passively rather than to react vigorously. Now the bitter fruits of a generation's indifference to the ratio between imports and exports have ripened.

2. In general, the doctrines of the Left, with their teaching that the ordinary man can make less effort to produce and yet consume more, have, in the hands of both parties, contributed to a situation in which Britain imports too much and exports too little.

3. No other country is going to recognise any obligation to provide the British people with a living, no matter what their services and sacrifice to the common cause.

4. Though the policies of social security and full employment were agreed upon by the whole nation, the Labour Government, as the bearers of responsibility, are very much to blame for their stubbornness in refusing to remit anything of their plans even when it became quite clear that the assumptions about the economic climate of the postwar years on which they were based were very seriously wrong. It is not enough for a self-respecting Government merely to say that its opponents would have been no better.

5. There is no magic in the actions of the state that can guarantee the ordinary man an income larger than he earns, or that can promise full employment without exacting the price for it. A community can easily have more welfare than it can afford, in the sense that insistence on providing the welfare may impede the earning of the national income on which it depends. When that time comes, it is necessary to *reculer pour mieux sauter*.

6. Whatever may be true in other countries, in Britain courage pays political dividends. Those politicians who refuse to prolong the rosy illusions of the postwar inflation and tell the people soberly what needs to be done would be surprised at the response they would evoke. This would require from the Labour Party a greater effort than from the Tories. But their need to make the effort is the greater, for without it, there is a risk that the British public (or enough of them to be decisive) will conclude that Labour, after all, has too little realism and courage to be capable of governing.

7. The British public should try to be less touchy about what is said in America. The real test is what is done, and by that test the United States Government has leant over backwards to avoid anything that could be construed as interference in British internal concerns. The advice that America gives may be gratuitous; but so are its dollars.

8. Americans should realise that the British people are spiritually exhausted after what they have been through in the last ten years. To accuse them of being unwilling to make efforts to save themselves is insulting. They have made greater efforts than any other people and deserve credit for so doing.

9. There is nothing more difficult for a democracy to accomplish than deliberately to lower its standard of living. American politicians are hardly notorious for the eagerness with which they impose sacrifices on the voters. They should not expect British politicians to do the impossible overnight; it will take a little time.

The Economics of the Crisis

1. American generosity, great as it is, is not the only, or the main, contribution that the United States can make to the solution of the crisis in world trade. The chronic deficit in all other countries' balances of payments is a reflection of the chronic surplus in the American balance. Equilibrium cannot be restored until America buys more from the rest of the world, and this is not a problem that can be solved solely by non-American efforts.

2. If America were to buy less from the outside world, either through trade depression or for any other reason, the results would be disastrous.

3. Much of the gap in the British balance of payments is simply the result of the adverse movement in the terms of trade. This, in its turn, has been due to the long extension into the postwar period of wartime inflation, mainly sustained by the tidal wave of American demand.

4. To have devalued sterling in a sellers' market would have made Britain's position worse, not better. On a strictly economic calculation, the time may not yet have arrived when devaluation will show a clear balance of advantage. In any case, it is only a small contribution to the general problem.

5. The object of any depreciation of sterling will be to flood America with cheap British goods; there must, therefore, be no complaints if that is the result.

6. Economic unity in western Europe is an imperative long-term project. But the economies of western Europe are much more competitive than complementary, and there are no important gains to be secured quickly from closer economic union. The only quick solution to Europe's problem would be a large increase in American purchases of European goods. It would be a great pity if the inevitable gradualness of the approach to economic unity in Europe came to be regarded in America as an alibi for failure to tackle this real problem.

7. So long as dollars are a hard currency, some degree of discrimination in trade is inevitable. To insist on complete non-discrimination is, in these circumstances, to insist that all commercial exchanges shall proceed at the pace of the slowest.

8. So long as the dollars available to the world are below its needs, the world will have no option but to cut its dollar purchases and cut them again. Britain cannot fairly be blamed for refusing to spend dollars it has not got.

9. The British economic position is by no means as bad as it looks at the moment. The balance of payments problem is not the only one; but it is the only one that is immediately dangerous.

8. No efforts and no sacrifices are too great if they restore the pride and independence of Britain. No efforts and no sacrifices, however heavy, are great enough if they leave Britain dependent on the generosity of others.

9. The inescapable condition of escape from the crisis is that there should be a sharp change in the ratio between the efforts that the British people put into their economic activity and the rewards that they expect to get out of it—either an increase in economic efficiency or else a reduction in the standard of living.

1. British policy is still a very long way from being willing to do anything for dollars. There is still, for example, a refusal to grant "unfair" advantages—either in taxation or in allocation of materials or in other ways—to those who earn additional dollars. Until these sacrifices of policy are made, it cannot be claimed that everything possible is being done.

2. The American "recession," as experienced to date, is a quite minor affair. Unless an economy is to be absolutely rigid, it would be difficult to experience a milder "recession" than this. Those who blame it for the British crisis should take a course in economic history.

3. It is foolish simply to sit down and wait for the prewar relationship between British and overseas prices to return. Though the sellers' market cannot go on for ever, the buyer of food and raw materials may never recapture the dominant position he held in the 1930s.

4. As soon as the world made up its mind that sterling should be devalued, devaluation became inevitable. This point was reached months ago and action should have been taken then. Every day's delay costs £1,000,000 of the sterling area's ultimate reserves.

5. Cheapness by itself will not sell enough British goods. But it will provide the opportunity for a real merchandising effort.

6. It is impossible for Britain to buy unessential goods from Europe and pay for them in convertible sterling. But there is suspicion that this argument is being used as an excuse for doing nothing in cases where something could be done. The recent proposals for the grant of open general licences for a wide range of goods from a number of European countries will provide a test of sincerity. It is essential that the British offer, when the blanks come to be filled in, should be found to have real substance.

7. Britain can never hope to do a sufficient volume of trade except in the widest possible market. This means that British exports must be able to hold their own in competition with any others in the world. There is no possibility whatever of solving the British problem by bilateral dealings in an ever-narrowing circle of high-cost economies.

8. Import cuts are no long-term solution. Austerity will be as suicidal in the long run as it is necessary in the short. The aim of policy should be to get into a position where British imports can be increased.

9. Every other object of economic policy must, if necessary, be subordinated to the problem of the balance of payments—if only for the reason that, if it is not solved, no other object of economic policy will be attainable.

Doves Over Yugoslavia

A NEW phase has opened in the year-old struggle between the Communist heresiarch, Tito, and the high priests of the one true Marxist-Leninist faith in Moscow. Hitherto, the dispute has been carried on within the framework of the Cominform. The Communist parties in Russia and its satellites have attacked the misdoings of Tito and his ministers not as leaders of a state but as dissentient members of an international movement. Now, however, the Soviet Government has launched an attack upon the Yugoslav Government. It is no longer an internal dispute in an international political movement that is at stake. It is a clash between nation-states.

It is probable that the Soviet Government did not intend to move out of the cover provided by the Cominform, but in the event their bluff was called. At the Paris Conference last May, Mr Vyshinsky withdrew Russian support from the Yugoslav claims on Carinthia. Marshal Tito responded by sending an official Note to Russia protesting at this capitulation to western imperialism. It was a shrewd move. Russia was convicted of deserting the Slav cause and treating with the west, and the loss of Carinthia, which could have done the Tito regime some harm inside Yugoslavia, was used to feed the country's growing resentment against the Soviet Union. At about the same time, Tito began to cover his own discreet withdrawal from the Greek adventure—the Greek-Yugoslav frontier was effectively closed soon after—by accusing the Russians of sacrificing the Greek cause to the Macedonian ambitions of Bulgaria. Once again he succeeded in turning the tables on Russia. It is now clear that sometime last winter the Russians decided that it was more important to oust Tito than to win the struggle in Greece. They therefore compelled the Greek Communists to swallow the idea of Macedonian autonomy, presumably under Bulgarian tutelage. The change was designed to unseat Tito in Yugoslav Macedonia. In fact, it split the Greek Communist movement, since its realisation would have entailed the separation of Greek Macedonia from Greece. Now that the civil war in Greece is going badly for the Communists, Tito has forestalled the Russian accusation, that in closing his frontier he has abandoned the Communist cause, by laying the blame for the Greek reverses on Russia's own Macedonian machinations.

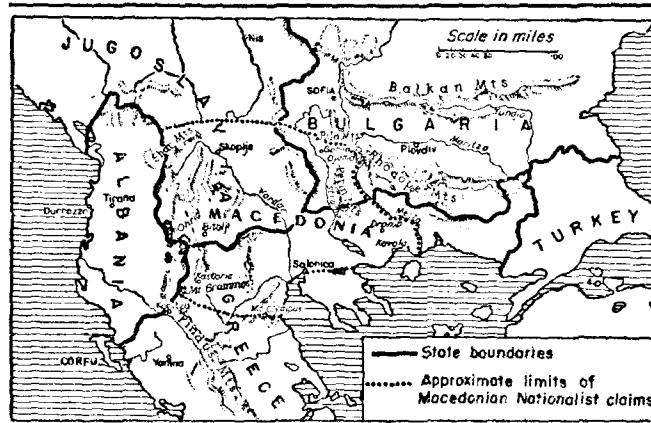
The Russian reaction to these shrewd attacks has been one of outrage and revengeful fury. The propaganda war against Marshal Tito has been intensified and a stream of insult and abuse has filled the Balkan radios. Against this background, a series of official Soviet Notes has denounced Tito as an enemy of the Soviet Union and threatened violent action to remove him from power. Two Notes, one dispatched in the middle of July, the other last week, covered the charge that Russia had betrayed Yugoslavia's claims on Carinthia at the Paris Conference. The Russians sought to counter this point by accusing Tito himself of negotiating with the west and of having offered, as far back as 1947, to abandon all claims on Carinthia, save for special treatment for the Slav minority. The second Note not only repeated the charge but ended with the ominous words that the Yugoslav people should

know that the Soviet Government does not regard the present Yugoslav Government as a friend and ally but as an enemy and a foe of the Soviet Union.

Even more ominous, particularly to those who recall Hitler's tactics, was a further Note dispatched a week ago protesting against the arrest and imprisonment of Soviet

citizens by the Yugoslav Government. There is no secret about these people. They are in the main White Russian émigrés—"White guardists" in Yugoslav parlance—who, after a twenty-year residence in Yugoslavia, were caught by the Russian advance in 1944. Some were shot as fascists. Others purchased citizenship by consenting to stay behind in Yugoslavia as agents of the MVD, the Russian secret police. Since one of the factors which first created the breach between Tito and Russia was the Russians' habit of spying extensively on their supposed friends, there can be little doubt that the "Soviet citizens" in question are White émigrés in prison for espionage. The Yugoslavs have shrewdly replied to the Russian Note by offering to consent to their extradition to the Soviet Union. The importance of the issue lies, however, not with the substance of the new dispute but with the oddly reminiscent wording of the Soviet Note, in which it is stated that

the Soviet Government . . . will not tolerate such a situation and will have to resort to other more effective means to protect the rights and interest of Soviet citizens in Yugoslavia and to bring to order the unrestrained fascist offenders.



Is Mr Stalin's patience then exhausted? Memories of Hitler's march into Poland in 1939 have been aroused by the conduct of the dispute, but it is difficult to believe that the Red Army will openly march in. However, there are more ways of invading a country than by the dispatch of national armies. The MVD has its own shock troops, and Yugoslavs opposed to Tito are being organised and drilled by Tito's neighbours—there is an "Arso Jovanovich" brigade in Bulgaria. The Russians may also hope that local discontent in such traditionally unruly areas as Macedonia and Montenegro can be fanned into rebellion. Marshal Voroshilov has arrived in Bucharest, where Mrs Anna Pauker recently announced that "the day is not far off when the Tito bandits will render account to the people of Yugoslavia." He may well have come to preside over the next phase in the struggle against Tito and, to judge by the tone of Communist propaganda, it could take the form of a concerted move into Yugoslavia by international brigades dispatched by all the Cominform countries, with Russian participation and with the backing of the "proletarians of the world." Such a development is still a matter for speculation, but what is certain is that by one means or another, the Russians are determined to be rid of Tito. Their campaign against him has been so rancorous, their denunciations of his treachery so violent, their predictions of his overthrow by "loyal Yugoslav Communists" so confident, that his mere existence is a blasphemous challenge to the whole Soviet dogma of invincibility and infallibility.

He cannot be left, cocking snooks at the monolith. Even if open invasion does not take place, it is simply because the Russians still hope against hope that anti-Tito Communists inside Yugoslavia may yet pull off the "liquidation" of Tito they have so far failed to achieve.

But why the violence, why the fury? The western mind is left bewildered not only by the intensity of the Cominform campaign but by the form and language in which it is cast. There is more here than mere disagreement, or even treachery. Underneath it all is the outrage reserved for the tremendous sins—for heresy, for blasphemy, for the sin against the Holy Ghost. Yet if the issue is at the deeper level of dogma and belief, in what has Tito transgressed?

By all practical tests, he is a Communist. His programme for collectivisation has gone farther than that of any other people's republic. Socialisation of industry is complete. Marxist-Leninism is his official ideology. No other eastern European government equalled his in baiting the west—what other government shot down an American B47?—until economic necessity in the shape of the Cominform blockade drove him to look westwards. What, then, is the deep ideological guilt staining his regime?

The answer explains both the depth of his sin and the unreasoning fury of the Soviet reaction to it. Tito has picked on the one crime not included in the Marxist-Leninist decalogue, the one crime added by the unaided infallibility of Stalin, the one crime capable of unmasking the largest internal contradiction in the Soviet system. Whatever else they were, Marx and Lenin were internationalists. It is perhaps open to question whether they would have remained so if they had had an empire to run on the scale of Russia. Nevertheless, the freedom and equality of Communist peoples are undoubtedly written into the Marxist canons. Stalin, however, is not an internationalist. He is an aggressive believer in the absolute and total predominance of Russia. Tito's crime has been from the very start simply to refuse the absolute domination which in Stalin's view inheres essentially in the majesty of Russia. This view may be dressed up in Marxist trappings, but in essence it is the old adoration

of the nation-state. The challenge offered by Tito is that he strips off the trappings. He is as complete a Communist as his neighbours. The only difference is his rejection of total Russian control. The fact that Russia seeks to destroy him shows that control, not Communism, is the Soviet Union's chief aim and with that admission, the ideological bluff is called. Russia cannot indefinitely preach internationalism to its satellites and practise nationalism at home. Capitalism itself has no deeper contradiction to offer. So Tito, who makes the contradiction a daily spectacle and probably a daily temptation to his neighbours, must go.

The dispute has, however, wider implications than heresy and schism within the Communist world. Tito calls Stalin's bluff not only as an internationalist but also as a man of peace. It is a strange irony that at this moment, under Soviet directions, Communist parties all over the world should be staging demonstrations, congresses and petitions for peace. Permanent peace committees are set up, prominent if simple-minded citizens pledge themselves to support Russia's "fight for peace," and Soviet ambassadors appear in Paris and Washington with pockets full of doves.

But what sort of doves are flying over Yugoslavia? Here, where a "vital" Soviet issue is at stake, is the talk of peace or of war? The same government that parades its peaceful intentions at Lake Success or Foggy Bottom uses the language and the technique of Hitler in its dealings with a near neighbour and fellow-member of the United Nations. The western powers have no reason to support Tito's regime. They find his ideology, even if heretical, as unpalatable as the more orthodox sort. But at least they can be grateful to him for calling the bluff of the biggest confidence trick in the postwar world. If the Russians genuinely prefer peace to the total achievement of their national aims, they can begin the demonstration practically by calling off the dogs of war in the Balkans. If, on the other hand, they persevere in the present gangster campaign of violence and pressure against Yugoslavia, the western powers will know what value to place on their peace offensives and how seriously to take their protestations of pacific intent.

Workers' Participation

TRADE UNION discontent with the working of the nationalised industries is not likely to be allayed by the report, conscientious but anæmic, which the General Council will place before the Trades Union Congress at Bridlington. No doubt too many hazy hopes were reposed on nationalisation from the start. Old trade union workers who have based a lifetime of work on assumptions about the class struggle are upset when a public board shows itself no less capable of hard bargaining than a private employer. Evangelists of workers' control find themselves fobbed off with the reservation of a seat or two on each public board for trade union dignitaries—on condition that the dignitary thereupon becomes the servant of the public and ceases to represent his union. The employer himself has changed, and though in his new form he is politically more vulnerable than his predecessors, industrially he is more powerful than they were. It is true that the new employer is accountable to the Government and feels the duty of enlightened behaviour towards his workpeople to be enjoined upon him. But the essential relationship between employer and workpeople remains, while the established technique for conducting the relationship has ceased to be fully applicable.

As experience of the working of nationalised industries accumulates, these facts and the hard feelings that they

engender come to the surface. At a time when full employment and sheltered market conditions have kept commercial industry singularly untroubled, the nationalised boards are harassed and beset by industrial disputes. The endemic crisis of authority on the railways and the blatantly unsatisfactory labour relations of the National Coal Board should by themselves be enough to provoke a reassessment of the place of the trade union in a state-owned section of the economy. Certain unions have in any case been explicit. The National Union of Mineworkers has complained to the TUC of "a growing sense of frustration and cynicism." The railwaymen have been "extremely disappointed at not being brought into consultation on matters of major importance," and complain that since the railways were taken over "no noticeable change in the relationships between management and staff has taken place." While questions of this kind will be debated at Bridlington, they will probably be overshadowed by the acute issue of wage and price policy. But the two subjects are connected. Disillusionment with socialism as a form of industrial organisation breeds obstinacy over wages and prices. On each issue the trade unions have to decide how far they are the guardians of the public interest and how far they are the workers' pressure group. On each the tendency is for the national executive to play the one

part and the area, branch or lodge to play the other; thus the unions' own cohesion and authority are threatened.

The threat bears not only upon each of the great industrial unions individually, but also upon the collective trade union movement as represented by the TUC. It may have been this which caused the TUC this week to perform a miracle of split personality, urging the Minister of Labour to raise the wages of shop assistants at the same time that it was pressing the President of the Board of Trade to cut the shopkeepers' trading margins. Essentially it is the same dilemma which obliged the TUC, even while it continued to support the principles on which the Labour Government has organised the nationalised industries, to press for "greater workers' participation" in their control.

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It was in the compromise resolution which it passed a year ago that the TUC expressed its "concern" at the composition of the boards of the nationalised industries and its anxiety that there should be greater workers' participation, "which can only be obtained from trade union ranks," on these boards. The resolution asked for extensive training schemes within the industries "in order to develop administrative ability of a type which will ensure the success of nationalisation." It affirmed that "at all levels" administrators should be chosen "on the basis of proved ability and belief in the policy of nationalisation." Nobody, at the time this resolution was passed, seems to have known what it meant. A spokesman of the General Council explained that there was no thought of imposing a political test on appointments, though what else the words about "belief in the policy of nationalisation" could mean it is really impossible to say. The General Council continued to hold that "workers' participation" on a board meant "at least one full-time trade union appointment in addition to any part-time trade union appointments that may be made." It continued to hold that the board must be independent of the trade union and the trade union must be independent of the board: therefore, the trade unionist members should, on appointment, sever their formal connection with any union in the industries concerned. This is the majority view of the trade union movement at its articulate levels; and it is based on good sense. The Bank of England has not been taken over by the clerks, British Overseas Airways by the pilots, or the railways by the locomotive engineers and firemen—though this last point is perhaps not readily apparent at the moment.

What, then, is meant by "greater workers' participation"? To appoint a few more retired trade union officials would have no effect whatever beyond limiting further the range of choice open to a Minister in doing his duty, which is to find the most effective board of management he can. It might be supposed to ensure that the board believed firmly in the wisdom and usefulness of its task, but even that is speculative. It would not ensure a competent board. Would it even create the atmosphere of goodwill and mutual trust which, by the trade unions' own statements set out in the TUC report, is lacking? No one who knows the state of feeling within the trade union movement is likely to maintain seriously that it would. Not only trust and confidence between the board and the union are needed, but trust and confidence between the union national executives and their members, and—not much less important—between the different unions themselves. Unofficial strikes at the docks, demarcation disputes on the railways, attempts by the National Union of Mineworkers to crush the Colliery Winders' Federation out of existence as a "breakaway" organisation—these depres-

sing portents at least show that the cure for malaise will not be found on the boards of the basic industries.

The TUC has tacitly recognised this fact, and in making proposals to the Government last month appears to have said nothing about its dissatisfaction with the composition of the boards themselves. Its proposals related, instead, to consultative machinery, to training and education, and to the procedure for promotion in the industries. But even here they were excessively vague. Managements and trade unions should promote "training in the methods and purposes of joint consultation on an extensive scale." Training and education within the industries "should not be exclusively technical, but should attempt to infuse into officials and workpeople an enthusiasm for the success of nationalised industry." Attention was drawn to the need for "satisfactory procedure" for promotion, and to the Post Office experiment which gives the unions a right to make representations about staff appointments.

It is hard to see in these proposals much more than the old game of passing the buck. About the machinery of consultation there seems to be little specific dissatisfaction; it appears rather that the machinery does not work well enough because neither side shows enough interest in it. How the two insufficiently interested parties can arouse each other's interest, or how in their present mood of disillusion they can infect each other with enthusiasm, is hard to see. A little more machinery, a few more joint sub-committees, a more active right of veto on any administrative change, a new filter through which appointments must pass: what will these do? If anything, they will make for more rigidity where flexibility is wanted. The point is well enough illustrated by the remarks of various unions on promotion. One union remarks with satisfaction that "the general principle of promotion from within the industry is conceded." Another complains of "the importation of people from outside." A third criticises the "class prejudice" which gives certain jobs to men with a university education. Clearly, it is the trade unions themselves—and not merely the executives, but their members—which need to adjust their ideas to a new industrial organisation and a changing society. If the state spends money to produce university graduates, is it "class prejudice" to give them work? Are the railways and the electricity supply industry to be insulated against new branches of engineering which might bring in technically revolutionary ideas? Ought industrial democracy to work in this way?

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To object to this very restrictive interpretation of industrial democracy, however, is not to object to industrial democracy itself. The rank and file of industry are naturally interested in knowing what is going on, in being helped to better themselves by training, in understanding the methods of promotion. Experience has shown over and over again that those employers who most fully admit their employees' legitimate interest in such things are not only the least troubled by labour disputes but often commercially the most successful as well.

The doubt that must arise in the mind of anyone who reflects on the industrial history of the past few years is not whether workers' participation is desirable, but whether it can best be expressed through the trade unions. Trade unions, after all, are, in origin, fighting bodies. Their duty is to represent their members' interests, certainly against the employers', and if need be against those of the public at large. Are bodies whose main nature is necessarily combative well fitted to engage in the constructive and co-operative tasks of workers' participation?

Moreover, recent events have shown very clearly what dangers for the unions themselves lie in straying from their original purposes. The more the leaders of the unions busy themselves with matters other than the advocacy of their members' immediate interests—whether the distractions are consultation with the Government on public policies or collaboration in the tasks of management—the greater is the likelihood that "unofficial" leaders will spring up who have no other purpose (or at least admit to no other) than to further the immediate claims of the membership. Trade unions cannot take over the management of industry; if they try to do so, they will cease to be trade unions and

a new trade union movement will require to be invented.

The conclusion would seem to be that the trade unions would do well to return to their original job of being trade unions, that is, of representing the workers in the two-sided business of collective bargaining. The attempt to combine combative and collaborative functions appears to be resulting in neither being very adequately performed. If the unions would confine themselves to what they can do effectively, the way would be open for canvassing more promising methods of arranging for the ungrudging and ungrudging participation of the workers in solving the positive problems of industry.

Consolation Prize in Japan?

THE city of Hiroshima has held a three-day "peace festival" to commemorate the fourth anniversary of the dropping of the atomic bomb. The festival included memorial rites for the victims of the bombing, a dedication of the city to the cause of peace and a tennis tournament for a MacArthur Cup.

It seems odd today to recollect that Hiroshima was bombed to win a war against Japan on behalf of China. It is true, of course, that the United States was precipitated into war with Japan by the Japanese attacks on Manila and Pearl Harbour, but it is also a historical fact that Japanese-American tension reached breaking point because of the steadfast American refusal to acquiesce in any settlement imposed on China by Japanese aggression; the evidence available since the war on the prewar balance of political forces in Japan strongly indicates that the extension of the war in China could have been avoided, at any rate for the time being, if Washington in 1940 or 1941 had been ready diplomatically to abandon China's cause. Today, four years after the total defeat of Japan, China has been, for the most part, transformed into a political factor hostile to the United States, while Japan nestles, not unwillingly, under the American eagle's protective wing and submissively hearkens to the voice of Washington. Control over Japan is, in fact, America's consolation prize for having won a war for China.

It is primarily a matter of military occupation. The strength of the American position in Japan has from the beginning resided in the fact that the American military command has had exclusive authority over the whole Japanese homeland without any partition of the country into zones. Japan has been saved from the fate of Germany; Russian outposts in Sakhalin and the Kurils are today within sight of

Japanese shores, but there is no Soviet zone in Japan, so the Russians have not been able to set up a Communist-controlled administration on Japanese soil, and whatever influence they have in Japan has to be exerted from outside.

The international situation being what it has become, the American military occupation of Japan is not confined to the purpose of enforcing the surrender terms on the Japanese. Japan, effectively demilitarised and disarmed, is no longer capable of regular armed resistance or aggression, and a very small, well-equipped military force is sufficient to keep watch over a nation deprived of major weapons of war. But two other functions remain to the American army in Japan. One would be to assist in the suppression of a violent internal revolt against the constitutional Japanese Government, were rebels, lightly armed from small arms dumps which probably survive in many holes and corners of Japan, to prove too strong for the Japanese civilian police. The other would be to repel any invasion of Japan from outside, whether it took the form of an infiltration of irregulars or of regular belligerent operations. For the latter the American forces immediately available in Japan would not be sufficient; they could, nevertheless, undertake the defence of key points until reinforcements arrived. The change in emphasis from the occupation of Japan to the defence of Japan was marked officially in a recent "operational directive" from General MacArthur which spoke of the American army's "responsibilities of friendship and protection" towards the Japanese people. An American officer is reported to have clarified further this directive by referring to a "virtual unofficial alliance with the Japanese."

An "alliance" with Japan cannot at present be more than political, since Japan is unarmed. It might come to have

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a certain military value as well if Japan were to be permitted to have some kind of "Home Guard" for local defence under American command, but nothing of this sort has so far been instituted. The relation so far is one of a protector to a client incapable of self-defence. But it remains important to ascertain whether the client at least desires to be protected. Do the Japanese, generally speaking, wish to be defended by the Americans or is their alleged will to avail themselves of such protection itself merely an attitude imposed on them by superior American power? Would they, perhaps, prefer to be protected by someone else against the Americans?

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These are questions which go deeper than any formal official attitude or even than parliamentary election results—in spite of the genuine freedom of electioneering which has been assured by the occupation authorities. It is not easy to estimate how far Japanese national co-operation with America can be described as voluntary and how far it is enforced. No people has more instinctive skill in the concealment of inner feelings than the Japanese, and as long as American occupation forces remain in Japan there will be inhibitions on Japanese freedom of speech even without a formal censorship. It is possible, nevertheless, to draw up a rough balance sheet of American progress in reconciliation with the Japanese ex-enemy and to arrive at certain conclusions with regard to the stability of the present regime in Japan, apart from the factor of direct American control and enforcement.

It must be appreciated, in the first place, that General MacArthur finished his postwar surgical operations on Japan before the patient emerged from the psychological anaesthesia of defeat. Industrial dismantling is now a thing of the past in Japan, and so is the trial of Japanese generals for war crimes. General MacArthur has made his mistakes in dealing with the Japanese, but he is not afflicted by those moonbeams of the larger lunacy which inspire British policy towards Germany in August, 1949. He does not go out of his way to provoke Japanese enmity four years after the surrender. The Japanese have no ground for doubting that America is now genuinely striving to promote their economic revival, even though the deflationary pressure required by the "Dodge Line" may have some harsh social consequences. The Japanese can feel that the period of destruction and punishment is over and that an era of recovery in which America is actively assisting them has begun. On both sides, naturally, calculations of interest prevail over any kind of sentiment. But there is, at any rate, in the new era a minimum of offence to the slowly, but surely, reviving national pride of the Japanese, and economic co-operation can develop without undue disturbance from political tension.

Over and above the political position the United States has gained in Japan by assistance to Japanese economic recovery and consideration for Japanese national sentiments, it holds a great advantage in the eyes of its former enemies from the overwhelming and exclusive character of its victory. In Germany, where Berlin fell to a Russian army and Russia accounted for the bulk of German war casualties, military respect and fear have been necessarily divided in popular estimation between the victor nations. But no Japanese has any doubt that it was the United States Navy which wiped out the Japanese fleet, cut the lifelines of Japan's overseas empire and brought American arms to Okinawa before ever the atomic bomb fell on Hiroshima.

The Japanese give no credit to Russian claims to have won the Pacific war by jumping into the fray when it was already over, and they know even more definitely that, whoever won the war, it was not the Chinese. The Japanese attitude is strongly conditioned by the profound impression American

war power has made on them; they are generally convinced that, if there is a third world war, America will win it, and they want to be on the winning side. In this context it may be noted that Chinese experience has been quite different from the Japanese with regard to American power. The Chinese as a nation never saw any American power during the war except for a small number of American aircraft, whereas all Manchuria saw the might of the Soviet Union when the Stalin tanks rumbled over the plains to Harbin and Mukden. News of naval battles never conveyed much to so continental-minded a people as the Chinese. The idea that Russia is really a more powerful nation than America is easily commended to the Chinese; it does not cut any ice in Japan.

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A further factor in the situation is the strength of anti-Communism in Japan, quite apart from American pressure. The old social and political structure of Japan was a very strong one, and it was intact at the end of the war; there was neither a revolution to end the war as in Russia in 1917 or in Germany in 1918 nor a dissolution of the state as in Germany in 1945. The emperor ordered the surrender and has remained as an emotional rallying-point for the nation in defeat; the changes brought about by American initiative in postwar Japan have been carried out from above in an orderly constitutional manner. Conditions of life have been hard in postwar Japan, at any rate in the towns, but the political opportunity for Communism has been very restricted. There has not been, as in China, a collapse of a state administration still only half built when the impact of war fell upon it; nor a Communist party in revolt with a twenty-year-old army of its own; nor a currency inflation utterly beyond control and ruinous to all classes except a few large landowners and speculators; nor a peasant *jacquerie*—for the agrarian reform imposed in Japan by American directive has turned some millions of Japanese tenant farmers into proprietors of land without need of a Mao Tse-tung; nor a proletarian field for Communist propaganda immune from political competition—for they have to reckon in Japan with a strong Socialist party.

Communism was virtually non-existent in Japan in 1945; its original leaders were in prison or exile and nobody has ever claimed that it interfered to any appreciable degree with Japan's war effort. Its postwar achievement as an anti-American force in Japan has been made possible by the toleration which the Americans themselves have extended to it. It has had in its favour the postwar economic distress, the pliancy of newly formed trade unions, the prestige of the Communist victories in China, and the absence of any such national antagonism as Communism incurs in Germany by having to justify the Oder-Neisse Line. As a result, Communism in Japan has a larger proportionate parliamentary strength than in western Germany, but still much less than in France or Italy. Since the last elections, the increased unemployment resulting from the deflationary economic policy of the Yoshida Government may have brought the Communists some new recruits; on the other hand, the arrogant and boorish behaviour of the Communist-indoctrinated prisoners of war recently repatriated from Siberia seems to have produced the worst possible impression on Japanese opinion.

In general, the conclusion must be that there are no signs in Japan of any large-scale desire for liberation from the American yoke by saviours from the mainland of Asia. In so far as the great majority of the Japanese people now have a genuine hope for the future within the non-Communist zone of the world, they may be counted as willing supporters of policies designed to preserve their country from Communist conquest.

NOTES OF THE WEEK

Allocating Marshall Aid

The plain fact about the allocation of next year's Marshall aid is that there is not enough to go round. The original estimates of need, made in Paris earlier in the year, set a total of about \$4,300 million. Working on this basis, the Senate and then the House of Representatives each cut the figure to well below \$4,000 million and it is unlikely that their final figure, when it is at last agreed, will exceed \$3,600 million. Meanwhile, all the estimates of Europe's dollar needs have been knocked into a cocked hat by the fall in world trade which set in after the first quarter of this year. Britain increased its estimates from \$900 million to \$1,500 million. Other nations followed suit. An unofficial report puts western Europe's estimated need for dollar aid as high as \$6,000 million. Congress may vote just about half the sum. Clearly in such a situation it could be foreseen that none of the Marshall nations would emerge satisfied.

In the event, the gloomy forecast has been fulfilled. The technical committee of the OEEC, which included representatives of all the major powers and whose task it was to screen the various nations' requests, has not succeeded in making anybody happy. Most of the nations have already expressed their dissatisfaction, but—inevitably—the British figures and the British protest have received the most publicity. The British request has been cut from \$1,500 million to about \$850 million and Sir Edmund Hall-Patch, the chief British delegate, has denounced the allocation as miserly, refused to accept it and accused the screening committee of discrimination. It is this last charge that carries most dynamite politically. All allocations are miserly compared with the original requests. Getting a quart of aid out of Congress's pint pot makes discontent certain. But discontent is one thing, discrimination another. Have the British, in fact, been subjected to particularly unfavourable treatment?

This matter, together with all other allocations, have now been referred to M. Marjolin, Secretary of the OEEC, and to Baron Snoy, the Belgian chairman of its Council. Both men are neutral, the former as an international civil servant, the latter as the representative of a nation whose allocation was fixed in advance—Belgium received a promise of \$312 million in June. It is to be hoped that they can reach some compromise. Otherwise, the OEEC must confess defeat and hand over the task of allocation to the ECA in Washington. And such a step might well be suicide.

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Discrimination in the OEEC?

The question whether there has been actual intentional discrimination against Great Britain in the technical committee of the OEEC cannot be finally answered until all the figures are available. Only then can it be established whether the cuts imposed on the British programme were greater in size and less reasonable than those imposed on others. The cut sustained by Britain is punitive, but cuts in other programmes are rumoured to have been almost as great. The British certainly confused the situation by announcing earlier in the year that they could make do with 25 per cent less than last year—about \$950 million—and then only six weeks ago increasing their estimate by about \$500 million; nevertheless, there does seem to be some reason for complaint in the atmosphere in which the British difficulties have been discussed.

In the first place, the Europeans, particularly the French, have not forgotten being lectured by Sir Stafford Cripps last Christmas. In the second, the anti-planners are delighted at evidence that *dirigisme* does not reduce deficits any more rapidly than pure liberalism. The result has been a certain unholy delight

in British troubles and this mood may have induced the Technical Committee to skip its examination of the British programme, to lop it unmercifully without proper consultation with the British delegates or other expert committees and to ignore the peculiar difficulties with which Britain is faced. For instance, although Britain is the largest importer of basic food-stuffs and is therefore most dependent upon them, only in Britain's case did the Technical Committee, apparently, cut the import of bread grains.

Nevertheless, in spite of the mischievous mood of some experts and the understandable indignation of the British, the fact remains that Marshall aid is too little by about \$3 billion and that the gap can only be overcome by a concerted effort on the part of all the Marshall nations; the depressing feature of the Paris talks at present is not the evidence of cuts—they are inevitable—but of a declining desire for genuine political collaboration.

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Economics at Strasbourg

The debate on Europe's economic plight occupied the main attention of the European Assembly at Strasbourg this week and whatever the political leanings or economic philosophies of the delegates, on one thing they were agreed—the really disastrous state of the European economy. Some wisely pointed to the long-standing causes of the disease. Lord Layton, for instance, was able to call on his vast experience of European economics to remind the Assembly that the causes he put forward in 1927 for Europe's economic decline—world-wide industrial changes, growth in European customs barriers, the emergence of the United States as a creditor and Russia's economic autarky—are all present today in an even more acute form. Other delegates—Mr David Eccles among them—pointed to the deterioration of European conditions over the last year when, in spite of Marshall aid and the need to co-operate against Communism, European currencies were no nearer convertibility, trade barriers no lower, the dollar deficit actually larger than in 1948. "Taken as a whole Europe is going downhill."

So much was not denied by any speaker. Most of them were equally agreed that no nation could find a solution in isolation—British Labour delegates were the exception. One or two of them seemed to believe that full employment could be defended in Britain with or without a maintenance and growth of international trade. But as usual, the diagnosis produced more unanimity than the cure. Scattered through all the delegations were supporters of the creation in Europe of a "single unified market," but they are certainly a minority. More support could be mustered for the belief—fully confirmed from experience by the Benelux delegates—that convertibility of currencies must precede any customs union and that tariff changes amount really to little unless the currency problem is solved first. It is difficult to estimate at this stage the amount of support that can be secured for any proposal that contains more than mere platitudes, but the suggestion that the convertibility of currencies, tariff concessions and a joint attack on the dollar deficit should be Europe's first priorities looks at this moment the most likely proposal to secure general support.

Such projects should, in strict logic, already be far advanced in the Organisation for European Economic Co-operation at Paris. Unfortunately, the OEEC has worked to a great extent as the geographical coincidence of nineteen governmental delegations, not as a single European agency. There is, therefore, likely to be considerable support at Strasbourg for the idea that a permanent Economic Commission of the Assembly should be set up to work with the OEEC and to report to the

Council of Ministers. The European Movement has already secured forty supporters for such a move and it may well be the chief outcome of the Assembly's economic deliberations.

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The TUC's Dilemma

It is unfortunate for the prestige of the TUC that at the very moment when its General Council is exhorting the unions to continue their support of wage stabilisation it should be bickering with the Minister of Labour over his reluctance to implement the proposals of certain Wages Councils for increasing the pay of shop assistants. It is equally unfortunate for the Government that the proposals should have come in the very trades in which the Board of Trade is seeking to enforce price cuts.

The difficulty has arisen because Mr Isaacs, the Treasury having forcibly reminded him of the White Paper on Personal Incomes, delayed giving his authorisation to the proposals of eight retail Wages Councils for raising the minimum rates of workers by about 5s. a week in grocery, drapery, furniture and bookselling. Usually, Ministerial approval for the recommendations of a Wages Council is regarded as a formality, but the Minister is not bound to give his sanction, and it is highly undesirable that any such tradition should grow up. The union concerned protested against the delay, and appealed to the TUC to intervene with the Minister. Having failed with Mr Isaacs, the TUC finally appealed to the Prime Minister to resolve the argument, and, on the wider issue, to assure them that there was no intention of departing from the traditional policy of non-interference with collective bargaining.

The proposed increases in the minima are not in themselves exorbitant, and indeed in many cases workers would already be earning considerably more. The new rates would range from £4 13s. 6d. for male shop assistants in the country to £5 4s. in London, with proportionate increases for women and juveniles. For bookshops the proposed rates would be £5 in the country and £5 10s. in London.

There are probably good humane reasons for these increases—shop assistants since the days of Mr Polly have often been casualties in the battle for a decent standard of living. But any increase now would strengthen the arguments of the retail distributors against a lowering of distributive costs—organised labour cannot demand a lowering of retail prices and a raising of distributive costs at one and the same time. Secondly, wage increases for shop assistants may tend to perpetuate the swollen army of labour in the distributive trades at a time when it is urgent to drive labour out of distribution into more productive work.

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The Communist Bid

The newly-published programme of the Communist Party* would make an admirable (though rather elementary) text for a class in civics, logic, or for that matter English. "Comment," the teacher might invite his pupils, "on the proposition that 'the rise in production and profits, while wages are kept down, is speeding up the growth of unemployment in Britain.' (Current unemployment, 1.2 per cent; last month, 1.5 per cent.) Or 'Britain is being dragged in the wake of an America ruled by millionaires.' (Compare American presidential election results.) Or 'The rich were never better off. The tiny handful of capitalists, landlords and coupon clippers in 1948 received £2,922 million after paying tax; this is 4/5ths of the year's earnings, after tax, of the entire British working class.' (Note non-sequiturs; also inclusion, in the term 'tiny handful,' of the whole body of holders of national savings certificates.)"

* "The Socialist Road for Britain" Communist Party, 16, King St., W.C.2. 31 pages. 6d.

So much for the introductory section; to pursue the same method throughout would be tedious. The party demands an all-round increase in wages, equal pay for equal work, and "full freedom for the unions to enforce their just claims upon employers"—including, presumably (as in the new democracies?) those public boards against which most "just claims" are now outstanding. The unconscionable profits of middlemen must be axed to cheapen retail goods; the Co-ops can play a "vital part" here, though given the general identity of their prices with those charged by private enterprise they must presumably be earning unconscionable dividends. Purchase tax, on all but luxuries, must go, food subsidies be maintained or increased, a capital levy imposed, "big" holders of national debt (including, presumably, friendly societies and trade unions) must suffer a 50 per cent cut in interest, and of course military expenses must be drastically reduced. The beards of nationalised industries must be "purged" and restaffed with workers' nominees subject (like Commissars, perhaps) to recall by the rank and file. Building and building materials, the Merchant Navy, the chemical, engineering and food processing industries, banking and insurance, and the land should all be nationalised. The section on foreign policy can be taken as read. That on the social services outbids both Tories and Labour—which takes some doing—and minor items on the agenda include the abolition of the House of Lords, and votes for all at 18.

One would like to see the budget, in terms either of finance or of manpower, corresponding to the economic sections of this programme—a veritable Niagara out of a pint pot—but, of course, it bears no relation whatever to the policies which a Communist (or fellow-travelling) British Government would have to pursue. No one knows better than its framers that it is merely a piece of pie in the sky.

* * *

Lausanne and the Arab Refugees

It is now a full month since the Israeli and Arab delegations re-met the United Nations Conciliation Commissioners at Lausanne, and the eyes of both the Commissioners and the Israelis are on the clock. There is only another month to go before the Assembly meets. By then, the Commissioners must have a report ready. By then, the Israeli representatives are hoping that the concessions which they have offered in the last four weeks will have produced a settlement. For they have a feeling that if matters are once more referred to the delegates of all nations, the Assembly may try to exact from them the acceptance of more refugees, or the making of more territorial adjustments than they would care to have to suggest to the people of Israel.

It was they who set the ball rolling at Lausanne. As soon as they reassembled after the recess, it was clear that they were endowed with wider powers than they had had in June. They let it be known that, if the Arab delegations would commit themselves—as they had not so far done—to an admission that the Lausanne negotiations were worth continuing in the interests of achieving "final settlement" and a "just and permanent peace," they—the Israelis—were ready to accede to the Arab wish to place the refugee question at the top of the agenda. The Arabs agreed to the condition. Meantime, some progress was being made, in sub-committees, towards agreement on technical questions such as the unfreezing of Arab funds blocked in Israeli banks, the means of salvaging Arab orange groves by the return of workers and managers, and the method of handling the re-entry of Arab women and children wishful of accepting the Israeli offer to re-union families.

On August 2nd the Israelis made a firm offer to re-admit 100,000 of the refugees to Israeli territory, subject to two main conditions. The first was that the offer should be part of a plan for refugee settlement in all surrounding countries. The second was that it should be part, also, of a final peace settlement. Lesser stipulations were that they must, for security reasons, screen the persons re-admitted, and that they must,

as with Jewish immigrants, be entitled to dictate the locality of resettlement.

The representatives of the four neighbouring Arab states, though visibly disappointed at the smallness of the figure (for the great majority of the refugees want to go back to where they used to live) expressed readiness to make a corresponding offer. Lebanon, Syria and Jordan suggested the figure of 100,000 each, and Egypt 125,000 for settlement in the Gaza strip. Settlement of 525,000 would not absorb all the destitute, but it would break the back of the problem. But talk with the Arab delegations at once reveals that, their coffers being empty, their offer is contingent upon payment by someone else for the resettlement schemes. "The land and the goodwill," they say, "will be our share." Thanks to broad generalisations about expenditure upon development in the Middle East uttered this year by President Truman, Mr Trygve Lie and others, they are confident that America will pay. Mr Paul A. Porter, the new American Commissioner, thereupon flew to Washington to inquire what moneys would be available. He returned to Lausanne this week. If he is empty-handed, the outlook is black.

But even if the money is forthcoming, all barriers to settlement are not down. Mr Ben Gurion, when he announced the offer to take in 100,000 Arabs to the Israeli Knesset (parliament), met with a degree of opposition that is said to have surprised him. Both left and right were against him. He admitted that the offer had been made under pressure from the United States Government. The murmurs grew, and Dr Sneh, the former head of Haganah, walked out. He explained that the figure would include 25,000 Arabs who had already returned, and perhaps a further 15,000 wives and children already scheduled to rejoin the heads of their families. These parings of the figure are unlikely to satisfy the Arab delegates, who are encountering a like volume of criticism from their home parliaments and publics. Even if adequate funds for resettlement are forthcoming, therefore, the Commissioners still have a long job ahead.

* * *

Arab League Prospects

The Commissioners are not the only people in the doldrums. The Arab League shares their plight. Its political committee was due to meet on August 20th. But the Syrian *coup d'état* upset the plan. The postponed meeting will now take place on August 30th. Marshall Zaim's death will remove one contentious item from its agenda, for his very existence created a deep rift between its Hashimite members—Iraq and Jordan—who hated him, and their rivals, the Egyptians and Saudi Arabians, with whom his relations were good. Nevertheless, there remain several sources of internal friction. One is the Lausanne negotiations; another is an Iraqi proposal that the League's whole charter shall be revised, the purpose being to reduce Egyptian preponderance in its affairs. A third is the prevailing conviction that heads must be made to roll over Palestine. In preparation for this scene, it is said, Assam Pasha, Secretary-General of the League, has already drafted his resignation.

Will the League dissolve into its component parts—one Asiatic, and interested chiefly in a greater Syria of some kind, and one African, more concerned with the Sudan and Libya—or will it find some material with which to patch its cracking fabric? There is one topic only that will serve it for patching purposes, and that is criticism of great Power tutelage of Islamic peoples. The targets for attack are getting fewer, but two still remain. One is the United Nations Assembly's handling of Tripolitania; the other is France, for its treatment of nationalism in French North Africa.

Undoubtedly, there will be capital to be made out of the Tripolitanian situation. As is well known, the British have always favoured Libyan independence after a few years of someone's trusteeship and the French have always opposed it

because of its political repercussions upon their adjoining Moslem dependencies. Out of respect for French and Italian feelings, the Anglo-American partnership has devised several compromises that do not please the Arabs. The latest, it is said, is an agreement that, subject to French retention of the Fezzan, the rest of Libya shall become a federation moving towards independence under British administration and under the "permanent" supervision of a five Power board of guardians. Here is one topic on which Arab unity can be anticipated.

*

It is, for the present, a better one than is sponsorship of the French North African nationalists. For these are out of luck. They were in the ascendant during the first years after the war, when to France's uncertainty over the shape of the French Union was added a disastrous five-year succession of droughts—that of 1945 being the worst the area had known since 1856. Today the scene has changed. Their territories are participating in France's economic recovery. Some of them have served on the new assemblies and councils that the French have devised in order to increase local self government, and they are therefore more divided than they were. Lastly, they are not at one between themselves, since Algeria and Tunisia resent Morocco's assumption that it is—as it were—the Egypt of the west. On balance, therefore, the outlook for next week's Arab League meeting is not bright. The agenda contains more doses than pick-me-ups.

* * *

Imports into the United States

The preliminaries for the Washington financial talks have been marked by much sound advice from Americans to Europeans to fill the dollar gap, not by cutting dollar imports, but by the much more desirable alternative of expanding their exports to the United States. The point will be well taken on this side of the Atlantic. But it may be desirable to remind the Americans that the two-way expansion of trade for which they plead depends on their readiness to receive imports as much as on the capacity of European countries to deliver the goods on competitive terms. Mr Hoffman was guilty of some disingenuousness when, in a recent reiteration of this very sound piece of advice, he pointed out that the American tariff was now no higher than in 1914 and suggested by implication that the tariff provided no bar to the expansion of exports to the United States. It is true that the United States has remedied some of the absurdities of the Hawley-Smoot tariff and has in general reduced the level of import duties approximately to that which prevailed in 1914. But in 1914 the United States was probably the most highly protected country in the world, and today its tariffs are absurdly high, given the position of the United States as the world's greatest exporting and creditor power. A few examples taken at random from the US tariff schedule will suffice. The US rate of duty on imports of machinery is in general 12½ per cent and rises to 40 per cent in certain cases such as textile machinery. On bicycles the duty ranges from 15 to 30 per cent; on clocks the specific duties are equivalent in some cases to *ad valorem* rates of over 200 per cent. Cutlery pays 25 to 35 per cent, glass up to 40 per cent, boots and shoes 20 per cent, hosiery 50 per cent, Wilton carpets 30 per cent, blankets 30 cents per lb. plus 30 per cent *ad valorem* duty.

Superimposed on these high duties is the fact that the American tariff is operated with a perverseness and within the context of a set of regulations which are obviously imbued with a traditional hostility to imports left as a relic from the days of America's high protectionism. Beyond this there are all the restrictions which the United States still places on various types of foreign enterprise attempting to operate in its territory, of which shipping is the most notorious. Everyone

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The map illustrates the Clyde Valley Regional Plan, highlighting the Boundary of Green Belt (indicated by a thick black line), Existing and proposed industrial Areas (shaded with diagonal lines), Pressing site for location of steel industry (marked with a cross), Existing and proposed residential Areas (indicated by a stippled pattern), Main Towns (represented by solid black shapes), and the Railway (shown as a line with cross-ticks). Key locations labeled include Glasgow, Paisley, Renfrew, and various smaller towns and villages. The map also shows the River Clyde and surrounding geographical features.

★ ★ ★

INDEX

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

Letters to the Editor

Currency Unions

SIR,—After reading the article in your issue of August 20th under the title "Currency Unions" I am left with the feeling that if one pursues the interesting lines of thought which you open up, one is forced to the conclusion that a discussion of currency union alone is an unreal one, in that such a union without Federal Union would be, if anything, worse than the present state of affairs.

You state, quite rightly, that, after currency union, the redemption of British Government securities at maturity could no longer be regarded as a certainty. I submit that this deficiency, which would represent a very grave and impossible state of affairs, involving the British Government in apparent responsibility without authority, could be repaired if the present obligations of the British Government were assumed by the new authority which would be responsible for the creation of the common US-British currency. This authority would presumably, however, decline to assume such obligations without corresponding powers to determine the method and extent of British taxation.

Your comments regarding the Southern States of the American Union would be equally valid in relation to the hypothetical currency union if this was accompanied by a budgetary union. Budgetary union would not be acceptable, especially to the wealthier partner, without agreement on levels of taxation, general fiscal policy and the desirability or otherwise of the welfare state, agreement in fact on the widest issues of economic and social policy.

Thus, on two counts, budgetary union flows as a consequence of workable currency union.

Given this budgetary union the position would be that this country would, through fiscal channels, receive the equivalent of Marshall Aid, as of right and automatically together (probably) with a complete absence of US tariff walls, in exchange for the granting to a body containing a majority of US members the right to determine our economic and social policy.

I submit that the British people should not be asked to consider currency union as an aid to the solution of their present problems without realising that it is really a half-way solution that produces as many problems as it eliminates. To go the full distance and accept Federal Union as the basis of thought and discussion produces fewer economic difficulties in relation to those which it solves. But is this country or the United States prepared to contemplate Federal Union seriously at the present time? I think not.—Yours faithfully,

57a, Howard's Lane,
London, S.W.15

K. MUIR MCKELVEY

Democracy in West Africa

SIR,—There is a feeling in certain quarters in England that the spread of education in Africa, especially in the Gold Coast, will lead to the creation of a class of frustrated African who will "become the breeding-ground of unrest and subversion," and a reversion to patriarchal government is advocated as a means of avoiding Communism. This feeling may be sincere, but it cannot fail to rouse annoyance in the hearts of most Gold Coasters. First, Africans are treated as children without any discrimination; secondly, they are presumed to have no right of self-determination; and, thirdly, their

eventual emancipation is considered to be solely in the hands of Britain.

Arguments based on the African being "child-like" may be dismissed summarily. The Watson Commission, which was appointed by the Colonial Office to inquire into the riots of 1948, found the average Gold Coaster to be endowed with a "fund of common-sense." They also found that, by past custom democratic, the African here has always been able to influence administration in his native state and see that his will has prevailed. By peaceful removal from office of those who have failed to carry out the duties of state or who have been unprogressive, he has been able to maintain the elasticity of the communal will, forcefulness of communal expression and communal initiative in development. The system fosters equality among men, respects the rights of the individual and places responsibility on the voice of collective opinion. This surely is democracy as it exists anywhere else. But patriarchy, where a head governs a family or group of families by paternal right and is in power for all time unless he is removed by force, grants to the individual citizen, or collection of citizens, none of the rights and obligations enumerated above.

As the Watson Commission discovered, the elements of democratic government are present in the Gold Coast, and they need to be developed to fit the accelerated evolution of society and the economic changes which call for more initiative from the individual and impose heavier responsibility on him. The Commission's recommendations for constitutional reform were made the terms of reference of the all-African Committee which has just concluded its report on them. This has not yet been published, but it is clear that it will have no room for the retention of tribal conclaves either in local or central government. Patriarchy can play no part in progressive national development, and any attempt to introduce it, or pretend that it has ever existed, is futile and rouses considerable doubts on the good faith of Great Britain. The belief that patriarchal government is the opposite of Communism is not true. There is much in common, for in both cases direction of effort and distribution of remuneration or reward is controlled by a "head," be this a single person or a committee. The African family system is "communalism" as distinct from "communism." "Communalism" is the social custom under which the stronger members of each family or families help the weaker; it is an element of the democratic framework, inasmuch as it implies willingness to help another. There may be a certain amount of "communism" in a Communist state, but there cannot be any Communism in a family.

What Gold Coast Africans want is an enlargement of the accepted political system in which they can be skilfully guided to build up fully representative social and political institutions capable of assimilating the varied elements in their country; a system which enables the expansion of the democratic way of life and gives free play to the citizen with a genuine sense of civic responsibility.

These requirements are very real. For too long the Gold Coast African has been held in check by artificial barriers and fears of arbitrary repercussions. Enterprise and initiative have been hedged about by economic conditions, mainly propelled by "foreign" firms, over which he has little control. He now feels that these forces can be controlled under a government of his own making.—Yours faithfully,

Accra, Gold Coast

J. E. S. DE GRAFT-HAYFORD

Profits

SIR,—The article "Are Profits Too High?" in *The Economist* of August 6th demonstrates that profits in general are not too high when it is borne in mind that they are the source from which industry has "to try and keep its productive capital in good condition, to maintain its stocks and to set something aside, if possible, for further expansion." In view, however, of the illuminating articles on the subject

that have appeared in your columns from time to time, it is disappointing that no reference is made to the inadequacy, in a period of inflation, of the conventional accounting methods on which this conclusion is based.

From the standpoint of "economic reality," the ratio of earnings to capital invested is surely overstated in at least three directions—viz.:—

(1) Net assets are seriously understated in terms of monetary units of current value. (You rightly point out the fallacy of relating earnings to the nominal capital, but you appear to overlook or ignore the fact that in comparing earnings stated in current £'s with what you call the "real equity," you are not comparing like with like.)

(2) Net earnings are generally arrived at before proper provision has been made for the maintenance of productive capacity. (To achieve this, approximately, fixed assets would have to be re-stated in current £'s for the purpose of computing depreciation.)

(3) In many cases an appreciable proportion of published profits in the last year or two merely reflects a rise in the cost of raw materials and does not represent any addition to physical resources.

Unfortunately, the information at our disposal does not permit the determination of the "economic reality"; since, however, as you rightly stated a few months ago, "there is more misconception and downright prejudice about profits than any other economic question," it is, I suggest, dangerously misleading to use, without qualification, such terms as "net worth," "true earnings" and "real equity" in relation to an edifice erected on crazy foundations.—Yours faithfully,

E. L. WRIGHT

22, Shakespeare Road, Bedford

SIR,—In your excellent article, "Are Profits Too High?" there is one point which I am sure must have puzzled many of your readers besides myself.

You say that the 2,608 companies "set aside £131.7 million for depreciation, as they were entitled to do under the income tax Acts," and later you refer to "additional provisions for depreciation beyond the amounts allowed by the tax authorities" as being included in "other charges and provisions."

I suggest that such additional provisions will, for the most part, be included in the depreciation item of £131.7 million. The Income Tax Acts do not state how much depreciation a company is entitled to write off in its accounts. The Companies Acts, of course, require adequate provision for depreciation; but for this purpose the amounts allowed for tax purposes would normally be quite inappropriate—if only for the fact that certain assets, e.g., non-industrial buildings, receive no tax allowance at all.—Yours faithfully,

St. James Road, Purley, Surrey

M. G. SPRIGGS

The Nation's Ill Health

SIR,—You quote, page 392 in your issue of August 20, with apparent approval, the view of the Chief Medical Officer of the Post Office, that

if a man is happy at a job, has a team spirit with his mates . . . he works off many of his ailments and is usually none the worse for it . . .

A few lines later you go on to say that

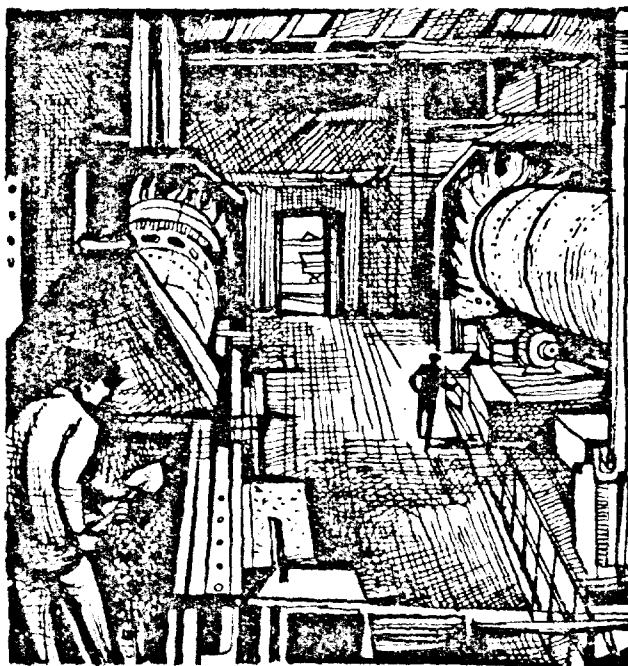
the only effective means of restraining people from escaping into sick absence is through their pockets.

Your picture of Economic Man may be correct (though no one working on the human problems of industry would agree with you), but hardly your logic.—Yours faithfully,

PHYSICIAN.

["Physician's" logic may be correct, but hardly his judgment of what is practicable. The most ardent practitioner of social medicine would surely not contend that every scrimshanker who, to continue the quotation from the Chief Medical Officer, "just can't adjust himself to essential disciplines," can be turned into the Happy Worker.—EDITOR.]

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Books and Publications

India, Pakistan and the West

"India, Pakistan and the West." By T. P. Spear. Home University Library. Oxford University Press. 232 pages. 5s.

DR SPEAR's interest is in the impact of western civilisation on the Hindu and Muslim way of life. He realises that the greatest conflict in India and Pakistan is a conflict in men's minds; a conflict which has to be resolved by each educated person for, and to a large extent by, himself. Hinduism and Islam have in the past been challenged by heresies and by each other. But the heresies, even Buddhism, challenged details rather than the basic outlook; and although there has been a considerable amount of conversion from Hinduism to Islam, at no stage did the two religions influence each other very much.

Western ideas, by contrast, have made no direct converts, but they have sapped the very basis of traditional belief. Western idealism abhors untouchability, so the modern Hindu proves that untouchability is no part of true Hinduism. The west believes in the equality of women; so the modern Muslim proves that purdah is not in the Koran.

Since in India and Pakistan religion has provided the rules for the whole of life, the change in the educated man's interpretation of his religion means a change in the whole conduct of his life. But both the urgency with which this change is being effected and the break with the past which it entails are much greater for the Hindu than for the Muslim. The Muslim's religion has the same basis in the Bible as Christianity, and an emphasis on the brotherhood of all believers which fits in easily enough with western ideas of democracy. The adaptations he has to make are quite minor—the acceptance of the taking of interest or the abolition of polygamy.

For the Hindu it is more difficult. For him this life is but one in a chain of lives. The position into which a man is born is the inevitable result of behaviour in a previous life; the eventual reward is re-absorption into the godhead, and to attain that reward he must free himself of all desire. Into such concepts caste fits more easily than equality, asceticism more easily than the western emphasis on hard work, thrift and material incentive. The difference between Gandhi's philosophy and Henry Ford's was no accident. The Hindu educated classes who have themselves absorbed to so astounding an extent western standards of values, have now to synthesise them with traditional ideas for the half-educated and the uneducated. If the Hindu has thus the harder task, he has also so far made the greater effort, partly because he took to western education more quickly than the Muslim, partly because he did not need to use his religion as a symbol of his difference from the majority as did the Muslims when they were a minority in United India. It is the foundation of Pakistan which has at last brought the Muslim up against the problem of reconciling his traditional outlook with the needs of a modern State.

Dr Spear's discussion of this key problem is the best which has so far appeared in English, though it may be doubted whether he does not over-estimate the strength and vitality of traditional Hinduism. One other, and rather rare, gift his book displays in full measure. His descriptive passages catch to perfection that special sight and smell and feel of India, which those who have once been there will never forget.

Proto-Money

"A Survey of Primitive Money." By A. Hingston Quiggin. Methuen. 344 pages + 32 plates. 45s.

It is only a few months since the publication of Dr Paul Einzig's study of primitive money, an economist's venture

into the anthropological field; and here is another, more ambitiously conceived and executed, work on the same theme, whose author approaches the frontier from the other side as an ethnologist with a curiosity about economics. Dr Einzig was concerned with the fundamental assumptions of monetary theory and with the light cast on them by primitive monetary arrangements; Mrs Quiggin's interest is more in the users of primitive money, in the customs, the trade routes and migrations, the racial beliefs which can be deduced from the study of their "currency." Her "Survey" is profusely illustrated. Cowries and aggrs beads, "coppers" and dogs' teeth, mats, feathers, squirrel skins and the stones of Yap appear in photographs and drawings, black-and-white and full colour, offering an unparalleled treasure to the student.

From the characteristics of these "currencies" and from what is known of their use (there are gaps and contradictions in the information available) Mrs Quiggin reaches conclusions reassuringly consonant with those of Dr Einzig. "The evidence," she writes, "suggests that barter—in its usual sense of exchange of commodities—was not the main factor in the evolution of money. The objects commonly exchanged in barter do not develop naturally into money and the more important objects used as money seldom appear in ordinary everyday barter. Moreover, the inconveniences of barter do not disturb simple societies." Money appears to enter the economic system, as it were, from the outside, beginning its career as an adjunct to religion, to marriage rites, to legal and social procedures; serving originally as bride-price, as ransom, as ceremonial gift, or as pure means of ostentation, and only later, in more developed societies and particularly under the impact of external trade needs, filling its modern role of universal means of exchange. Money meant power and status long before it meant comfort and good living.

One should be able to find some moral in this for the modern world; less ambitiously, one may draw attention to the beliefs of the Yoruk Indians of the Pacific coast. "Saying a thing with sufficient intensity and frequency was a means towards bringing it about." A man often kept calling "I want to be rich" or "I wish for *deutalia*," perhaps weeping at the same time. . . . Considering how remarkably similar is the British approach to the dollar problem, it is pleasant to record that the authority quoted concludes "The practical efficacy of the custom is unquestionable."

Lessons from Experience

"The Building of Satellite Towns." By C. S. Purdom. Dent. 532 pages. 50s.

FIRST published in 1925 and now rewritten, this book contains detailed records of the development of the two garden cities, Letchworth and Welwyn, preceded by a sketch of the history of the principles they embody, and followed by a study of the application of their experience to the new towns of the future. Beautifully printed, illustrated by a wealth of pictures and plans, and copiously indexed, the book is a valuable collection of material for students of the notable achievements it describes. Mr Purdom saw the inside working of the Letchworth company, as its accountant, for the first dozen years and of Welwyn as its finance director from 1920 to 1928. If his history is at times coloured by personal bias, it has the authenticity of personal contact with events.

The practical utility of the book, however, is lamed by a lax and wordy style. Its structure involves triple, sometimes quadruple, reference to each element of town building, and the author is often hard put to it to think of different ways of saying the same thing. Despite its apparent exhaustiveness, many things a town-developer will want to know are not

discoverable, and there are some serious inconsistencies. For example, though pages of figures are given, there is no clear analysis of the expenditure of the two companies as between land, land development, houses, other buildings, administrative overheads, and interest. Tables of revenue do not show whether administrative costs have been deducted or not, Mr Purdom criticises both companies because at different periods they did not capitalise interest and administrative charges; but he gives no estimate of the year-by-year appreciation of values that alone could justify such a course. For another example, he is vague and inconsistent in his figures of neighbourhood and overall town density—a vital matter in determining sites for new towns.

In seizing on shopping and commercial values as one of the keys to new-town finance, Mr Purdom is clearly right. But he puts rather much emphasis on the Welwyn expedient of a departmental store run by the estate company, seeing that he considers it unlikely to be practicable in state-financed towns. And though he mistakenly classes Henry George as a land-nationaliser, he follows him in an exaggerated view as to the revenues derivable from land rent. He implies that, by the skillful conservation of land values, a new town could pay for public buildings and communal facilities on a scale hitherto undreamed of—a hope not supported by the fact that the total rateable value of property in this country (including buildings) is about £8 a head per annum. The economic basis of the garden city is that an ultimate "rent" of the order of £2 to £4 a head per annum could be diverted from inert landowners to pay for the process of planning. The social benefit is thus the amenity and efficiency produced by considered development rather than a capital surplus. A subsidy to new towns may also be justified by the even greater cost of any other form of urban development or re-development. But either the increment or a subsidy might be dissipated in extravagant overheads, and this is the real danger facing the New Town Corporations. On this crucial point Mr Purdom is very unsatisfactory. He quotes £15,000 a year as the administrative cost of Welwyn before the war. No one would quarrel with that. But for each new town he wants fifteen highly paid executives in parallel, each with a department, as well as a director-general and a well-paid board. If at a sufficiently high speed of development a town of 50,000 or so could carry such an overhead, no figures are given to support that view. In this and in other respects the final section of the book has an apocalyptic flavour surprising after the attention given to business details in the earlier sections.

A Scot at Uncle Sam's Court

"Of True Experience." By Sir Gerald Campbell. GCMG. Hutchinson. 183 pages. 18s.

AMERICANS, even today, often have a preconceived notion of what the British are like, and are disappointed if a representative of Britain does not live up to their expectations. Perhaps that explains Sir Gerald Campbell's popularity as a British spokesman in the United States in the years between the wars and during the second war, when thousands of Americans heard him speak all across the country from Philadelphia, where he began his consular work in America, to San Francisco, where he continued it, and back to New York and Washington, where it ended. From his book, partly an account of his career, partly his rather meandering conclusions on America, Britain and the future, Sir Gerald appears as that mixture of naïveté and hard-headedness, discursiveness and one-track-mindedness, which many consider typically British.

Sir Gerald is, of course, a Scot, and this, with its natural accompaniment of a love of golf and its less natural one of being a good mixer, must have had much to do with his success in getting to know, and to be liked by, Americans. His conversations and his speeches presumably did not suffer as much as does his book from what he calls his "disconcertingly disjointed style," but which others would call no style at all.

Involved and ungrammatical sentences, frequent overapt quotations, a mixture of flowery language and unsuitable slang (which he blames rather unfairly on his years in America), all make it somewhat unsatisfactory reading. But out of it there emerges an honest and a modest man, an idealist and a servant of his country, who has worked hard over many years to cement what he believes to be the natural alliance between Britain and America.

Shorter Notices

"The Use and Abuse of Statistics." By F. R. E. Mauldon. The University of Western Australia Text Books Board. 129 pages. 8s. 6d.

ORIGINATING from a series of popular broadcasts sixteen years ago, Professor Mauldon's statistical child has been groomed to adult stature in this third edition, which tells something, but not a great deal, of Australian statistics in the war and postwar periods. In such a small book it has evidently not been possible to cover the bare bones of the Commonwealth's statistical framework with more than a modicum of solid flesh, so that the reader may suffer many jolts before the end. Australia's development of national income statistics, quarterly business surveys and statistics of new capital expenditure by industries, mark the country's big strides in recent years towards a full statistical background to its economy. Professor Mauldon's close touch with this development places him in an ideal position to depict its limitations.

"Russell on Arbitration." Fourteenth Edition. By Ernest Wetton. Stevens. 510 pages. 70s.

THE first edition of this book was published exactly a century ago. Since then it has been revised by eight different hands—the last edition being in 1935. It is a classic book on the Law of arbitration, dealing with both case law and statute.

"The South African Financial Year Book 1949." Edited by E. Landsberg, D.Econ. R. Beerman, Cape Town. Thomas Skinner & Co., Ltd., (London Agent). 1,456 pages. 50s.

THE 1949 edition of this invaluable reference book to some 1,000 companies in Southern Africa and to existing Government and financial practice in this wide area, incorporates for the first time an alphabetical index of the directors of companies.

"Modern Political Constitutions." By C. F. Strong. Third Edition. Sidgwick and Jackson. 383 pages. 25s.

THIS new edition of Dr Strong's work on modern constitutions, first published in 1930, is timely and welcome. Much rewriting and revision have been made necessary by the changes for which the war has been responsible, and Dr Strong has striven valiantly to record them all, to analyse their significance and to fit them into a coherent pattern. It is the measure of Dr Strong's achievement, that while taking the postwar experiments in national and international constitutional government into full account, he never loses his grip on realities or gets lost in a welter of detail. As a result there is to be derived from his compact survey not only the facts, but also a sense of the direction in which modern constitutional thought is moving.

"Statistical Year Book of Finance and Economy of Japan." Ministry of Finance and Bank of Japan. 847 pages, and "Japanese Year Book, 1946-48." Foreign Affairs Association of Japan. 900 pages. No prices given.

TWO substantial and reliable reference works on Japan have now made their appearance. The first is the Japanese Year Book, 1946-48, published by the Foreign Affairs Association of Japan. It includes facts and figures on all phases of Japanese life and includes useful documentary material on Allied policy toward Japan since the end of the war. The second volume is the Statistical Year Book of Finance and Economy of Japan, 1948, issued jointly by the Ministry of Finance and the Bank of Japan. Very complete statistics are given for the period before and during the war, but after 1946 the information is still sketchy. It is written in Japanese with an English translation.

"The Law for Printers and Publishers." By Brett Cloutman, KC and F. W. Luck. Edited by E. H. Hale. Staples. 340 pages. 30s.

THE first edition of this book was published in 1929. A number of important changes in the law have taken place since and these have been incorporated in the new edition. It is a valuable book of reference, not only for printers and publishers, but for authors and all who may be concerned with questions relating to copyright, libel and defamation in the written word.

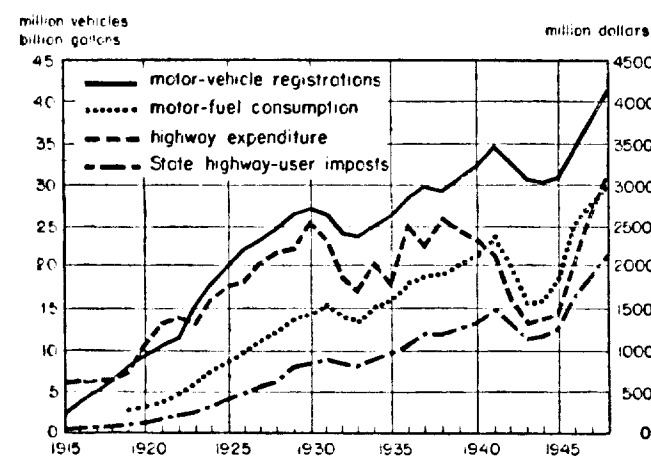
authority, it has thus far laid down no roads on its own account except in places under Federal jurisdiction such as the District of Columbia or the National Parks.

The United States now boasts 3,009,000 miles of road, half of it surfaced, and 317,000 miles in cities, of which most is concrete. In some sections the roads are spectacularly good, in others they are surprisingly poor. Britons often remark that the small English roads are much better than their American equivalents. Most Americans take the goodness for granted and deplore the badness as an instance of governmental inefficiency, forgetting that the existence of good roads represents an industrial miracle.

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Unlike Great Britain and France, the United States had no heritage of roads laid down by a Julius Caesar or a Napoleon. The people who flowed across the country and settled the greater part of it in the nineteenth century had only rivers, Indian trails, and the rumours of riches ahead to guide their wagons. Beyond the well-developed eastern seaboard the railways, driven across the empty land in the wake of wagon trails, served the needs of the new settlers, but their building absorbed the brains and the venture capital that had just begun to build stone roads for the convenience of horse-drawn traffic; as a result these roads were neglected for more than half a century.

The present American highway system came into existence largely by way of the motor car. Magazine files and private photograph albums are filled with pictures of what the country roads looked like when motor cars first ventured beyond city limits. The farmer who charged high prices



for pulling cars out of the mud with his team of stout horses had long been pulling his produce to market through the same mud.

The motor car forced modern road building on a large scale, set its standards, furnished the power and the machines that made it possible. And this the motor car did, not as the railways had done, by forming private companies to secure government lands for their tracks, but by direct pressure on local, State and Federal governments for the building of roads that everyone might use without buying a ticket. One of its strongest arguments was that it furnished the funds for constructing those roads—first through registration fees and then by petrol taxes. No previous methods of transportation had been so accommodating. These State imposts on road users now pay 60 per cent of highway costs, and in 1947 they amounted to \$1,800 million. The other 40 per cent comes from local property taxes, and from Federal funds supplied

to States. But once the maintenance of existing roads has been provided for, very little remains to pay for new highways, which may cost as much as \$1,000,000 a mile, even outside the cities.

If the miracle of the American highway was produced for the machine, it was also, after a slow start, produced by the machine. Throughout the whole country only 327,000 men are required to keep these three million miles of road in order. None of them sit by the roadside cracking stones to small bits for the filling of small holes in the European manner, or sweeping gutters clean with a twig broom. Highways might be neater if they did, and the small roads more parklike, but there would not be so many miles of them. The human labour of these men is multiplied many times by the almost equal number of machines they operate (one equipment unit per 24 miles is a good average)—the diesel-powered dozers, mixers, rollers, sweepers, spreaders of concrete, of road metal, of bituminous binders mixed according to laboratory formula. Science has to a large extent taken the guesswork out of road-building and, if surfaces do not wear as expected, it is not because their builders were tied to tradition.

In 1912, when the Federal government first offered aid to the States, engineers were sent to Europe to find out how the then best highways in the world were built. In 1948 the Public Roads Administration returned the compliment by inviting road engineers from Europe and the other continents to see how American highway practice had developed. Fifty-five of them arrived in May this year, and they are seeing big roads and little ones, clover-leaf entrances and railroad level-crossings not yet eliminated, machines building the New York Thruway (486 miles of six-lane express highway between New York City and Buffalo, with hardly a road intersection or a traffic light) and machines painting white lines down the middle of a lane to make it safer. It is also to be hoped that they will learn that highway science in the United States has far outstripped the ability of cities to provide space for their motor population. The forty million motor cars in the United States (one for every 3.6 persons) travel at an average speed of 49 miles an hour on roads, but when they get to cities they bog down and turn streets into a mechanical morass. Thus far neither engineers, politicians, economists nor city planners have solved that problem.

American Notes

Arms on Approval?

The Atlantic Pact was declared in force this week, but the programme of military assistance to its signatories has already run into the long expected Congressional storm. This blew up, however, from the unexpected quarter of the House of Representatives, which, by cutting a two-year programme down to one, showed how threadbare the sails of the bipartisan foreign policy are becoming. All the funds requested for assistance to nations outside the Pact were authorised, to a total (including \$50 million already authorised) of \$289 million. But under the leadership of a rebellious Democrat, and with the votes of most Republicans, the cash authorisation for western Europe for the first year was cut by \$75 million, while authorisations for contracts of over \$500 million, to be placed this year and paid for out of next year's budget, were eliminated altogether. (Appropriation must come later, probably after a loan from the Reconstruction Finance Corporation has set the programme in motion.)

The rebels, in some cases, may have wished merely to take the credit for an economy, the severity of which they thought the Senate could be relied upon to soften. They are full of

assurances that, if the programme goes to the satisfaction of Congress, the rest of the money can be authorised later. Both the House and the Senate committees now drawing up their recommendations have provided, however, that the programme may be brought to an end at any time by concurrent resolution of both Houses, as well as at the discretion of the President. And there is a clear disposition (arising from suspicions that economic unification in Europe under the Marshall plan might have gone much faster) to adopt the arms plan only on approval, to insist on the right to take a "second look" and to require western Europe to produce a convincing defence plan before Congress embarks on another costly venture of uncertain duration. This view is disputed by the State Department, which believes that the co-operation of the Brussels powers provides both an adequate foundation and an assurance that military aid will accomplish its ends.

Both the President and Senator Connolly have urged the Senate not to concur in reducing funds which the Chiefs of Staff have called an "absolute minimum." There are however, in the Senate, in addition to Senator Vandenberg and Senator Duiles, who propose a token cut of \$161 million, a number of thrifty Democrats who have taken heart from the modest proposals of the House. Even if the Senate proves more generous, or far-sighted, than the House over military aid, the deadlock in conference over Marshall money suggests it may not be easy to reconcile the two Bills. Over ECA, the stubborn refusal of the House to approve funds for a watchdog committee, which it considers little more than a private patronage pool of Senator McCarran, seems to have blocked even discussion of the major money difference. And the immediate pressure for a settlement has been relaxed by the adoption of yet a third stop-gap spending authorisation for ECA and government departments suspended in financial limbo by the Senate's tardiness.

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Mr Hoover's Monument

Congress is acting on the blueprint for government reorganisation furnished by the Hoover Commission—thanks, in great part, to the harsh necessity of an all-summer session—with a speed which seemed highly unlikely last June. Efficiency's latest victory is the acceptance of six of the seven reorganisation plans submitted by the President. Four, in the absence of any opposition, became effective on August 19th, when the 60-day waiting period expired. Of the two brought to a successful vote in the Senate, one transferred the Bureau of Employment Security to the Department of Labour, which was stripped of so many of its functions when the Republicans held Congress as to become only a shadow of its former self.

The Republican opposition to this transfer was based on the fear that the Department's influence on State compensation systems would run counter to the interests of management. Somewhat similar suspicions accounted for the defeat of the first plan, which would have created a Department of Welfare in place of the Federal Security Agency, which administers health, education, and social security programmes. The creation of a Welfare Department was originally proposed by no greater a radical than President Harding; and the opposition, made up of 23 Democrats and 37 Republicans, was at pains to claim that the defeat was no repudiation of Mr Hoover's work, but demonstrated a loyalty to it exceeding even his own. He had given a cautious and qualified endorsement to the Administration's plan, although it failed to provide for the independent United Medical Administration which the Hoover Commission had recommended to eliminate present overlapping, competition, and duplication in government health services. *Plus royaliste que le roi*, Senator Taft suggested that Mr Hoover had been misled into acquiescence by an Administration determined to accept the Hoover prescriptions when they taste sweet, and reject them when nasty, however wholesome.

The chief factor in the defeat of the plan was, however, the

suspicion that the transfer of the Public Health Service to the Department of Welfare, where it probably would continue under the control of Mr Oscar Ewing, now Federal Security Administrator, would constitute an opening wedge for "socialised medicine." That is one term for the federal health insurance scheme of which Mr Ewing is so strong a supporter and the American Medical Association so fanatical an opponent. The AMA's successful lobbying is given much of the credit—or blame—for the Administration's defeat, though it was also feared, probably with some justice, that once the Health Service was incorporated in the Department of Welfare, it would prove almost impossible to persuade the Department to relinquish its hold to a United Medical Administration.

Several of the Hoover recommendations yet to be implemented suggest transfers of powers likely to arouse quite as much antagonism, such as that of raiding the Army Engineers to consolidate all reclamation projects in the Department of the Interior. Thus, although Mr Hoover's most enduring monument already includes the reorganisation of the State Department, defence unification, and the consolidation of government housekeeping functions, further construction may prove much slower.

* * *

Money for Jam

When the Voice of America, the State Department's overseas information service, could be heard clearly, Congress kept it small by starving it of funds. Now that for nearly four months the USSR has been justifying the Voice's existence by extravagant and unflagging efforts to keep Russians, and occasionally Hungarians, Greeks and Chinese, from hearing it, the House of Representatives has rushed to reward the Voice with a bonus of \$11.5 million, which is more than the original appropriation for overseas broadcasting this year. The money, if approved by the Senate, will buy more and better American wireless transmitters, which should at least "strain the Russian jamming system"; as long as the Soviet barrage goes on, there seems little hope of reaching Russian ears except with an occasional sentence, moving from wavelength to wavelength a few words in advance of the jammers, or a hardly intelligible shout against a background of whistles and airplane engines. Not even "cuddling" the Soviet domestic wavelengths has been successful, since the jammers would rather drown their own voices than permit the Voice to be heard.

A victim of censorship abroad, American radio is now threatened with what the industry insists is censorship at home. The Federal Communications Commission has just announced, after more than a year's consideration, that after October 1st it will refuse to renew the licence of any wireless station broadcasting a programme in which prizes can be won by "lot or chance." The FCC considers that such programmes fall under the ban on lotteries in the US Criminal Code. The radio industry contends that, if this is the case, it is a matter for the Department of Justice and that the FCC is not only exceeding its powers but making an attempt to control wireless programmes.

The industry's determination to nip this attempt in the bud is encouraged by the fact that it means the end of "give-away" programmes. In these, listeners, as well as the studio audience, by "Spinning to Win" or by "Singing it Again," have been able to win prizes which in one recent case amounted to \$52,000, half in cash, half in goods which often resemble white elephants. There are 38 give-away programmes now on the national networks and hundreds on local stations, bringing the radio industry an annual income of \$10 million. This is far from a negligible sum, especially when advertising revenue is falling and television costs are rising; it explains why the wireless stations are so anxious to give their listeners money for jam.

Shortage of funds has made the advertising of spirits seem

less reprehensible to the radio industry, which has traditionally been a total abstainer on the air. An experimental programme is now being considered, in which a distiller may be allowed to point out the merits of savings bonds—at midnight when the children are in bed. The FCC does not consider that it has authority to forbid alcoholic advertising, since it agrees that in this case such a veto would amount to censorship.

* * *

Patchwork in the North-east

Even though America's economic fabric is looking brighter, for the moment at least, there are still holes in it, places where serious unemployment seems to be becoming permanent. Plans for mending these holes have been in preparation for some weeks and the President's adviser, Dr John Steelman, has now asked the ten chief government spending agencies—the Department of Defence, the Economic Co-operation Administration and so on—to shift their procurement activities, whenever possible, to the eleven areas which are in most urgent need of repair; other smaller ones will probably soon be added to the list. These are all places where twelve per cent, or more, of the labour force is out of work, compared with a national average of less than six per cent. All but two of the places involved—Knoxville, Tennessee, and

DEPRESSED AREAS IN THE NORTH-EAST



Muskegon, Michigan—are in the north-eastern corner of the United States and six of them are in New England.

This is not surprising, since the proportion of manufacturing to total employment in the north-east is well above the national average and the recent steady increase in unemployment, which in July exceeded 4,000,000 for the first time in seven years, is largely explained by the decline in non-farm employment (2,400,000 over the last year). The chief industries in the eleven depressed areas are consumer goods—textiles, shoes, jewellery and so on—and machine tools and electrical goods, all of which were early victims of the recession. In Lawrence, Massachusetts, probably the worst hit, 37 per cent of the labour force is out of work; in the Providence area, which means the whole State of Rhode Island, one in every five workers is unemployed. Until now, unemployment compensation has acted as a buffer for the local economy, but from September onwards benefit rights will begin to run out steadily.

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It will probably be the end of the year, if then, before the Federal patchwork becomes noticeable. It is to take three forms: special attention will be given to requests from the depressed areas for Reconstruction Finance Corporation loans; public works and other government activities, already planned for these areas, will be speeded up; and efforts will be made to see that businessmen know what government contracts are available. Little more than this can be done without new

legislation, since public works authorisations are usually very specific and nearly all government contracts must go to the lowest bidder. The present difficulties of the eleven areas arise in part from the small size and high costs of their industrial units, which have prevented local manufacturers from obtaining what they consider to be their fair share of recent government contracts. Nevertheless the government's attempts to patch up the holes will probably be adequately successful, especially since the improvement in the nation's economic prospects has already been very helpful to the textile and leather goods industries. But only about five per cent of the country's unemployed are actually involved in the present efforts; if, later on, the whole national fabric should begin to look threadbare, robbing Peter to patch Paul will no longer be enough.

* * *

Federation Sometime?

The Daughters of the American Revolution, warned by two signal lights hung out on Capitol Hill, have called their Minute Women to arms to defend their country against Congressional resolutions aiming at an eventual world government. One resolution calls upon the signatories of the Atlantic Treaty to hold a convention and explore the possibilities of a federation of the world's democracies; the other would make it a fundamental objective of American foreign policy to develop the United Nations gradually into a world federation open to all countries. The sponsors of the first compare it with the Constitutional Convention in 1787 at which the thirteen separate colonies became the United States. To the advocates of both resolutions, the DAR seem to be straying from the Founding Fathers' footsteps when they decide to "spearhead" the campaign against those who would "sell our American sovereignty."

The two carefully-phrased resolutions now before both Houses of Congress should not be confused with past attempts to reform the United Nations by means that could only disrupt it. The sponsors of both resolutions want, in their different ways, to strengthen the UN ideal and both owe much of their support to the widespread belief that, if the Marshall plan and the Atlantic Pact are to succeed, they must in the long run lead to permanent economic and political integration. No one expects the resolutions to be passed this year, but it is hoped that they will put the present emergency foreign policy into perspective and will draw attention to the heights of world federation which, it is believed can, and one day must, be scaled.

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Senator Kefauver is responsible for the Atlantic Union resolution and, since his climb can begin without Russian co-operation, it is more practicable than Senator Tobey's proposals for a federation of all nations. Mr Kefauver's ascent has been mapped by the Atlantic Union Committee, which is linked with Mr Clarence Streit's group, is led by Mr Justice Roberts and has the support of such respected statesmen as Mr Will Clayton and Mr Robert Patterson. In Congress there are many seekers for lasting peace who approve both resolutions, but Mr Tobey considers that Mr Kefauver's "piecemeal" federation would aggravate the dangerous divisions that already exist in the world. This is the view of the United World Federalists, headed by Mr Cord Meyer, a young ex-soldier, and drawing most of its support from his contemporaries. They have induced fourteen State Legislatures to vote in favour of world federation. This approval has admittedly been in vague terms and seldom accompanied by serious debate; nor do State Legislatures have any responsibility in foreign affairs. Nevertheless, these votes, and the very substantial support which the two Congressional resolutions have received from members of both Houses, show that the idea of world federation has, in the opinion of the politicians, lasting appeal for their constituents.

THE WORLD OVERSEAS

Third Party at the Washington Talks

(From Our Ottawa Correspondent)

IF there is anything at all in the old, and sometimes tiresome, Canadian claim to be an interpreter between Britain and the United States, the Washington talks provide the opportunity to prove it. In one sense there is little that Canada can contribute except brains and good offices, as a moderating and mediating third party. Considerable as Canadian resources are, they are small compared with the United States. The Canadian contribution to Britain in the postwar era of gifts and loans was higher per head than the United States contribution but still a small fraction of the total. The Canadian market takes more exports from Britain than the United States; but it is after all only one-tenth of the size.

Nevertheless Canada's influence at Washington may go far beyond its size. If the Canadians join with the Americans in looking to Britain to initiate certain measures, there is a strong presumption that the joint North American case is more than a peculiar prejudice of dyed-in-the-wool American capitalists. If Canadians join with Britons in suggesting measures that the United States might adopt, the case for those measures immediately becomes very much stronger than if it were presented only by the main beneficiary. The moral strength of the Canadian position is that Canada should be able to talk to Britain without suspicion that it is being dominating, and to the United States without suspicion of begging.

It is this intermediate "third party" position which gives the Canadian position at Washington its particular importance. A strong delegation of officials will attend the preliminary talks. It will be headed by Mr Norman Robertson, formerly Under-Secretary of State for External Affairs and High Commissioner in London, now Clerk to the Privy Council. For the ministers' meetings, Mr Douglas Abbott, the Finance Minister, will be accompanied by Mr L. B. Pearson, Secretary of State for External Affairs, who has a long record of successful negotiation and mediation at international meetings, and very likely by Mr C. D. Howe, Minister of Trade and Commerce, whose strength is that he was a businessman, talks the businessman's language and has wide contacts in the United States as well as in the Canadian business world.

Reluctance to Give More Aid

Preparations for the talks have been thorough and exacting. Every kind of remedial measure has been examined, but there is no expectation that Washington can pull rabbits from hats. No one expects either an easy or a final answer. But in one crucial respect the forthcoming talks seem here to be a critical turning-point. Throughout government circles there is a firm conviction that neither Canada nor the United States can do any more to help Britain unless Britain takes some drastic steps to help itself. The Government believes that British prices have got to come down, that British trade has got to start untangling itself from the web of bilateralism, and that Britain has got to start exposing itself to the cold winds of a competitive world. The attitude of the early postwar days when loans were agreed to gladly and easily has changed. Reluctance to stretch Canadian capacity to help Britain any further has grown steadily as Canadian officials became more and more convinced that United Kingdom policies were leading away from multilateralism into a dead-end net of bilateralism.

If the Canadians think that the British Ministers are still inclined to blame North America rather than their own policies

for the plight of Britain's balances, they will be just as adamant as the Americans in refusing to try to devise international measures as substitutes for what they consider necessary British domestic measures. If they feel that British ministers are courageously and fundamentally tackling the weaknesses of the British position they will be ready to try themselves and to urge on the Americans consideration of every possible way in which international measures could help the British to turn the corner. That is why the meeting at Washington will be a crisis of confidence, with the primary responsibility placed on the British ministers.

Canadian opinion is convinced that the reasons for this standpoint attitude on the part of Canadians as well as Americans should be understood on the other side of the Atlantic. It does not arise from mulishness, nor from pique. It arises from a complete conviction that nothing North America can do, short of a permanent subsidy, can even help at this stage towards a solution of the British problem unless British measures of both internal and external policy can get prices down and at least start the sterling area moving towards a competitive basis with the rest of the world.

No Political Interference

This genuine economic view has become entangled with the supposed political view that socialism is at the root of the trouble, and it is not easy now to disentangle them. The supposed determination to end British socialism is not nearly as widespread even in the United States as headlines have suggested. In Canada it certainly is not a factor in determining policy. Most Canadians, as the last election showed, do not like socialism; but it is inconceivable that any Canadian government should try to overthrow, or even "play tough with," any British government merely because it was socialist. The case for a change of policy which the Canadians believe in is based on economic, not political, grounds. It has been said in official circles (ministers for obvious reasons would be less ready to say it), that the policies which are pushing Britain into its present non-competitive position have nothing to do with socialism. Bilateral trade is, it is understood here, no part of the pure milk of socialist dogma, though the high taxation of the welfare state and the problem of providing incentives to industry may be another matter.

But if British ministers are being challenged—as they are—to initiate a drastic change of direction in economic policy, they are not being asked to repudiate their socialist faith. It does not matter to Canada what their political faith may be. What does matter is that they should restore confidence in Britain's willingness and ability to work its way back into a competitive world. If the British Government, Socialist, Conservative or Liberal, can produce evidence that the British economy is going to face this painful reorientation, the Canadians will do everything in their power to create a favourable international atmosphere for the United Kingdom. If not, the Canadian Government does not believe there is anything that it or the United States Government can do. Whatever influence Canada can wield at Washington will be used in the first place to support the United States in demanding British action as a prerequisite to any international action. Once that condition is fulfilled it will be used to encourage the United States to help in every possible way. But the British ministers must face the first responsibility.

The Finnish Communists Strike

[BY OUR SPECIAL CORRESPONDENT]

FINLAND is in the grip of vicious Communist strikes. The third phase of what the Prime Minister, Mr Fagerholm, calls the Communists' "greatest and best-planned attack against the community in Finnish history" seems about to begin. It is likely to continue until the Assembly of the Diet next Wednesday provides an opportunity to exert direct parliamentary pressure. Serious trouble began on August 18th when three key Communist unions—dockers, builders and food-workers—struck in support of a strike of cellulose workers which had been going on for nearly a month at the northern timber port of Kemi. Although due notice had been given of this new move, it was not sanctioned by the Finnish Federation of Trade Unions (SAK, *Suomen Ammattiyhdistysten Keskusliitto*) and was therefore illegal. The riots with which the Kemi strikers chose to celebrate this manifestation of their comrades' support and in which one man was killed and others wounded raised the matter on to quite a different legal level.

The Social Democrat Government, which had been patient under provocation, responded firmly and quickly. Troops were sent to Kemi and the local Communist leaders were arrested. To counter the threat to the country's economy which a total stoppage of work at all docks would have represented, Hangoe, in the south-west, was declared an open port. All ships were directed there, the local dockers were forbidden to strike and troops were despatched to handle cargoes, if necessary. The country responded to this resolute lead. Within a few days it became clear that the first phase of the Communist offensive was failing. Socialist workers and others—plain, stubborn, patriotic Finns who refused to be intimidated by the strong-arm methods of a party they felt to be alien to their true interests—returned to work in increasing numbers. The country, though shaken, was by no means paralysed, and the Government was as firmly in control as ever.

Tactics of French Communists

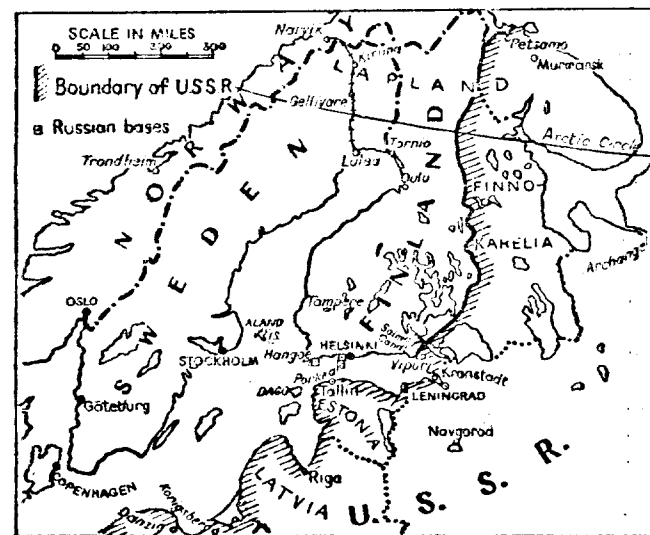
Then came the second wave of the Communist attack. This outburst was something new in Finland—a sample of the "rolling strike," imported from France via Moscow. The Finnish Communists had not previously employed these tactics, being content to suffer one defeat at a time rather than to court another immediately. So, last Monday, a strike began of the Timberworkers' Union. It was ordered by the Communist executive in defiance of an 80 per cent vote for continuing work. The same day the Transportworkers' Union struck. The combined effects of this action by such powerful and strategic unions could well have gained the objectives which the dockers failed to reach in the first phase of the campaign. But the indications are that the new move is meeting with little success and probably not more than a quarter of the members of the two unions have heeded their leaders' call. One result, however, has been to split the Federation of Trade Unions which, since its orders to call off the strike by last Tuesday night were not obeyed, is now to expel the rebel unions whose combined membership amounts to about 88,000 of a total registered union membership of some 300,000 for all Finland.

It would nevertheless be premature to conclude that the Communists have shot their bolt. But there is little doubt that their efforts have not met with the success they hoped for. Several more Communist-dominated unions, however, in the textile and leather industries, for example, have yet to implement their strike notices, and the third phase may, indeed,

be marked by increased violence as continued failure prompts the Communists to desperate efforts. But even so there are no good grounds for believing that they will unseat the Government.

They have, of course, done considerable damage, and can yet do more. For Finland, like other countries of western Europe, is at present particularly vulnerable to sustained strikes, a weakness which is enhanced by the seasonal nature of work in its main industry, timber. That being so, the Communists were curiously slow in seizing the opportunity for mischief afforded by the devaluation of the Finnmark at the beginning of July—particularly when, according to all reports, they have been hatching a major strike for the best part of a year and have, indeed, produced one or two somewhat addled eggs. True, within a few days of the new rate of exchange being announced, there were the usual attacks in the Communist press and by Communist spokesmen on the Government's economic policy. But these were merely routine.

The strike of cellulose workers at Kemi, however, gave the Communists their opportunity. The cause of the strike was a genuine grievance—an arbitrary cut in wages—but the Communists were able to exploit what was a local dispute on a national scale and to open a major strike offensive.



The primary aim of the strike is to overthrow the present minority government of the Social Democrats and to replace it by one in which the Communists would participate. Since they would have been chiefly responsible for ousting the old regime, they would, on this and other grounds, have claimed a representation disproportionate to their Parliamentary following in the new government. They would also have undoubtedly insisted on holding several key posts and would rapidly have undone the good work of the last eighteen months or so during which their influence and activities have been restricted to within more acceptable limits.

The result of the strike, however, is likely to be a further decline in their fortunes and a hardening of opinion against them. Conversely, the Social Democrats will gain support by their resolute and skilful handling of the situation. A decline in Communist support would not be of great importance in itself. Not only is the Finnish Social Democrat Party perhaps the toughest and one of the most alert and best organised Labour parties in the world, but it is determined, as its leaders' recent words and actions have shown, to do its utmost to maintain democracy in Finland. The Finnish Communists may, therefore, in present circumstances, be considered to have no more chance of success by illegal and extra-Parliamentary measures than they have had by constitutional methods.

Cat and Dog in Korea

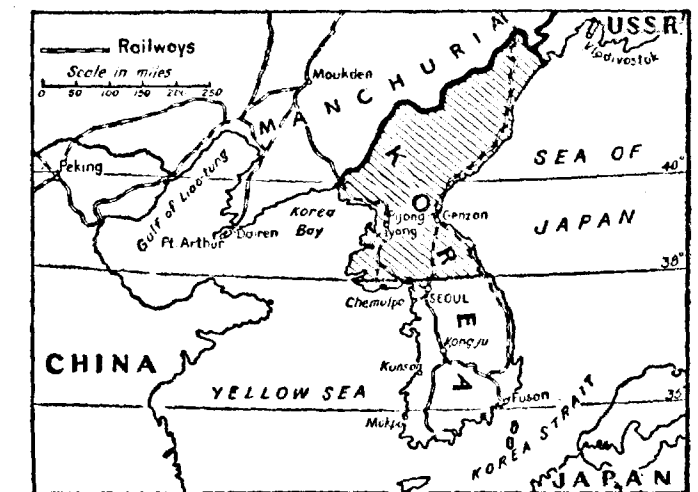
THE Russian and American occupation forces in Korea, after having built up two antagonistic Korean Governments in their respective zones, have now both been withdrawn, and have left the rival Korean authorities confronting each other across the purely artificial frontier formed by the thirty-eighth parallel of latitude—the boundary adopted for convenience by the General Staffs just before the end of the war as a line of demarcation between the Russian and American military zones. The situation today is one of great tension, and there has been sporadic fighting on the border, but so far no all-out civil war. The American evacuation—leaving behind a small military mission for further training of the South Korean army—has been a risky proceeding, even if it is the opinion of the War Department in Washington that the South Korean army is now strong enough to hold its own against attack from North Korea. As long as American units remained on the demarcation line, a Communist invasion of South Korea would involve a direct attack on American forces, whereas it now only means a civil war between Koreans, though one in which Russian and American interests and prestige are very much at stake.

The American withdrawal appears to have been really due, less to confidence in the prospects of tranquillity in Korea, than to the moral effect of the prior Russian withdrawal. It was relatively safe for the Russians to withdraw their troops because they could be fairly certain that South Korea would not attack the North; the aggressive propaganda for "unity" comes from the Communists, and the Seoul Government is essentially on the defensive. With Korea cleared of all foreign troops, the Pijongyang Government (Communist North Korea) can try its hand at subduing the South, and always fall back on its own territory if it fails. It is just as safe as blockading Berlin.

The Communist incursions into South Korea have so far been mere local trials of strength, large-scale raids rather than a military invasion, and the Seoul military authorities claim to have repelled them without great difficulty. But more serious attacks may be launched at any time. A state of war undoubtedly exists, even though no active operations are in progress, for the supporters of the Korean Republic, set up under the auspices of the United Nations and recognised by Britain and the United States, are regarded by the Korean Communists as "traitors" who ought to be exterminated. No normal peaceful life is possible in South Korea, for the threatened state must be ready to withstand invasion without warning at any moment. The Pijongyang Government has given peremptory notice to both the United Nations Commission and the American Military Mission to leave Korea, and the recent victories of the Chinese Communists have greatly increased the arrogance of tone in its pronouncements. If the Chinese Communists complete their conquest of South

China, the position of South Korea as a solitary anti-Communist enclave on the East Asian mainland will become more precarious than ever, and China may lend enough active support to the Pijongyang regime; a Korean contingent fought with the Chinese Communists in Manchuria, and the loan might in future be repaid.

That America has not meant to abandon South Korea is indicated by the fact that it figures along with Iran and the Philippines among countries outside the Atlantic Pact which



are listed for arms aid in bills now before Congress. A warning to the Chinese Communists not to intervene in Korea may also have been intended in Mr Acheson's declaration on August 5th that, if the Chinese Communist regime were

to lend itself to the aims of Soviet Russian imperialism and attempt to engage in aggression against China's neighbours, we and other members of the United Nations would be confronted by a situation violative of the principles of the United Nations Charter and threatening international peace and security.

But Chinese aid to the Korean Communists might be hard to prove, and even if it were manifest, the Russian veto would protect China against any action by Uno. The real issue is whether in a crisis the United States would take any active steps to protect the Korean Republic. Without such an intention mere aid in supplies to the Seoul Government might be no more effective than was similar aid to Kuomintang China, where, as the American White Paper states, large quantities of American arms and equipment have passed into the hands of the Communists "through the military ineptitude of the Nationalist leaders, their defections and surrenders and the absence among their forces of the will to fight."

The Americans expect a better performance of the Korean leaders, who have had three years of American administrative guidance to prepare them for political responsibility—and the

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President, Dr Syngman Rhee, lived for many years in the United States; South Korea can also qualify, as Kuomintang China could not, as a real democracy, having had free elections under the supervision of a Uno commission. But it is by no means certain that the South Korean regime under heavy attack from its totalitarian rival would show as much stability as the election figures might suggest; the political freedom which may add strength in war to a nation of mature democratic tradition may be a serious handicap to a government fighting for its life in a country whose whole political background is one of despotism and violence. No political opposition is tolerated in North Korea where the Communists have imposed the unanimity at which they always aim; but in the South the government is seriously embarrassed by the activities of opposition parties which engage in intrigues with Pijongyang. The campaign in the South for "unification" of Korea—actually a scheme for a Communist-sponsored coalition against President Rhee—has been met with violence from the government side, reaching its climax in a young army officer's assassination of Kim Koo. The latter was head of the Korean "Provisional Government" in exile in China before and during the war, when Syngman Rhee was representing the Korean cause in Washington, and was bitterly jealous of Rhee's postwar ascendancy—which has been at any rate in part due to Rhee's better American connections; this rivalry caused Kim Koo to incline towards the Communists.

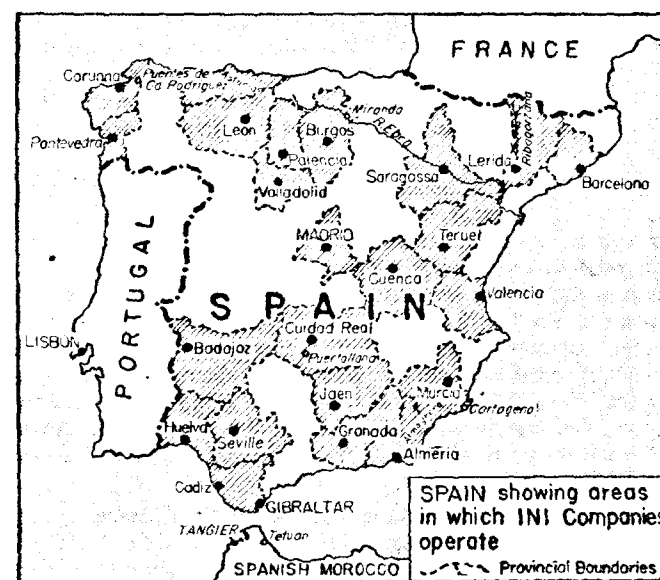
There is no reason to believe that President Rhee himself instigated the assassination, but the army authorities gave the assassin every facility for defence at his trial, and his condemnation, not to execution, but to life imprisonment means that he can be released at any time. Whatever its political ideals, the Seoul Government is being driven to become a dictatorship; it is wholly dependent on its army which has elementary ideas about the rights of political opposition. Nor is it likely that President Rhee's recent conversations with ex-President Chiang Kai-shek for the making of an anti-Communist Pacific Pact reinforced his aspirations for political democracy. But Rhee is at least a leader of some calibre who appears determined to hold on to power and defend his territory as long as he can.

National Enterprise in Spain

At the end of last month General Franco visited the province of Burgos and other northern areas to open several new industrial ventures. One was a cellophane factory; two others were electric power stations. Some of the new enterprises of this kind are the work of the *Instituto Nacional de Industria* (INI). Founded on September 25, 1941, INI represents the most serious step taken by the Franco regime to promote the country's economic development. Consequently, it is one of the most controversial organisations in Spain. The idea behind it was a good one—to start or enlarge those enterprises which, although insufficiently attractive to private capital, are essential to Spain if it is ever to make the fullest use of its own resources. But the execution of the idea has come in for much criticism.

Like Britain's groundnuts scheme, however, Spain's INI has now had so much capital poured into it that no Spaniard can really afford to see it fail entirely. INI operates through six different grades of control. The first consists of eight companies in which INI holds all the shares. The biggest of these is the *Empresa Nacional "Calvo Sotelo" de Combustibles Líquidos y Lubricantes*, formed in 1942 to explore and exploit all possible means of producing liquid fuels in Spanish territory. "Calvo Sotelo"—named after the Right-wing opposition leader who was shot three days before the civil war broke out—owns lignite deposits on the Ebro and at García Rodríguez, the refinery at Cartagena and—probably the most important enterprise in which INI is at present engaged—the installations still being constructed at Puertollano in the southern province of Ciudad Real to distil oil from shale. The second category consists of companies in which INI holds the con-

trolling interest in the shares, the rest being in private hands. The biggest of these is a company, formed in 1947, to build Diesel motor-lorries, and which has taken over the Hispano-Suiza works at Barcelona. The third category, a minor one, is that in which INI has an indirect control through other companies. The fourth covers companies in which the state has a half share—at present only two, one for mining development and the other for civil engineering. The fifth category covers companies in which the state has a minority share. They are Spanish Marconi, an aeroplane construction firm, the *Banco Exterior de España*, and five others turning out nitrogenous products, ball-bearings and steel in Asturias. The sixth category covers firms which have received government loans for national reasons, notably in the Spanish film industry, and a company importing minerals of military value such as manganese, aluminium, copper and chrome.



INI has not set out to take over whole industries in the sense of nationalising them on the French or British model. Nor is it saddled with a collection of major industrial concerns which have already been financial failures but which have to be kept going—as is the *Istituto per la Ricostruzione Industriale* (IRI) in Italy. The most important part of INI's work is concentrated in the first and second categories of companies which, in most cases, the state has promoted for purposes of planned national economic development. The intention is to sell them to private owners if and when they can be put on a paying basis. However, in the case of "Calvo Sotelo," for instance, this may not be for many years, if ever. The big installation at Puertollano is aimed at providing 60 per cent of Spain's requirements in lubricating oil by 1953, together with a considerable but lesser proportion of its petrol. But the chances of achieving this objective by that date are slim. And even if the calculated production proves possible, it may be a long step to making it profitable for private holders.

Other businesses in the first two categories include a big hydro-electric scheme on the Ribagorzana in the Pyrenees, and two companies engaged in shipbuilding, one for the merchant marine, another for the navy. INI also owns "Iberia," the Spanish air lines, a company carrying out a new mineral survey of the whole of Spain and a telecommunications company. It has controlling interests in the Almagrera mines, an aluminium factory and various chemical, textile and small engineering works.

The main criticisms directed against INI are that it is slow, wasteful and corrupt, that through the Minister of Industry, Señor Suanzes, who is also President of INI, it secures for itself far too high a proportion of the limited capital equipment that Spain can afford to import and that, rather than

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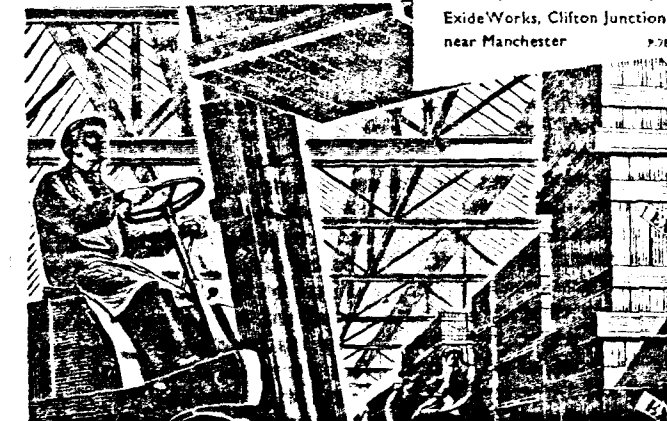
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being interested in selling any profitable enterprise to private buyers, it has taken over perfectly satisfactory businesses and squeezed the original owners out by illegal means.

Such accusations are almost certainly not based on a full account of the facts. While it is probably true that INI has not yet shown much disposition to release any profitable enterprises, it defends itself with the claim that the eight years which have elapsed since 1941 are too short to bring many of its projects to fruition. Plans to execute the idea of INI were originally based on securing German capital equipment; since Germany's collapse some plans have had to be shelved for several years. Furthermore, the long-term nature of many INI projects is such that even if more equipment had been available they could not, in all fairness, be expected to have come into full operation yet.

The accusation that INI takes too large a part of the available imports of capital equipment has stirred the *Instituto* to work out some figures which claim to prove that in six main categories of disputed goods, imported from 1944 to 1947, its companies only took an average of 6.6 per cent of the total available. But however correct this may be statistically, the impression that private industry has been made to suffer unfairly inevitably remains; and there is probably a good deal of truth in it. Yet the essence of INI is that it must justify itself by results. And while it is in the Spanish character to be impatient, it is also a national characteristic to start something and never finish it. That INI should not yet have produced enough striking results may really mean that too much is being expected of it. On the other hand, it could—and perhaps should—become in due course a startling and dominant feature of Spanish economic life.

Education in France

[FROM OUR PARIS CORRESPONDENT]

A CERTAIN stir has been caused in French public opinion in so far as it may be said to exist during the holiday season, by the failure of 61 per cent of this year's very numerous candidates for the *baccalauréat*. M. Etienne Gilson, distinguished mediaevalist and keeper of the nation's conscience recalling the saying that the *baccalauréat* and alcoholism are the twin scourges of the French people, has attributed this disappointing result to the displacement of the *baccalauréat* from its true role of gateway to the higher education of the universities and its consequent misrepresentation as a common or garden diploma or certificate of proficiency for Jean, Pierre et Henri when they leave school. Another commentator, M. Michel Chrestien, insists that passing the *bachot* has become nothing but a "quasi-religious enthronement, a snobbish social rite of admittance to the palace of culture." He quotes the devastating aphorism of Bersot: "*En France on fait sa première communion pour en finir avec la religion, on passe son baccalauréat pour en finir avec la science, et l'on se marie pour en finir avec l'amour.*"

The fear that the *bachot* may become a kind of School Certificate is the motive of most of its present critics. M. Etienne Gilson remarks that, while there is a case for awarding a diploma to those eighteen-year olds who have proved their ability to read, write and count, this topic has nothing whatever to do with the *baccalauréat*. Indeed, the Ministry of Education, in a brochure which discusses what to do with your *baccalauréat* when you have got it, says, "*Bacheliers* are young people of 18 provided with what is called 'general culture.' The young person having studied for his *baccalauréat* for seven years (usually from 11 to 18), has touched on many fields, but explored none. Enriched, refined, possessing the knowledge how to distinguish between different methods of intellectual work and to think for himself, he is now well-armed to approach whatever branch of studies

he wishes to specialise in. . . ." This is the classical definition of "*culture de base*," of that intellectual training which the Humanities alone are supposed to instil. It is a principle which has been pushed to its utmost in France where language and literature, even aesthetics, are taught systematically and explicitly. Presumably this literary education is in great part responsible for the Frenchman's natural armour against Hollywood whose products he tends to regard as barbarous concoctions from another planet.

At the present time the *baccalauréat* consists of two parts, each of which offers a choice of subjects. The first part contains 5 *séries*, each with its special orientation within a scheme of general education common to all *séries*. The *séries* are: A. (Latin and Greek.) B. (Living languages.) C. (Latin and Science.) Modern. (Latin, Science, and Living languages) and Technical. The second part of the examination has also five *séries*, which do not necessarily follow the *séries* taken by the pupils in the first part. They are: philosophy and literature; philosophy and science; experimental science; elementary mathematics; and mathematics and technics. Part I cannot be taken before the age of 16.

Science and the Humanities

The *baccalauréat technique* is, of course, the nigger in the woodpile. Introduced in June, 1946, it was conceived as a challenge to classical education. Its aim was to demonstrate that the applied sciences, industrial design, technology, and manual work were equally capable of imparting a human culture in the broad sense of the term. With the exception of classical higher education (no Latin is taught in the *série technique*) the award of the *baccalauréat technique* secures admittance to any university faculty. In practice, however, the *bacheliers* of the technical series usually go on to the higher engineering schools and technical institutes, whence they may emerge, for instance, as industrial, railway or naval engineers. In 1947 just over three-eighths of the candidates for the *baccalauréat technique* (second part) were successful; in 1948 just over three sevenths.

It is, of course, not primarily against the percentage of failures that the critics are protesting—it is not especially high this year—but at the number of candidates, many of whom in their view, should never have been trained for the *bachot* at all. Between 1910 and 1928 the number of candidates for both parts of the *baccalauréat* was doubled. Ten years later the 1928 figures (43,260 and 26,328) had risen to 75,546 and 45,330 respectively. Again in 1947 the total had increased to 106,240 and 72,385. In face of this influx of candidates there was a diminution in the percentage of the successful, which fell from 42 per cent in 1910 (first part) to 32 per cent in 1947. There are two other interesting facts: the percentage of successful candidates for the first part between the years 1938 and 1947 was only 27 in Paris and Poitiers against over 40 in Besançon, Toulouse and Strasbourg; the number of women candidates (first part) rose in the same period from 30 per cent to 41 per cent of the total. (This phenomenon had the rather startling corollary that feminine successes were at the rate of 40 per cent against only 37 per cent masculine ones.)

In France, as in other countries, it seems inevitable that there should come into being a type of education which, while it does not bear the stamp of *études supérieures*, nevertheless extracts from the humanities something of their essential worth. It is not, however, obvious that an overcrowding of the ranks of candidates necessarily reduces the intrinsic value of the examination itself. Moreover, even if the contention that the *baccalauréat technique* is no true *baccalauréat* is justified, the inarticulate foreigner is inclined to ask whether that really matters so very much. For no conclusive arguments have been advanced to prove that the original virtues of the system are threatened by its alleged excrescences. But then curates' eggs were never very dear to the Gallic palate.

THE BUSINESS WORLD

Interest Rates Now

FOR the first time since demoralisation set in at the end of July, the gilt-edged market has lately shown some sign of recovering its poise. It has been almost free this week of the acute nerviness which pervaded it until the latter part of last week, and prices have improved on successive days. This is a more healthy symptom than the violent but brief rebound of ten days ago. Those who have believed all through that a yield basis of around 3½ per cent for the irredeemable and longest dated stocks would provide a resistance point can now find some tangible evidence in support of their thesis. The flat yield on Old Consols, having risen at one time to 3½ per cent, has this week improved to a little under 3½ per cent, which is also approximately the basis for the principal nationalisation stocks, though "Daltons" still yield perceptibly more. Reassuring though this pause may be, the suddenness and momentum of the recent fall so took the market by surprise that no one now can produce convincing reasons for expecting it to stop finally at a 3½ per cent basis, and many people are still envisaging perceptibly higher rates in certain contingencies. Even they, however, are well aware that, in markets so thin and technically vulnerable as at present, any ostensibly favourable news could produce a quite spectacular recovery.

In such conditions, it would be rash to prophesy. The uncertainties which provoked the crack—and it is not clear, even now, what the predominant worry has been—will still be present at least until the outcome of the Washington talks is known. But the change which has already occurred is so striking as to deserve examination in itself. Its significance is not to be measured merely by the extent of the fall in prices. Steep though it was, even at its steepest it was less severe than the collapse during the convertibility crisis of 1947, when Consols dropped nine points in less than three weeks although they had already lost nearly as much in the preceding six months. This latest fall, again measured by Consols, amounted at its worst to four points in just over a fortnight, following a loss of six points from the peak reached during the post-budget boomlet which accompanied the launching of the Gas Stock. Such comparisons certainly understate the implications of the recent movement. The collapse of 1947 started from a yield basis of less than 2½ per cent for the irredeemables, a basis which everyone knew to be untenable, and which had been momentarily established only by the rash inflationary policies of a Chancellor with a misplaced ambition. The extent of the rashness, as well as the impotence of the system of physical control (which alone could make even theoretical sense of such policies), were then being revealed by the fuel crisis. A gigantic bubble was about to burst, and burst it did.

There was no comparable bubble waiting to be pricked in 1949. The Daltonian bubble had been blown up defiantly by huge blasts of new credit which the authorities themselves were pumping in. During 1949, however, those particular pumps have been sealed off, and the inscription on the seal was plain for all to see. It read: "National War Bonds 1949-51 not to be called this year"—a sufficient indication that effective steps had been taken to stop the relatively

minor leakage of air which occurred, perhaps through inadvertence, last summer. Apart from this, the only evident artificiality in the gilt-edged position on the eve of this year's fall came, not from the authorities, but from the market itself. Its spring exuberance puffed up a modest globule which clearly would not survive summer temperatures but seemed equally incapable of creating any noisy disturbance.

Given these contrasts between the market conditions from which the two movements emerged, this year's fall of 10 or 11 points at the worst looks large beside the 17-point fall at the worst in 1947. Moreover, it started at the point at which the 1947 movement stopped—with Consols at roughly 81 in both instances. When one recalls the chaos of the fuel crisis in 1947, the huge dollar drain, and the inflationary excesses in budgetary and credit policy, it seems incongruous that the yield on Consols, at its highest point for the year (a shade under 3.1 per cent), was still appreciably below the average for the last two prewar years and also lower than that for any wartime year save one. If long-term interest rates could be maintained in the year of Daltonian fiasco at an average of well under 3 per cent, why, it may be asked, should they not be sustainable between, say, 3 and 3½ per cent now? These, approximately, were their limits of fluctuation during the year or so before the latest rise; and in that period many people felt that they had reached a level which might be held, given a continuance of the policy of disinflationary budgeting.

★

Those who argued thus were, of course, assuming adherence by the Government to the cheap money policy—not the Daltonian extravaganza, but the principles loosely formulated in the dozen years or so before that. Needless to say, in a free capital market the equilibrium rate now or at any other time in the postwar phase would have been much above even the 3½ per cent which today looks high. Indeed, it is high, by the standards of that policy. In the prewar quinquennium, the highest annual average yield for Consols was 3.38 per cent (average price, 74), for 1938; the lowest was 2.89 per cent (price, 86½), for 1935. In a phase of under-employment such as the nineteen-thirties, the equilibrium rate in a market subjected to a cheap money policy may or may not be below the true equilibrium rate. Then all prospective demands for capital are left free to exert themselves (and additional demands may be deliberately fostered), while the natural supply of savings may or may not be stimulated by credit expansion and other pump-priming devices. But in a phase of full employment and excessive demands upon the nation's productive resources, cheap money policy has to employ a very different strategy. It must rely upon control of new issues, rationing of physical resources and investment planning to curtail the demand for capital, and may or may not take effective steps to sustain or stimulate the deficient supply of real saving. For a time, as Dr Dalton demonstrated, the effects of this deficiency upon interest rates may be concealed by credit inflation which generates additional monetary savings. But when such expedients have collapsed or are ruled out, the only way of maintaining the cheap money

policy in face of deficient private saving is to enforce public saving by budgeting for a surplus.

The fundamental question now, therefore—and so long as the phase of excessive demand lasts—is whether these two instruments of physical control and disinflationary budgeting can be sufficiently strong to equate real demands for capital to its supply at a “cheap money” rate of interest. In the past twelve months or so, there have been increasing doubts about the effectiveness of both instruments, but these questionings have never been raised specifically in the context of interest rates. Indeed, so long as the disequilibrium between the demand for capital and its supply in the controlled market is not large, it may not be necessary to debate this particular issue at all. In that event, the presumption is that the accustomed methods of cheap money policy will suffice to keep the structure of interest rates, and of the gilt-edged market in particular, more or less under control, so that there will be no need to contemplate the possibility of any far-reaching change.

This was, in fact, the assumption upon which the empirical judgments of the market were based three months ago. It was supported, moreover, by an examination of the capital account for the national economy as a whole in the light of Sir Stafford Cripps's second Budget. As an article in these columns on April 16th showed, the prospective savings-investment account for 1949 certainly did not then look securely balanced; but, given the imperfections of the data, there seemed no need to attach undue significance to the moderate disequilibrium which it seemed to show. The estimates upon which the official calculations were based, however, now need substantial revision. In particular, the budget surplus appears likely to be much less than the Chancellor envisaged, and this loss of enforced public saving is certainly not being offset by any expansion of private saving—despite the large provisions which companies are now making for capital replacement. It is conceivable, but not probable, that the effects of the shrinkage of the total flow of savings may be partly neutralised by a decline in demands for investment. In the past few months, apprehension has joined with rising costs to hold back some projects which would otherwise have got under way. There has been no sign, however, of any curtailment of investment within the public sector of the economy and, if private demands for fixed capital have slackened a little, there has certainly been an expansion in its floating capital, through the accumulation of stocks—particularly of goods intended for export. On balance, investment demands are most unlikely to have fallen, and more probably have actually added to the strain which is being imposed by the shrinkage of savings. To the extent that the balance of overseas payments, considered as a whole,

has swung from near-equilibrium into deficit, there will, however, have been some relief for the domestic capital account, because the supply of goods available for use at home will have been correspondingly increased.

In sum, the underlying disequilibrium in the savings-investment account must be greater now than it was expected to be three months ago. But the change has certainly not yet reached any such magnitude as to warrant, of itself alone, so radical an adjustment of the interest structure as has occurred simultaneously. Similarly, if the assumptions about the probable effectiveness of the customary instruments of control were valid three months ago, there is no reason,

GROSS REDEMPTION YIELDS (Per Cent)						
Stock and Redemption	Cheap Money Peak, Nov. 14, 1948 †	Dollar Crisis, Aug. 13, 1947 †	Transp't Stock Issued, Jan. 7, 1948 †	Gas Stock Issued, May 2, 1949 †	Aug. 10, 1949 †	Aug. 24, 1949 †
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
12% Exch. Bds., 1950...	1 5 6	1 17 6	1 10 8	1 6 8	1 9 10	1 5 5
2½% Nat. W. Bds., 49-51	1 7 9	2 3 4	1 12 2	1 8 1	2 7 11	2 6 3
3½% War Loan Jan 1952	2 1 0	3 4 8	2 18 1	2 10 5	3 14 7½	3 15 11½
Middles						
3% Nat. Def., 54-58...	1 18 8	3 0 0	2 15 9	2 8 1	2 19 11	2 17 5
3% War Loan, 55-59...	1 19 7	3 0 6	2 16 8	2 8 11	3 1 1	2 19 1
Medium Longs						
3½% Conv. from 1961...	2 5 8	3 5 11	3 1 10	2 18 0	3 14 4	3 13 9
3% Sav. Bds., 55-65...	2 5 11	3 1 1	2 19 2	2 14 9	3 5 7	3 2 11
Longs						
2½% Sav. Bds., 64-67...	2 3 8	2 19 0	2 17 4	2 10 8	3 4 4	3 2 3
3% Sav. Bds., 65-75...	2 5 11	3 2 3	3 0 7	2 17 7	3 9 7	3 7 8
3% Trans. Stk., 78-88...	...	...	3 1 10	2 18 11	3 9 9	3 8 10
3% Gas Stk., 90-95...	...	...	...	3 0 0	3 10 0	3 8 8
Undated						
2½% Consols...	2 10 6½	3 1 11½	3 1 18	3 1 58	3 11 4½	3 8 10½
2½% Treas. Stk., Jan 75½	2 10 0½	3 2 5½	3 1 4½	3 1 98	3 12 4½	3 10 4½

* To earliest date throughout. † Shorts to earliest date, longs to latest date.
‡ To latest date throughout. § Flat yield.

on these grounds alone, to reject them now. Since the pressure on the market has evidently far outpaced the deterioration in the savings-investment account, that is another way of saying that the disproportionate fall in prices would be hard to justify unless the whole basis of official policy were likely to alter.

The nerviness of recent selling and the sensitiveness of the market itself are, in fact, the traditional responses to far-reaching uncertainties. They have not fastened upon any particular uncertainty—the fears of investors have ranged over many contingencies, including devaluation, a “dash for freedom” which would open the sluice gates of international competition, a deadlock in Anglo-American economic relationships, and widespread industrial dislocation caused by shortage of vital supplies from abroad. Among the bogies

which have tormented the minds of the imaginative, probably the only one which might, in certain circumstances, undermine the whole foundations of the cheap money policy would be the move towards freedom. In some quarters, indeed, fears based upon this particular possibility have been voiced explicitly. It is one reason, for example, for the fractional rise in commercial bill rates in Lombard Street, to which attention was drawn in *The Economist* last week. It is argued that, if a devaluation were accompanied by some lifting of the shackles upon international trade and by a move towards sterling convertibility, the new regime might need the protection of higher rates of interest than those customary during the cheap money phase. The minor change in Lombard Street is intended as a warning not that such a development is probable, but that it is at least a possibility which ought not to be wholly ignored.

The changes which would have to occur in firmly entrenched policies and methods of control before a system of variable interest rates could play any important part are perhaps more far-reaching than Lombard Street has per-

Business Notes

Curtain Raiser for Washington

The last touches have been put to the brief which Sir Stafford Cripps and Mr Ernest Bevin will be taking with them for the Washington financial talks. These are due to open on Wednesday, September 7th. The basic material from which the final brief has been distilled was voluminous. Every Government Department conceivably interested in the balance of payments situation—and that does not exclude many—has penned its diagnosis. This mass of material has been sifted and concentrated by the Treasury into a final brief which will be considered at the Cabinet meeting which is to be held next Monday specifically for this purpose. The Chancellor of the Exchequer and the Foreign Secretary leave for the United States on Wednesday, and immediately after their arrival will plunge into the triangular Anglo-US-Canadian talks. These will last about a week and will be followed by the annual meetings of governors of the International Monetary Fund and the International Bank for Reconstruction and Development; these will probably take another week. Pending the arrival of the Ministers, preparations for the discussions have been going on in the US capital, where a team of British officials led by Sir Henry Wilson Smith of the Treasury has arrived to reinforce the permanent UK Treasury Delegation in Washington. The British executive director of the International Monetary Fund and director of the Bank of England, Mr G. L. F. Bolton, has also arrived in Washington. The Ministers will, therefore, find the ground for their discussions well prepared. The fact-finding should have been effectively disposed of by the time the talks open and the stage left clear for the “proposals.” But these themselves are still wrapt in mystery. The profuse comments on the coming discussions which have appeared in the American press confirm the assumption—which could safely have been made in any case—that there will be little in the way of precise proposals from the American side. The US representatives will be primarily interested, at the outset at least, in listening to what Britain has to say about the reasons for its misfortune and—with far keener interest—in the manner in which it proposes to overcome them.

Unless a great change of heart and views has occurred since the House of Commons debate on the economic situation—and this week's speech by Dr Dalton in Strasbourg hardly suggests that it has—the British proposals are unlikely to meet with immediate American approval or to condition the Americans for additional assistance. The increased sterling releases to India and other countries, and speeches from the rank and file of the Labour Party, offer no hint of a retreat from the excessive

ceived. But it seems undeniable that some of the stresses to which sterling is subjected might be partially relieved, even now, if the cost of short-term finance in London were brought into more rational relationship with interest rates for medium and longer-term. Given the present cheapness of money market rates, a perceptible increase could occur there without necessarily having more than a momentary effect upon gilt-edged—unless, of course, the change were of such an order as to require an increase in Bank rate.

Despite the jerk which the City imaginations have experienced in such matters in the past few weeks, any such reversion to the now almost forgotten technique of monetary discipline is still regarded as highly improbable. If this is so, the fundamental question for the gilt-edged market is still the one posed earlier in this article—are the techniques of physical control and disinflationary budgeting losing their effectiveness? The answer seems to be that they are bound to do so unless the burden of the disinflationary budget can be lightened by a large reduction, not in the budget surplus, but in the size of the budget itself.

bilateralism in British economic policy—that is, from the aspect of that policy on which the Americans tend to place the principal blame for the increasing difficulties of Britain's balance of payments. Whether, as the negotiations proceed, a reconciliation can be achieved between these basic principles of British policy and the greater elasticity and acceptance of open competition which the Americans will certainly require as a condition of aid, is a matter on which it would be profitless at the moment to make forecasts.

The Gold Drain

Among the factual material with which the Washington negotiators will be presented, the most significant item and that best calculated to spur their efforts will be the rate of the drain on Britain's gold reserve since June 30th. There have been references in responsible organs of the US press to a probable net loss of £100 million of gold from the reserve in the third quarter of 1949 (which would compare with the loss of £65 million in the second quarter). This figure has been widely reproduced here, and is perhaps in danger of becoming accepted as an official forecast of information to be revealed during the Washington talks. The end of the quarter, however, is still too distant for it to be possible to make any serious estimate of the net drain in this period. It is known that the losses of gold to European countries in July, though slightly smaller than in June, were considerably higher than the average for the first half of the year. On the other hand, Britain's overseas trade figures for July—as a subsequent Note points out—showed a modest, though reassuring, recovery in direct exports both to the United States and Canada.

In addition, it can be assumed that technical factors are making it difficult for residents in the non-sterling world to maintain the uncovered “bear” position in sterling which was built up during the first half of the year; there is reason to believe that this position may have been of the order of £200 million. Part of the short position has unquestionably been covered during the past few weeks. In particular, pressure has been put on all non-residents who had been withholding payments of sterling debts in the hope of a devaluation. As against this must be set the probability that the gold and dollar account for the second quarter was “window-dressed” at the last moment in order to show a somewhat smaller gold loss than did in fact occur; some of the effect of this may be reflected in a deterioration in the third quarter figures.

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The biggest uncertainty of all probably concerns the dollar expenditure of other members of the sterling area. Some of these expenditures had been getting seriously out of control in the first half of the year and should be capable of substantial contraction by mere tightening up of exchange control—quite apart from the proposed 25 per cent cut in dollar purchases. Allowing for these uncertainties and for the fact that September 30th is some way ahead, no precise estimate of the gold loss in the third quarter can be advanced; but on the basis of such tangible and intangible evidence as is available, it would seem unlikely that the present rate of loss is greater than that incurred in the second quarter of the year.

* * *

Ceylon and the Dollar Pool

The latest extension of the financial agreement between the United Kingdom and Ceylon is notable on two counts. The first is that it provides for a further increase in the releases from Ceylon's immobilised sterling balances. These releases amounted to £3,500,000 for the year to June 30, 1949 (apart from £4 million specifically to furnish a working balance). For the subsequent twelve months they have been stepped up to £7,000,000. Provision is also made for additional releases of up to £1,000,000 "in the event of a substantial unforeseen rise in the price of essential foodstuffs unbalanced by other sources of income (to Ceylon)." This increase in releases of sterling balances conforms with the trend revealed by the terms of recent arrangements made with India and Pakistan. In each of these cases convincing special circumstances can no doubt be cited to justify the generosity with which immobilised sterling is being made available to finance additional imports from the rest of the sterling area. If so, the justifying circumstances must be political. In terms of economics, it is sheer folly to inflate still further the burden which Britain is shouldering on behalf of the sterling area.

The second feature which emerges from the new agreement with Ceylon, and one which is scarcely less significant than the increase in the release of sterling balances, is the acceptance of the claim by the Government of Ceylon to build up a separate gold and dollar reserve. This reserve is to be accumulated by the Reserve Bank of Ceylon when it is set up to take over the functions hitherto performed by the Currency Commissioners of Ceylon. It is provided that for the year of the present agreement this separate reserve will not amount to more than \$1,000,000.

It is not, however, the amount that matters but the principle of admitting the growth of new separate reserves within the sterling area. There are, admittedly, many precedents for the maintenance of such reserves outside the centralised holding in the sterling area's gold and dollar pool. But most of these date from the pre-war era, that is before the principle of pooling had acquired its present importance. It must also be admitted that Ceylon is a net dollar-earner, and that the amount which it will put into the pool during the coming year will probably be many times the amount of \$1,000,000 which is to be reserved for Ceylon's separate holding. It should, however, be noted that the new agreement recognises Ceylon's right at all times "to dispose of her current earnings from abroad." The letter of this clause is softened by the undertaking of Ceylon, together with other Commonwealth countries, to do its utmost to reduce its dollar imports in the coming year by 25 per cent. The impression, however, cannot be avoided that Ceylon's decision to set up a separate reserve must appear unfortunate at a time when all the arguments stress the need for the utmost concentration and economy of gold and dollars, and when the pressure on the central reserve is so ominously large.

* * *

The Trend of Exports

Despite the sharp fall in the average daily rate of British exports last month, the value of cargoes sent to the United

States and Canada showed a small but welcome increase. This cannot yet be claimed as a reversal of the previous downward trend in exports to the United States and it may in fact only reflect the shipment priority which those exports enjoy. The part played by the dock strike in reducing the total value of exports in July is uncertain. The actual decline last month was £1,700,000, but the daily rate was 8½ per cent less than in June and 6½ per cent less than in May. In previous post-war years exports reached a peak in July.

Machinery exports last month rose to £23.1 million, which was above the average for the second quarter of the year. Shipments to South Africa, the main market, fell from £3,223,000 to £2,138,000, but those to most other countries (especially Egypt and Argentina) increased. Exports of cotton and wool textiles also rose on the month, and they, too, were higher than in the April-June period. The value of iron and steel manufactures shipped abroad reached £11.3 million, the highest figure since October, 1920; particularly large shipments went to Australia, Iran, Argentina and Egypt. Exports of most other manufactured goods also increased during July, and shipments of raw materials were £1,000,000 higher at £6,100,000, with coal and raw wool the main contributors.

The two main declines occurred in vehicles and electrical equipment. Exports of the vehicle group fell by over £2,000,000 to £22.7 million, which was well below the average of the second quarter. Despite fears expressed by motor manufacturers about increasing competition in overseas markets, exports of motor vehicles and tractors were slightly larger on the month. The export of ships, however, was almost halved, falling from £5,000,000 to £2,600,000. These figures are particularly subject to fluctuation from month to month, and it is possible that the decline in July may not be significant; the tonnage of ships building for overseas registration increased during the second quarter of the year. Exports of electrical goods fell by £1,400,000 to £5,500,000, and this decline was spread over most categories; shipments to South Africa and to India were in each case £500,000 smaller than in June.

Some reassurance on specific export groups can be gained from these figures, but the trend of the total still suggests that (unless there is a swift improvement) still further cuts in imports may soon become necessary. Retained imports are now about 20 per cent below the 1938 level. Exports normally fall in August because of summer holidays, and the Board of Trade has suggested that this month's figures may also be affected by the dock dispute. If this proves to be true, and if no substantial recovery takes place in September, the state of the total trade deficit will again be pressing.

* * *

Finance and Investment

W. H. Smith Offer for Sale

Stock markets, especially gilt-edged and blue chip industrials, have this week had a distinctly better appearance. But the City had scarcely expected this first evidence of recovered moral to be the signal for a resumption of business in the new issue market. The launching of a major operation—it involves £6,500,000—at such a juncture measures both the courage of its sponsors and the calibre of the issue itself. The undertaking in which the public will next week be asked to participate is W. H. Smith and Son, the old-established and well-known newsagents and booksellers. The operation is in effect the sale of a considerable proportion of the family interest, necessitated by payment of death duties on the estate of the late Viscount Hambleden.

The existing undertaking has been acquired by a newly formed holding company, W. H. Smith and Son (Holdings) Limited, and next week the whole of the 4½ per cent preference capital and two-thirds of the equity of the new holding com-

pany will be offered for sale to the public. The preference issue consists of 2,500,000 4½ per cent £1 cumulative preference shares, to be offered at par; 1,650,000 "A" £1 ordinary shares are to be offered at 40s. per share and 1,650,000 "B" 4s. ordinary shares at 8s. per share. Both classes of ordinary capital, which rank *pari passu* for dividend payment, will on a foreshadowed dividend of 12 per cent yield 6 per cent. Yield fluctuations in the gilt-edged market have on more than one occasion recently upset otherwise highly acceptable issues. Put, on present prices for comparable securities, it seems that the sponsors of the W. H. Smith offer are allowing a little safety margin. A return of 4½ per cent on a first-class preference share is not ungenerous even by present standards and a 6 per cent yield on the ordinary shares compares favourably with yields obtainable on the ordinary shares of other leading enterprises. But then a newcomer to the Stock Exchange, however old-established as a private company, cannot compete for the last shilling with long-quoted "blue chip" shares. In the latest year the net profit of W. H. Smith and Son, subject to taxation, was £1,356,000, giving a tenfold cover on the preference dividend. It will be possible to pass judgment when the prospectus is published on Monday.

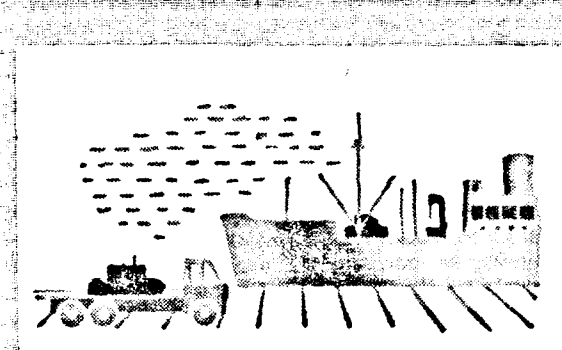
"Hiving Off" by Tate and Lyle

Believing that "nothing but harm to workers, consumers and stockholders alike can spring from the nationalisation of the sugar refining industry" the Board of Tate and Lyle is carrying an important stage further its campaign against the nationalisation proposal contained in the Labour party memorandum. So far it has been conducted mainly by speeches and slogans, but now shareholders' approval is shortly to be sought for a plan to transfer to a separate company the non-refining interests of the group. A new company, Tate and Lyle Investments, is to receive £82,800 preference shares and 1,333,745 £1 ordinary shares in the West Indian Sugar Company, £13,030 preference stock and £217,000 ordinary stock in Caroni Ltd.,

110,000 £1 ordinary shares in John Walker (sugar refiners) and 726,335 £1 ordinary shares in British Sugar Corporation. In return for these investments, Tate and Lyle Ltd. will receive 450,000 four per cent cumulative £1 preference shares and 7,000,000 5s. ordinary shares in the new investment company. The issued ordinary capital of Tate and Lyle Ltd. will be reduced by £1,750,000—equal to 5s. per £1 ordinary share—and one 5s. share in the new company will be vested in shareholders of Tate and Lyle Ltd. for each old £1 ordinary share held. Shareholders will further receive for each £4 of Tate and Lyle ordinary stock one 1s. share in Silvertown Services, a Tate and Lyle subsidiary providing most of the group's transport services. Thus, for every £1 nominal in Tate and Lyle, shareholders will be holding one 15s. ordinary share in the company, one 5s. share in the investment company and one-quarter of one 1s. share in Silvertown Services.

These proposed changes do not, of course, affect the intrinsic worth of the group, since the operating structure—as distinct from the capital structure—remains unaffected. But the scheme should serve to segregate effectively a substantial part of the Tate and Lyle assets in the event of nationalisation. And it is of immediate interest to shareholders that it is evidently proposed to pay the same gross amount of dividend on the reduced Tate and Lyle ordinary capital in addition to any distribution by the Investment Company or Silvertown Services.

It is a matter for regret that the threat of nationalisation should make measures desirable which cost so much time and energy. In the light of this threat, the scheme is understandable and even welcome. There is little in its proposed execution to provoke criticism at this stage, though it would be interesting to know the basis of calculating what is apparently compensation for resultant loss of security to debenture holders and preference shareholders. These, respectively, are to receive a cash payment of £2 10s. per £100 debenture stock and one new 6½ per cent cumulative £1 preference share for each £25 of preference stock.



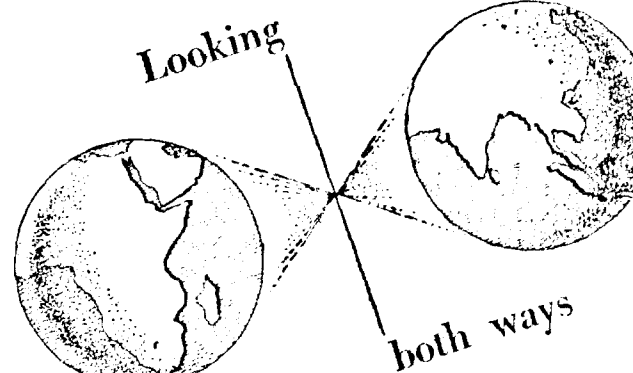
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Contrasts in Rhodesian Copper

The expansion in Rhodesian copper production is not yielding a uniform increase in profits to the various mines. The provisional statement of revenue and expenditure for Mufulira Copper Mines shows a rise in profits (before tax and "any transfer to reserves which the Board may decide") to £4,310,500 for the year ending June 30th, compared with £2,745,166 in the previous twelve months. Roan Antelope, however, estimated its profit for the same period at £2,239,000 (also before tax and transfers to reserves) compared with £2,281,465 in the previous year. The output of blister copper from Mufulira amounted to 70,966 tons, the highest the company has so far achieved and representing a substantial increase on the previous year's figure of 53,360 tons. All the output was sold to the Ministry of Supply and realised £3,618,000, or an average price of £120 a ton against an average price of £117 15s. in the twelve months ending June 30, 1948. Operating expenditure also rose, but only by 26 per cent, whereas output rose by nearly 33 per cent. The opening stock of blister copper has been valued at £56 a ton and closing stock at £52 a ton.

The output of Roan Antelope increased less spectacularly, from 51,757 tons of blister copper to 56,162 tons, and its sales of 54,662 tons realised £6,580,500—also an average price of £120 a ton. Operating costs rose to £3,952,800, or much more sharply than the expansion in output. Stocks of blister copper increased by 1,500 tons on the year and they have been revalued at a higher average price—£68 15s. compared with £63 15s. a ton. In calculating the above profit figures Mufulira provisionally allowed £400,000 for obsolescence and Roan Antelope £450,000. Both these amounts were the same as in the preceding years.

Up to last June, Rhodesian copper producers benefited from the high prices for non-ferrous metals ruling in the world markets. Though the Ministry of Supply will no doubt continue to purchase the whole output, the actual method of pricing may be altered now that the Ministry is keeping its selling prices in line with those ruling in the United States. For the near future, there is very little chance of electrolytic copper again reaching its previous level of 23½ cents a lb. (£130 10s. a ton) in New York—unless the United States experiences another bout of inflation. Its present level is 17½ cents (£98 a ton), whilst the Ministry of Supply's selling price in this country is £107 10s. a ton. Copper consumption throughout the world appears to be settling down to a level below the postwar peak, so that the maintenance or expansion of profits in the future will depend mainly on expanding output, unless costs prove to be less frigid than they appear.

* * *

Payments Pact with Czechoslovakia

No details are yet available of the payments agreement just signed with Czechoslovakia, nor will it be possible to measure its practical significance until the protracted trade talks and negotiations to determine compensation for British-owned assets in Czechoslovakia have been concluded. It is known, however, that its broad effect is to continue for three years the arrangements made in the original agreement concluded of 1945. Czechoslovakia thus remains the only country behind the Iron Curtain which is a member of the transferable account group. Since the war the balance of payments between the sterling area and Czechoslovakia has never shown any large swings in either direction, though at the moment Britain is holding rather more Czech kroner than is felt desirable. This accumulation, however, does not reflect a corresponding increase in Czechoslovakia's indebtedness to Britain since the credits granted by the City after the war have been repaid. Their withdrawal reflected, not only political uncertainties, but the inability of the Czechs to export goods of a kind acceptable to Britain. Although the trade talks have been continuing for a long time, Czechoslovakia has been able to offer only a limited

selection of acceptable exports, but is putting forward a very ambitious import programme. There does not seem to be much prospect, therefore, of the trade surplus which is needed to meet the claims of British creditors and British owners of assets now nationalised by the Czech Government.

In the circumstances, Czechoslovakia's retention in the transferable account group should perhaps be regarded rather as a political gesture than as a means of freeing trade. Indeed, Czech traders have abused these sterling facilities on more than one occasion. Czech goods and British goods exported to Czechoslovakia have been sold at a trading loss in Switzerland, but the Czech exporters have still been able to reap a profit by using their Swiss franc proceeds to buy transferable account sterling at a discount. In fact, unless Czechoslovakia is able to offer larger quantities of acceptable exports or unless the Board of Trade is prepared to admit non-essentials, there seems little practical advantage in retaining the sterling facilities.

The difficulty of coming to terms with the Iron Curtain countries, amply illustrated by the Czech talks, is even more apparent in the unending discussions with Poland over compensation payable to Britain for British assets there. The Polish mission which was discussing these matters has now returned to Warsaw, and all that has been achieved is a determination of the particular assets and debts for which the Polish Government accepts liability. It will be even more difficult to reach agreement with the Poles on the actual compensation to be paid.

* * *

Rise in Silver

The complete immobility which has been maintained by the market for official silver in London since February of this year has been broken this week by an increase in the price from 43½d. to 44d. per ounce. This movement has been made in response to an equivalent rise in the New York price, which has risen this week from 71½ cents to 72½ cents per ounce. For some time past supplies of silver in the New York market have been dwindling and have failed to keep pace with the heavy seasonal off-take by industrial buyers. Any appreciable rise in the New York price should, however, bring considerable additional offerings from Mexico, where substantial stocks of the metal are known to exist.

The London price which has meekly followed the New York quotation this week is that which applies to silver made available by the Bank of England for certain authorised essential industrial purposes. The turnover in this market is comparatively small. The supply of this silver is assumed to be provided by the Bank of England out of stocks made available by the replacement of silver token coins by the new cupro-nickel tokens. The nearest approach to a really free silver market in London is that for sterling area silver, the quotation for which has recently been sagging. Whereas three weeks ago it was quoted at 57d. to 59d. per ounce, it is now at 56d. to 58d. This is partly due to the reduced buying of silver by the Chinese who, for the time being, have other things to think about. The reduced Chinese purchases have also affected exports of silver from Mexico to China; these had previously been maintained at an exceptionally high level. This factor should in turn prompt the Mexican users to react more quickly to the rise in the New York price than they might otherwise have done.

Trade and Commodities

A Surplus of Cotton?

For the first time since the war, the world stocks of cotton at the end of July have shown an increase on the previous year. On July 31st they were estimated at 15.1 million bales,

or 1,000,000 bales more than twelve months earlier. But this, as the accompanying table shows, is only about two-thirds of the quantity held at the last prewar carry-over date, and it re-

WORLD COTTON SUPPLIES (Million Bales)					
	1938-39	1947-48	1948-49	Changes in 1948-49 Compared with	
				1938-39	1947-48
Supply:—					
Carry-over, August 1st...	24.2	17.9	14.1	-10.1	-3.8
Production	29.5	25.1	28.7	-0.8	+3.6
TOTAL	53.7	43.0	42.8	-10.9	-0.2
Distribution:—					
Consumption	30.6	28.9	27.7	-2.9	-1.2
Carry-over, July 31st	23.1	14.1	15.1	-8.0	+1.0
International Trade:—					
Exports	12.0	8.8	10.6	-1.4	+1.8
Imports	12.0	9.0	10.5	-1.5	+1.5

* Includes cotton. † Includes destroyed.
Source: International Cotton Advisory Committee.

presents approximately six months' consumption at the current rate. But trends in world production and consumption are now moving in opposite directions. Production last season amounted to 28.7 million bales which, though still below the prewar figure, was 3,600,000 bales larger than in 1947-48. Consumption reached only 27.7 million bales—1,200,000 less than in 1947-48 and nearly 3,000,000 less than in 1938-39. If these trends continue world stocks may reach 20 million bales by next summer.

In the United States the acreage under cotton this summer was 14 per cent greater than in 1948. But last year's yield of more than 310 lb. an acre was exceptionally high. The average yield for the past four seasons has been 272 lb. an acre, compared with 160 lb. twenty years ago. Nevertheless this year's crop has been estimated at 14.8 million bales, which would mean a total visible supply of over 20 million bales. Last year's exports from the United States, helped by ECA funds, reached 4,700,000 bales; in 1938-39 exports amounted to 3,325,000 bales. Consumption within the United States, however, fell from its previous high level to 7,830,000 bales; this was still 900,000 bales more than before the war. Even if this level of American consumption is maintained, carry-over stocks in the United States next July are likely to be 7,500,000 bales—nearly a year's supply to the American mills.

During the new season American cotton prices will be supported at 90 per cent of parity instead of 92½ per cent, so that the actual support level for Middling 1½ inch cotton will be around 29½ cents a lb. compared with 30½ cents in 1948-49. American cotton, therefore, will not cheapen much despite the larger supplies, and competitive supplies are scarce. Production in Brazil, the main alternative source, has not yet regained its 1938-39 level despite more extensive planting of higher-yielding varieties. Crops in the Belgian Congo, Nigeria and French Equatorial Africa have increased; but these taken together amount to less than 400,000 bales. Egyptian cotton production, which expanded sharply last year, cannot be used as a direct substitute for American supplies.

If adequate ECA funds for cotton are made available to western Europe, there need be no fear of a cotton shortage in the coming season. But if scarcity of dollars should restrict purchases from the United States, European mill activity could only be maintained by an increased use of rayon and synthetic fibres.

* * *

Uncertainties in Wool

Trends in the wool market towards the close of the season were rather confusing. Prices for all types fell quite sharply in March and April; then a partial recovery took place in May and June. At the London sales last month, prices continued firm, but merinos were appreciably below the levels of twelve

months ago, while both merinos and crossbreds were substantially below the prices of last January. The trade is apparently in two minds about the course of prices which is to be expected when the auctions reopen next month. Demand is still strong and stocks in manufacturers' hands are not unduly large. In Britain they reached a low point of 186 million lb. (clean weight) at the end of March, but they have since increased to over 200 million lb., which represents between three and four months' supply in manufacturers' hands. In Europe, stocks are believed to be at about the same level, though in France, where manufacturers have been buying heavily throughout the season, they may be somewhat larger. The fact that stocks are being kept down to normal working requirements may, however, reflect some uncertainty about future prices, or even the expectation that they may fall.

Trends in wool consumption are more disquieting to producers. In the United States the recession has reduced consumption of wool by over a third compared with last year. This fall is hitting South American growers harder than it hits the Dominion wool market; exports from both Argentina and Uruguay have been on a greatly reduced scale this year. In Britain, wool consumption has declined by 2 per cent from last year's level, whereas on the Continent it has been more or less maintained. These facts at least suggest that the sharp expansion in wool consumption in the postwar years is at an end.

Only very provisional estimates of the 1949-50 clip can yet be made. Wool production in Australia is expected to be 5 per cent higher and should include a higher proportion of merino types. Production in New Zealand and South Africa will probably show little change, while a moderate increase is anticipated in South America and in Europe. American production continues to decline, but the rate of the fall has slackened. The stock of wool held by the Joint Organisation has declined considerably and most of what is now held is of inferior quality. The demand at the opening sales may, therefore, be quite strong, but if current trends in wool production and consumption persist, the chances favour lower prices next season.

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believe it!'**



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Russian Imports of Rubber

In the past year Russia has become an important purchaser of natural rubber, and in 1948 its net imports, estimated at 100,000 tons, were next in volume after the United States and Britain. In 1947 Soviet imports amounted to 35,200 tons, as against 26,800 tons in 1938. It is not easy to determine how far these imports can be taken to represent current consumption. American consumption of natural rubber amounted to 627,300 tons last year, and British consumption was 193,700 tons. In comparison with these two countries a consumption of 100,000 tons a year is by no means large, but then Russia produces its own synthetic rubber and presumably takes a large part of the output of the Soviet zone of Germany. Since Russian use of motor vehicles on the roads is relatively less than in America or Britain, the sharp rise in imports last year suggests that part of these purchases may have gone to a strategic stockpile.

How far can the rubber market count on this increased Russian demand? Imports in the first seven months of this year have been on a larger scale than in 1948; they totalled 72,150 tons, which is equal to an annual rate of about 123,500 tons. If this quantity is for consumption at least 100,000 tons can be expected to go to the Soviet Union each year. Even if it is for stockpiling, Russia could hardly have accumulated an adequate reserve from only last year's and this year's purchases.

An interesting feature, however, is the changing pattern of Russian imports. These came mainly from Malaya in 1947 and 1948 with the addition of between 4,000 and 6,000 tons from the United Kingdom. In 1938 a larger quantity and a larger proportion of the total came from Britain, 14,000 tons out of a total of 26,800 tons; the remainder came from the Netherlands. But Russia has recently imported some 18,500 tons from the Netherlands, practically all of which was shipped between May and June of this year. Only 10,300 tons of this quantity was Indonesian rubber; the remainder came originally from Malaya and was transhipped through Holland. Last year

RUSSIAN IMPORTS OF NATURAL RUBBER
(Tons)

Source	1938	1947	1948	Jan.-July, 1949
Malaya	...	29,349	96,003	48,195
Indonesia	...	...	...	...
Ceylon	...	...	...	...
United Kingdom	14,000	5,961	4,020	5,447
Netherlands	12,800	...	...	18,504*
TOTAL	26,800	35,210	100,023	72,146

* Of which 10,280 tons of Indonesian origin and 8,224 tons of Malayan origin.
Source: Current data from Secretariat of the Rubber Study Group.

the Dutch transit trade cost the sterling area some \$5,000,000 through the sale of nearly 13,500 tons of Malayan rubber to the United States, but those re-exports have been cut, and amounted to only 380 tons between April and June of this year. But the Dutch transit trade in rubber is still increasing. In June it amounted to 20,000 tons, of which 8,500 tons came from Malaya. It seems to reflect the competition for scarce currencies.

* * *

Government Control in Oils and Fats

Oils and fats are the category of foodstuffs in shortest supply, and according to the latest estimates of output they are likely to remain so for the next two or three years. An interesting attempt at international comparison of the controls on oils and fats and their important manufactures, margarine and soap, is provided in the accompanying table, from the latest report of Lever Brothers and Unilever. Of the twenty-five countries listed, only eleven enjoy freedom of trade in oils and fats, though in five other countries supplies are only partially controlled. Seven countries continue to ration margarine, but only four countries are still rationing—or partially rationing—

soap. Two of these are Austria and western Germany where the ration is only partial, and the other two are Denmark and Britain. Several countries have decided to abandon the intricacies of the rationing system, but few have restored free prices; only five of the countries listed have decontrolled margarine prices while soap prices are free in twelve.

GOVERNMENT CONTROL IN THE MARGARINE AND SOAP TRADE
AS AT JUNE, 1949

Country	Raw Materials Oils and Fats Supplies	Finished Products			
		Margarine		Soap	
		Consumer Sales	Selling Price	Consumer Sales	Selling Price
Argentina	Partially controlled	Free	Free	Free	Free
Australia	Free	↑	↑	Free	Controlled
Austria	Controlled	Rationed	Controlled	Partially rationed	Controlled
Belgium	Partially controlled	Free	Controlled	Free	Free
Brazil	Free	Free	Free	Free	Free
Canada	Free	Free	Free	Free	Free
Ceylon	Free	Free	Free	Free	Free
Denmark	Controlled	Rationed	Free	Rationed	Free
Eire	Partially controlled	Rationed	Controlled	Free	Controlled
Finland	Controlled	Rationed	Controlled	Free	Free
France	Controlled	Free	Controlled	Free	Partially controlled
Germany (W.)	Controlled	Rationed	Controlled	Partially rationed	Partially controlled
India	Free	Free	Controlled	Free	Free
Indonesia	Partially controlled	Free	Controlled	Free	Controlled
Italy	Free	Free	Free	Free	Free
Netherlands	Controlled	Free	Controlled	Free	Controlled
New Zealand	Free	↑	↑	Free	Controlled
Norway	Controlled	Rationed	Controlled	Free	Controlled
Pakistan	Free	Free	Controlled	Free	Free
Sweden	Controlled	Free	Controlled	Free	Controlled
Switzerland	Free	Free	Controlled	Free	Controlled
Thailand	Free	Free	Free	Free	Free
Union of S. Africa	Partially controlled	↑	Controlled	Free	Controlled
United Kingdom	Controlled	Rationed	Controlled	Rationed	Controlled
USA	Free	Free	Free	Free	Free

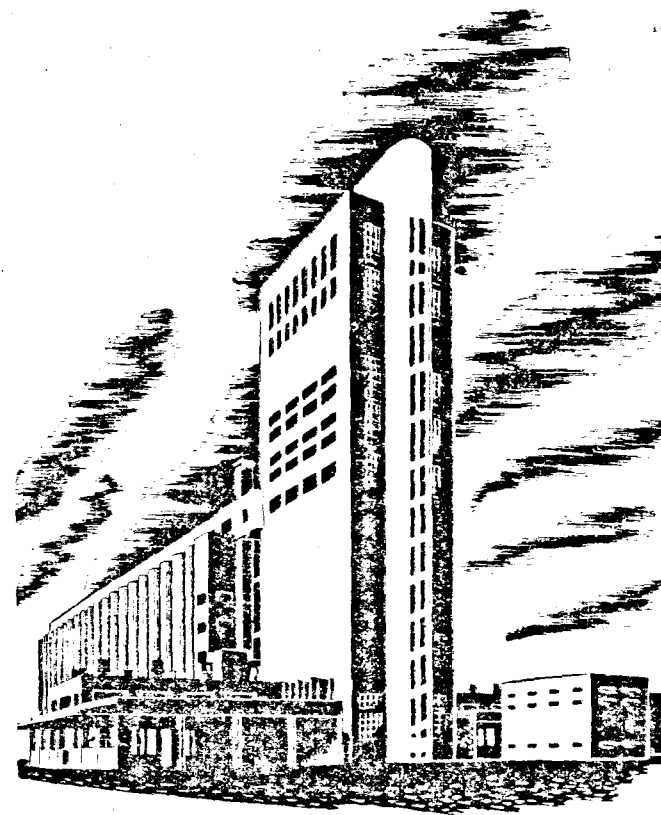
* Not applicable, trade small. † Sale for table use limited in Australia and virtually prohibited in N.Z. ‡ Limited production for sale to low-income groups.
* Vegetable oils. † Limited production for sale to low-income groups.
Source: Lever Bros. & Unilever. Annual report to stockholders.

There are six countries (Brazil, Canada, Ceylon, Italy, Thailand and USA) where trade in oils and fats, margarine and soap is completely free; three of them are in the western hemisphere, where there is a relative surplus of oils and fats and where prices have fallen recently; two of them are producing areas, while in Italy the trade in margarine is very small. On the other hand there are only three countries where the trade in oils and fats and the finished products is controlled at all stages, wholly or partially, both by rations and prices. These are Austria, western Germany and Britain.

Industry

Utility Price Cuts Defined

The President of the Board of Trade has signed the Orders which will bring into operation on September 26th the "five per cent" cut in the price of utility clothing and textiles to the consumer. Draft proposals were first discussed by the President with the representatives of manufacturers and distributors, and the final form of the Orders shows no great change. As the retailers feared, the heaviest cuts fall on them. The price reduction for clothing and footwear starts at the making-up stage. Cloth manufacturers are outside the scope of the scheme, and indeed the expectation in the trades concerned is that their prices will soon rise. The ceiling prices of the garment makers are reduced by one per cent, or two per cent if the manufacturer sells direct to a retailer. The wholesaler's margin, which is expressed as a percentage of the ceiling price, is reduced from 17½ to 16½ per cent, or proportionately if the margin is lower; this is equivalent to a reduction of 7 per cent in the gross margin. The retailer's margin is reduced

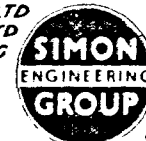


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by about 2½ per cent of the retail price, or 14 per cent of the gross margin. The original intention appears to have been to reduce the manufacturer's ceiling prices by 2½ per cent, but the intention was modified when it was pointed out that the total reduction to the consumer would then have exceeded 5 per cent.

For household textiles there is no maker-up's margin available for the President to cut. He has decided to cut the wholesaler's margin on returns from 15 to 14 or from 12½ to 12 per cent, and the retailer's margin by one "conventional step," e.g., from 30 to 27½ per cent of the selling price. This will not produce the full reduction of 5 per cent which was promised, and it appears that on this class of trade the President has been obliged to give way. The impression is confirmed that the cloth manufacturer's prices are regarded as untouchable at present.

The distributors argue that the manufacturers, since more than half of them are selling below their permitted ceiling price already, will largely escape the incidence of the cuts. They submitted alternative proposals to Mr Wilson, who has promised to "consider" them, but with no apparent result. It may be that the Board of Trade is anxious not to make utility production less attractive to the garment manufacturers. But the retailers hold strongly that the cuts will prove intolerably severe on those of their number who handle a large proportion of utility goods, and they expect disturbed trade conditions in the autumn.

* * *

The Colliery Winders

The colliery winding enginemen in Lancashire and Yorkshire, after a strike which in two or three days caused a loss of more than 300,000 tons of coal output, decided on Tuesday and Wednesday to go back to work. They made the decision under persuasion from their leaders, and after receiving assurances from the National Coal Board that there would be no victimisation if normal working were resumed at once. The dispute, so far as it concerns the wages of the winding enginemen, now goes to arbitration. But their dispute with the National Union of Mineworkers, which underlies the whole episode, shows every prospect of continuing to smoulder. It was noted in *The Economist* last week that the Minister of Labour, who threatened the winders with the rigour of the law if they persevered in their intention to strike, was displaying towards a small craft union a degree of sternness which he is unaccustomed to show towards the big industrial unions. The National Coal Board, concerned first of all to keep the coal-fields working, was more conciliatory. For this it was criticised as "lackadaisical" by the president of the National Union of Mineworkers, Sir William Lawther, who, while the winders' delegates at Barnsley were still trying to come to their decision, demanded the full penalty for their "treason" and protested against "appeasement." No doubt the Coal Board, and the winders themselves, are aware that if every unofficial strike had been treated as "treason" the membership of Sir William's own union would have been a good deal depleted before now.

The winders' action has withheld urgently needed coal, and to defend it would be foolish. There is, however, truth in their contention that their position relatively to other mineworkers has changed greatly for the worse in the last ten years. Further, there is apparent truth in their contention that this is because the National Union of Mineworkers has not adequately represented their interests. They do not enjoy recognition by the Coal Board, which therefore has not negotiated with them in the past. But it seems that the Board will have to consider either giving some degree of recognition or making a new arrangement to ensure that their interests are better represented in the future. The National Union of Mineworkers also needs to reconsider its relations with the winders; otherwise it is hard to believe that there will not be more trouble.

A British View of German Steel

An article in the *Statistical Bulletin* for July of the British Iron and Steel Federation makes a serious attempt to examine two urgent questions relating to the German steel industry: how is it to be owned and controlled, and what relations is it to have with the other steel industries of Europe? The attempt is somewhat clouded by the question of dismantling, which German opinion obstinately refuses to treat as a settled thing. The writer in the *Bulletin* himself describes the agitation over dismantling as a "smoke screen"—by which he means presumably that the Germans are using it to distract attention from economic difficulties and unpleasant questions of reorganisation which they are reluctant to face.

A serious long-term programme for modernising and re-equipping the industry would undoubtedly pull out a great deal more plant than is being removed for reparations under the present plan, and a good deal of the plant now being dismantled would be included.

This thesis is difficult to reconcile with an admission earlier in the same article that the agreed four-Power policy was to remove "the best equipment" for reparations; modernisation and re-equipment do not normally aim at removing the best plant and retaining what is old and inefficient.

The termination of dismantling is, however, only one point of the policy recently outlined by Herr Barich (whom the *Bulletin* quotes) and other leaders of the German iron and steel industry. Other points are a reform of the present irrational cost structure, and a programme of technical improvement which would fit the industry for unsubsidised competition in the export markets. The article clearly anticipates a revival of German export competition in the next few months. But long-term rehabilitation of the industry will require large investments of new capital, which the Germans hope to secure partly from German sources and partly from foreign investors; they are thinking a good deal about inviting foreign participation in ownership.

There is a clear need for an agreed Anglo-American policy which would permit some of these questions to be settled. But such a policy is almost impossible so long as the British and American governments hold completely opposite views on the future ownership and control of the industry. If these opposite views are rigidly maintained, the British Iron and Steel Federation evidently fears a revived Continental steel cartel in which the Germans would participate but from which Britain might be excluded. What it would prefer to see is clearly suggested—"a regime which includes fair competition and a moderate degree of governmental control" for the European steel industry as a whole, and a German industry in the hands of persons who "can and will honestly join with the other European steel industries in accordance with government policies in organising their affairs for the common good." There seems to be no demand at Steel House for unqualified freedom or unrestricted competition.

* * *

Recovery in Radio Sales

The radio industry has done better in the first half of 1949 than its declining output and falling sales in 1948 would have suggested. Home sales fell before the budget, but the recovery was sharp. The prevailing impression in the industry is that business has been better than in the first half of any year since the war; it believes that the improvement represents a genuine increase in demand, and not solely an accumulation of postponed buying. The increase is the more encouraging to the industry since it has taken place at a time of year when activity is usually low. The sales index prepared by the Radio and Television Retailers' Association (which dates, unfortunately, only from last September) shows the average number of sets sold by each retailer in a month. In September the figure was 10.26 sets per retailer. In October the industry ran a "better listening" campaign, and the index jumped to 13.05. Sales in November were back to 10.97; in December, Christmas sales brought them up to 16.11. The monthly

figures for 1949 included in the following table suggest that sales may recover by September to last year's level. The radio exhibition in October will provide a stimulus to sales in that month also. The figures suggest a surprisingly large number of retailers in relation to the volume of business done. But they have improved since before the war, when between 15,000 and 20,000 retailers shared in the distribution of little more than 100,000 sets a month.

Production has remained well below last year's average. Manufacturers were discouraged by the accumulation of retail stocks in the later months of the year, and felt that the peak of demand had been passed. Production in 1948 tended to decline; but this is not a fully reliable guide to activity in the industry generally, since production of television receivers was increasing at the same time. Since a television receiver contains 200 or more components compared with 40 or 50 in an average radio set, it is clear that general activity has declined less than unit production. Measured by a rough

	Total Production	Total Export	S. Africa	Export to India	Egypt	*Index of Home Sales
1947	'000s 165	'000s 33.9	'000s 3.0	'000s ...	'000s 1.8	...
1948	136	25.7	2.9	...	2.5	...
1949:—						
January	112	25.1	2.5	5.4	1.3	11.79
February ...	97	17.9	1.6	2.2	2.2	8.65
March	108	36.9	10.9	3.9	4.4	6.26
April	96	34.9	15.3	4.8	3.5	12.48
May	105	27.3	2.9	3.7	2.4	9.32
June	...	28.0	8.0	4.0	2.0	9.39
July	...	22.4	10.0	2.3	1.9	9.48

* Index prepared by the Radio and Television Retailers' Association to show average sales per retailer in England and Wales.

estimate of the number of components, monthly production this year has been 12.5 per cent below the 1948 average. It appears that retailers have been depleting their stocks; the prospects for manufacturers' sales may, therefore, have improved. The industry attributes the recent improvement in sales to a steady price reduction. In the last quarter of 1948, the average price of a radio set was £25 10s. It is now down to £22. In the same period the price of television receivers declined 12 per cent.

Export sales have also been unsteady. The industry's main markets are in the Far and Middle East, in countries which have no radio industries of their own. Several of these countries restricted the issue of import licences at the beginning of the year, but these markets have since reopened. The fluctuations in exports to South Africa reflect some forestalling of the South African import restrictions, but the Union has no domestic radio industry, and licences for the import of the lower-priced sets will still be issued.

* * *

Production Indices Compared

The recent official pamphlet describing the Interim Index of Industrial Production has provided the London and Cambridge Economic Service with an opportunity to compare its own index with the structure and methods employed by the Central Statistical Office. The comparison is made by Messrs. W. B. Reddaway and Arthur Adams in the August issue of the *Bulletin* of the London and Cambridge Economic Service.

The two index numbers have in general moved in a similar way, but between 1946 and 1948 the official index has shown the greater rise—21 per cent against 18 per cent. No single explanation can be given for the divergence. Different weighting systems are used in the two calculations, but—as with many other index numbers—strict accuracy here seems to have less effect than other factors have. The explanation lies rather in the different indicators which are used to represent the output of the same industry. For a variety of reasons the difference between the results lies sometimes one way, sometimes the other; and the surprising thing is not that the two index

numbers have moved differently, but that the divergence has not been greater. In total, the two index numbers are not widely separated; but this masks much larger variations for some individual industries.

In certain respects the official calculation is the more thorough. It includes a more scientific assessment of the work done in merchant shipbuilding and of the output of the building and contracting industry—although, oddly enough, it omitted altogether the production of non-aluminium hulls for temporary houses. But the laws of chance are such that much the same final result for building has been obtained by the cruder methods of the London and Cambridge measure. In only one general principle do the two indices differ—the official one avoids the use of employment figures, except "to extend the index for part of an industry to cover the whole of it." Employment is obviously a poor guide to output since it assumes constant productivity per man, but the London and Cambridge Service may be right in using it as the best available guide to output in a few "difficult" industries. Certainly this may well apply to scientific instruments, where the official index uses, instead, merely the output of ophthalmic lenses and photographic plates, films and sensitised paper. Ophthalmic lenses, in view of the enormous demand for spectacles created by the National Health Scheme, are obviously unrepresentative nowadays; and the photographic materials are in fact included elsewhere in the index. Who is to say whether it is better to represent the output of clothing by the yardage of cloth supplied (the London and Cambridge method) or by the value of sales reported by a panel of makers-up, and deflated by the index of retail clothing prices (the method used by the Central Statistical Office)?

As more comes to be known about the two indices in operation, it does seem that their compilation independently of each other serves a useful purpose. It may be felt that the Government statisticians, with access to fuller material, ought to produce the more accurate measure; but it is not yet possible to demonstrate that they have done so. The comparison draws attention once more to the many difficulties and weaknesses which beset an index of this type. A more detailed statistical analysis of the differences might suggest improvements which could be made in both indices.

Shorter Notes

The President of the Board of Trade, in announcing on Thursday the signing of the Orders which are to give effect to the utility price cuts (discussed on page 470) also announced that he had signed Orders to release a wide range of non-utility goods from price control. They include most non-utility piece goods (except wool fabrics other than hand-woven tweeds), some clothing, non-utility furniture, domestic goods such as hollowware, heaters and electric clocks and many miscellaneous articles.

*

Securities on which capital, dividends or interest is payable or repayable in Belgian Congo or Luxemburg francs have been added by the Treasury to the list of prescribed securities. These may now be purchased only by United Kingdom residents or by non-residents with Belgian account sterling.

*

In the eighth schedule of valuation issued since the gas industry was vested on May 1st, compensation values for 55 stocks in 30 gas companies are given. Three per cent Gas stock, 1990-95, issued in compensation at par, stands currently at 91½.

*

An air transport agreement, which has been signed in Canada between United Kingdom representatives and the Canadian Minister of Transport, gives the United Kingdom five routes across Canadian territory. Canada gets four routes over the British Isles and British colonies.

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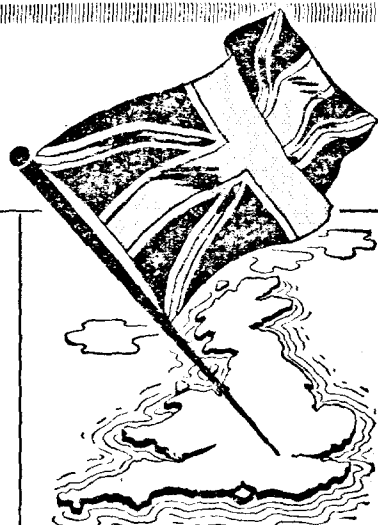
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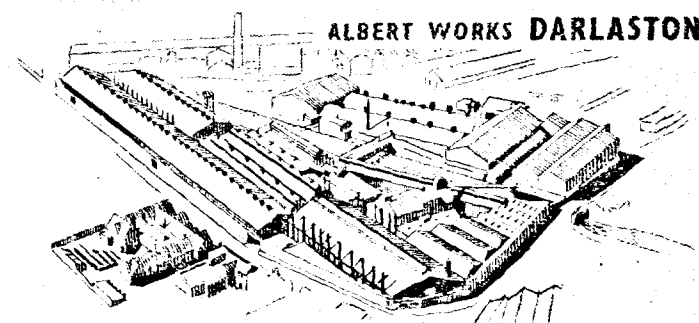
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ISSUE OF NEW CURRENCY

AGREEMENT WITH ISRAEL GOVERNMENT

DIVIDEND OF 13 PER CENT

MR S. HOOFIEN'S STATEMENT

The forty-seventh annual general meeting of the Anglo-Palestine Bank, Limited, was held at the registered offices of the Bank, 6, Gracechurch Street, London, E.C., on August 22nd.

The following is the statement of Mr S. Hoofien, the chairman, which had been circulated with the report and accounts for the year to December 31, 1948:

The report and accounts have been presented somewhat late this year. Your directors had hoped that double taxation arrangements between the United Kingdom and Israel would have been completed, but at the time of issuing this statement the formalities have not been concluded, and the directors did not wish to postpone any further the presentation of the report and accounts.

NEW ISSUE DEPARTMENT

The accounts for 1948 present a new feature of particular interest in that they include the balance sheet of the bank's new issue department. It will be remembered that since 1927 the country's currency was the Palestine pound freely convertible into sterling, and issued by the Palestine Currency Board, whose members are appointed by H.M. Government in the United Kingdom and whose seat is in London. On February 22, 1948, Palestine was placed outside the sterling area. The United Nations' General Assembly, in a resolution of November 29, 1947, decided to partition Palestine into two independent states to be joined in an economic union which was to be administered by a specially constituted economic board. One of the major functions of this board was to deal with currency, and it was contemplated that the Palestine Currency Board would continue to function until the Economic Board had arranged for the setting up of the new currency machinery.

The resolution of November 29, 1947, was, however, not allowed to be peacefully implemented and the Economic Union and Economic Board were not set up. Consequently, the State of Israel, which was established upon the termination of the mandate, found itself with a currency controlled by a body which had ceased to function within its territory and which was controlled by a government which did not recognise the existence of the State and entertained no diplomatic relations with it. In the circumstances the Government of Israel decided to issue a new currency, the unit being the Israel pound, at parity with the pound sterling.

PROVISIONS OF NEW ORDINANCE

The government approached our bank to undertake the issue of this new currency and the bank undertook to do so under an agreement dated August 16, 1948, which is incorporated in the Bank Notes Ordinance No. 18 5708-1948, establishing for the purpose an issue department which functions separately and distinctly from the other departments of the bank. The main provisions of the ordinance and the agreement are:—

- The banknotes are legal tender;
- Existing contracts and liabilities ex-

pressed in Palestine pounds are automatically considered to be expressed in Israel pounds;

- The Anglo-Palestine Bank has the sole right of issuing banknotes in Israel;

- The government is precluded from issuing currency notes except in denominations lower than 500 mils;

- The transactions of the issue department are to be kept entirely separate from all other transactions of the bank;

- The assets of the issue department, but those assets only, are charged in favour of the holders of the banknotes, the bank not being liable to satisfy banknote holders out of its other assets;

- In cover of at least 50 per cent. of the total circulation the issue department shall hold gold, balances in approved foreign currencies and Palestine Currency Board notes (later the Bank Notes Law of 5709-1949 was passed which permits the holding, additionally, of Land Bonds issued by the government);

- In cover of the balance of the circulation, the issue department will hold Treasury bills, short-dated government securities, bank bills rediscounted and secured bank loans;

- The operations of the issue department and its profits and losses are solely on government account;

- The bank shall be the sole banker and financial agent of the government;

- The agreement between the government and the bank is to remain in force until June 30, 1951, but can be terminated earlier at the end of any quarter by giving to the bank prior notice of not less than six months;

- Upon the termination of the agreement all the assets and liabilities of the issue department shall be transferred to the government or such body as will be designated by the government for the purpose.

The exchange of the Palestine Currency Board notes for the new banknotes was carried out smoothly in the course of a few weeks. The redemption of the currency notes by the Palestine Currency Board naturally took a longer period but was effected equally smoothly.

EXTENSION OF BUSINESS

The difficult political and military conditions to which the country was subject in 1948 are well known from the considerable publicity which they have received. The administrative machinery had deteriorated to such an extent during the months preceding the termination of the mandate as to have reached a state of complete breakdown. However, within the territory of Israel it was quickly restored, and the country was able to carry on its business and other activities under fairly orderly administrative conditions. All the bank's branches and its business are within Israel territory, so that we experienced no particular difficulties. The prevailing conditions resulted in a considerable extension of business. Current, deposit and other accounts show an increase of £12.7 million, advances to customers £7 million and confirmed documentary credits £2.1 million.

We feel happy in having been able to assist agricultural and industrial production and to encourage the import trade through credits which have been carefully examined in each case, with a view to reducing their inflationary effect to a minimum, and increasing their useful effect in the direction of stimulating production and supply. The government has invited us to take over the administration of government loans and we have set up a special department for the purpose.

PROBLEM OF LIQUID BALANCES

The cessation of the functioning of the Palestine Currency Board in Palestine confronted us with a grave cash problem, particularly as most of the local banks and co-operative savings societies keep their main liquid balances with us and rely on us for providing them with cash when required. Upon being advised that the Palestine Currency Board would suspend its operations in the country, we had no choice but to liquidate the greater part of our holdings in British government securities and increase our holdings of Palestine currency notes. We kept an unusually high cash balance, incurring a considerable loss of interest and a most unwelcome risk in a troubled period. The issue of the new Israel currency provided us with a solution of this problem. Our liquid balances problem, which had become rather delicate after the exclusion of Palestine from the sterling area, was solved by the issue of Israel Government Treasury bills which now form a large part of our liquid reserves.

The exclusion of Palestine from the sterling area, on February 22, 1948, naturally presented the country with a difficult problem. To cover outstanding commitments an amount of £14.3 million was freed from Palestine balances in London. Negotiations subsequent to May 15, 1948, and until the end of March, 1949, conducted between our bank and the Bank of England resulted in the freeing of a further £6.5 million for food, fuel and general imports. The amount of these releases being based on the requirements of the whole country, an appropriate proportion was placed by us at the disposal of other banks. Releases were also made direct to other banks to an amount of £350,000.

Following upon the de facto recognition of the Government of Israel by H.M. Government, the negotiations for releases and on ancillary matters were transferred to Treasury level. An Israel financial delegation visited London in May, 1949, and the results of the negotiations were further agreed releases to a total amount, under various headings, of £6,950,000, for the period ending October, 1949. Our assistant general manager, Mr David Israeli, served on this delegation. These negotiations, the first official ones between H.M. Government and the new State of Israel, were conducted in a spirit of cordiality and of mutual understanding.

SUBSIDIARIES

The business of our main subsidiary, the General Mortgage Bank of Palestine, Limited, remained stationary during the year. The local capital market was brought into the service of the war effort to such an extent that it could not absorb additional debentures of that bank. The dividend on its preference shares and ordinary shares has been maintained at 6 per cent., subject to tax. The APB Investment Company, Limited, was in a position similar to that of the General Mortgage Bank, but still succeeded in extending the scope of its activities.

Our two subsidiaries, the Otsar La Taasiya, Limited, which grants medium and long-term loans to industry, and the Otsar La Haqla-uth, Limited, which grants similar credits to agriculture, have extended their business to a moderate degree. I am particularly happy to be able to state that neither the bank nor its

subsidiaries have experienced any appreciable losses in consequence of the war conditions.

RESULT OF YEAR'S OPERATIONS

The profit and loss account shows an increase on the profit for the year from £198,387 to £255,282. However, account has to be taken of the fact that the dividends on both the preference shares and the ordinary and "A" ordinary shares have been given gross (as against net last year) so that the actual increase in profit shown is somewhat above £15,000. Your directors, having already made a generous pre-balance-sheet provision for contingencies, have considered it unnecessary to make a further appropriation to contingencies reserve from the profit and loss account. They have appropriated £160,000 to the reserve fund bringing it up to a total of £660,000.

You will be interested to learn that the Inland Revenue authorities in the United Kingdom have agreed to regard the bank as non-resident in the United Kingdom for taxation purposes, with effect from April 6, 1947. This, of course, relieves the bank from the liability to pay United Kingdom tax on profits earned outside the United Kingdom. Your directors recommend a total dividend for the year on the ordinary and "A" ordinary shares of 13 per cent. subject to income tax. On account of this total dividend an interim dividend, free of tax, of 3 per cent. was made on October 21, 1948. It will be noted that the gross dividend now being recommended, as against our customary tax-free dividend, will result, for United Kingdom residents, in a net dividend approximately the same as that paid for the year 1947. I may not close my remarks without paying tribute to the management and staff for their utmost devotion and energy during a difficult year.

The report and accounts were unanimously adopted.

BRITISH MATCH CORPORATION, LIMITED

SATISFACTORY RESULTS

The twenty-second ordinary general meeting of the British Match Corporation, Limited, was held on August 19th, in London.

The following is an extract from the statement by the chairman, Mr Arthur Hacking, O.B.E., for eleven months ended March 31, 1949:—

The average return on the Corporation's investments, including subsidiary and trade investments, is 9.345 per cent., as against 9.029 per cent. In view of the difficult trading throughout the world, we consider this return exceedingly satisfactory.

As I told you last year, there had been no change in the price of matches since July 31, 1940. There have, of course, been very considerable increases in costs of raw materials and wages since that date. This was appreciated by the Chancellor, and in the budget of April last the manufacturers were given 7d. per gross towards their increased costs; at the same time the excise was increased by no less than 5s. 5d. per gross.

Since 1939 it has not been possible to get any timber supplies from the Baltic countries. Almost all our supplies come from Canada. Our allocation of dollars for these purchases has been very severely cut, so much so that we anticipate a reduction in home-produced matches, in spite of all economies which we are able to make.

Your board recommend the same dividend and bonus as last year without withdrawing any sum from dividend reserve and has been able to add approximately £10,000 to the carry forward. It is impossible to foreshadow the results which 1949-50 may bring forth.

The report was adopted.

PINCHIN, JOHNSON AND ASSOCIATES, LIMITED

STRONG CONSOLIDATED POSITION

RECORD HOME AND OVERSEAS SALES

DEVELOPMENT AND EXPANSION CONTINUED

MR C. G. HEYWOOD'S STATEMENT

The annual general meeting of Pinchin, Johnson and Associates, Limited, was held on August 25th at Tigbourne Court, Witley, Surrey. Mr C. G. Heywood (the chairman) presided.

The directors' report stated that the parent company's net profit for the 12 months ended March 31, 1949, was £955,017. Value of sales both home and abroad again established a new high record, but net profit from sales in the United Kingdom showed a decrease owing to increased material and labour costs which were not recoverable owing to fixed selling prices. The decrease was largely counter-balanced by increase in profits of the company's overseas operations. All overseas companies have shown considerable growth of their local business, and during the last two years approximately £600,000 capital has been invested in such companies.

The Chairman's statement was as follows:

The balance sheet of the parent company and the consolidated accounts have been prepared in accordance with the provisions of the Companies Act, 1948. In so far as the balance sheet of the parent company is concerned, comparative figures for the preceding year are shown. For the consolidated balance sheet previous figures are not shown, for the reason that this is the first year of the presentation of a consolidated balance sheet. The same applies to the consolidated profit and loss account. Comparisons will be available with all future accounts.

I desire to draw your attention to certain items as follows:

PARENT COMPANY'S BALANCE SHEET

The issued ordinary share capital was increased during the year by 730,500 shares, and the premium obtained by the company, after deducting all expenses in connection with the issue, is shown in the share premium account.

It will be noticed also that the general reserve account has increased by approximately £58,000. This is due to a reallocation of reserves during the year. A sum approximating this amount, which had been standing in our books as a provision for depreciation of fixed assets and which, in our last accounts, had been deducted before arriving at the balance sheet value of such assets, has been transferred to general reserve. Adequate depreciation has been written off in the past, and this additional provision is in excess of that which, in the opinion of the directors, is reasonably necessary for the purpose. The present value of our fixed assets is considerably higher than the balance sheet figures.

During the year the bank loan of £1,000,000 was repaid.

CONSOLIDATED BALANCE SHEET

Total shareholders' funds, omitting the reserve for future taxation, amount to £5,773,055.

The ordinary capital of £2,191,500 is therefore covered by net assets having a book value of £4,973,055 and of the latter figure only a small proportion, i.e., approximately £41,000, is represented by the intangibles, goodwill, patents, trade marks, and certain capital issue expenses of overseas companies not written off.

It should be explained that, whereas the

balance sheet of the parent company has no goodwill item, this having been written off entirely some time ago, the consolidated balance sheet shows goodwill, patents, and trade marks of £40,737 and capital issue expenses, less amounts written off, of £297. Both these items appear in the balance sheets of overseas subsidiary companies. The small item of capital issue expenses will in future be eliminated, but in the case of goodwill, patents, trade marks at the sum of £40,737 it may be desirable to maintain this to conform to local custom.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

This discloses that the total net profits of the company and its subsidiaries for the year amount to £1,276,435, of which £679,312 is absorbed by total taxation and £78,690 is applicable to outside shareholders, leaving £518,433 as the parent company's proportion of net profit for the year.

Of the latter sum, £28,578 has been transferred to the parent company's portion of reserves in the overseas subsidiaries accounts, £455,017 dealt with in the parent company's own profit and loss account, and the balance of £34,838 added to the parent company's portion of profit carried forward in the accounts of the overseas subsidiary companies.

It is as well to point out that the dividends from associated companies, as distinct from subsidiaries, are included in the item "Income from Trade Investments."

As you will see from the balance sheet, there have been considerable expenditures under the heading of plant and machinery during the year. This is in line with our determination to erect new producing units, or re-arrange existing ones so as to have optimum mechanisation. Part of these expenditures is paid for by compensation for war damage.

GENERAL REVIEW

In last year's statement I made reference to the fact that the authorities were not prepared to permit us to proceed with our rehabilitation in all respects, and that we were by no means satisfied with this situation. It is a matter of some satisfaction to record now that permissions have been granted. As a result of this we intend to proceed with a completely new building in the London area, with the most modern layout, designed for large volumes of highest quality products, and with maximum flexibility of operation.

We have completed a separate small batch factory, sited at the principal group works in London. For works scale experimentation its value is important, besides providing capacity to deal with relatively small order batches to suit the very individualistic needs of a variety of customers, and relieving the bigger producing units of uneconomic loads.

The principal group works suffered great war damage to its medium, processing, and storage departments. We can now announce that a completely new building, very much more spacious than previously provided, is completed, and is now being equipped with its process plant and tankage. The completion of this marks yet another stage in our rehabilitation, and increases the over-all efficiency.

I do not wish you to be under the impression that our rehabilitation is complete or that our factory replanning is finished. It is our intention to proceed with further installations, including bulk resin and medium making plant, notwithstanding the fact that our present installations must be some of the largest in the country.

I am convinced that the investments we have made in improved capacity will pay handsome dividends in increased productivity, increased control of product, and lower over-all labour costs and supervision.

Believing, as we stated last year, that if we motivate increased production by means of incentives, we are good economists, it is proper to tell you that all the company's workers and staff received a bonus on their wages and salaries for 1948. Continuity of bonus depends upon the prosperity, measured by profit, of the company.

DIRECT AND INDIRECT EXPORTS

The over-all volume of production achieved, and the disposal, in terms of sale volume, showed a substantial increase for this period over the preceding one. This is all the more remarkable in view of the fact that some heavy tonnage lines for domestic utilisation suffered considerable declines in volume sales.

Our direct exports were approximately 12 per cent. of the total exports achieved by the industry as a whole.

I made use of the expression "indirect exports" in my statement to you last year, and I consider it desirable now to explain the meaning of this term. To us it means all the sales of industrial coatings to our British customers which are used by them on their exported goods. Excellent examples of these are motor-cars, cycles, refrigerators, etc. Our estimation is that 33 per cent. of our total home sales in the year 1948-49 formed such "indirect exports."

OVERSEAS DEVELOPMENTS

I have referred on previous occasions to the unquestionable trend towards greater industrialisation in many of the overseas markets which were formerly catered for by export from the United Kingdom. It appears to us that political considerations will definitely foster and favour, by protective measures, local enterprise on account of the need to give employment to increased populations in their cities.

It will interest you to know that the

managements of our American, Indian, Australian, and Argentine manufacturing enterprises are in this country to consult with our executives as to the desirability and ways and means of expanding capacity and financing the cost thereof.

I have mentioned before, and I continue to maintain, that it should still be possible to export certain types of highly technical materials of our manufacture to the markets in question in spite of local manufacture, and I have also always hoped that each manufacturing unit we acquired, whose capacity we overhauled and enlarged, would, in itself, be a customer for some of our basic primary and intermediary products, and thus form a continuation of our export volumes from our United Kingdom factories.

I remain convinced that the resources of our Commonwealth and Colonial Empire will, in due course, come into the supply position because, if only development and distribution can be proceeded with, I feel sure that they are rich in resources.

I am still convinced that vegetable oils will continue as indispensable bases for our surface coatings, and that new techniques will make possible the use of many colonial materials, where climate, soil, and labour conditions are all in their favour, and only inspiration and impetus appear to be lacking.

I am stimulated at the prospect of great petroleum refineries being installed in the United Kingdom. The proper utilisation of coal resources, the agricultural developments that I believe are practical in our colonial territories, together with the development of chemical activity arising from petroleum technology established in this country, may profoundly affect our industry's surface coating techniques.

COMPETITIVE INDUSTRY

Reference has been made in the directors' report to the fixing of home trade prices, and its effects on profits. Possibly it is desirable to amplify this. It should be explained that the Board of Trade approached the industry to negotiate an undertaking whereby an over-all reduction of 7½ per cent. of the profits would be aimed at, to be achieved by the reduction of prices in the home market. It is stated in the directors' report that, but for export revenue and revenue from overseas companies, our profit would be more adversely affected by the incidence of this directive.

It should not be forgotten that the paint industry is a highly competitive industry,

and it is obviously the desire of each member to maintain the good will and extended custom of its clientele and to make the best products for each specific purpose, fixing its prices accordingly.

It would be apposite to speak of commodities and commodity values. If confidence is lost in commodity values, buying tends to become hand to mouth, and production follows the same pattern, resulting in high costs in consequence. That is why, in my last statement, I stressed the desirability of stability. But stability out of line with world reality in prices is untenable, as export competition is thus prejudiced. In consequence, the responsibilities of Government in bulk buying are indeed great. Particularly is this true in the history of the linseed oil supply position in our industry.

THE FUTURE

It is my sincere conviction that surface coatings and paint will not be ousted. It may well be that momentarily and on a short term view surface coating activity, in the maintenance field, is temporarily suspended. But suspension in maintenance is only deferment.

One cannot avoid the thought that if it is true that Great Britain itself serves as a valuable dollar earner on account of its tourist traffic, the refurbishing of many areas needing paint might well form a valuable field for the relief of unemployment, if our own essential export industrial effort was in any way jeopardised in such a way as to cause temporary unemployment in industry.

To summarise we look upon the immediate future as full of difficulties and frustrations; but this should not deter us from our ultimate aim and our real confidence in the continued success of our undertaking. We reaffirm our complete confidence in our ability to cater for an expanding need and the diversification of the demand required of us, by reason of the spread of our activities.

In conclusion, I am sure you will join me in thanking all members of the staff and all workers, for their continued co-operation and loyalty.

The report and accounts for the year ended March 31, 1949, were adopted and a final dividend of 17½ per cent. (less tax) was declared on the Ordinary shares, making 25 per cent. (less tax) for the year.

The retiring directors were re-elected and the auditors' remuneration was fixed.

NOTICES

UNIVERSITY OF QUEENSLAND

Applications are invited for the post of Professor of Economics. Salary £A1,350/£A1,600 p.a., plus cost of living allowance (at present £A23 10s. p.a.).

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is 15th October, 1949.

CENTRAL OFFICE OF INFORMATION. Government Social Research unit requires Research Officer to assist with Consumer Expenditure inquiries. The post requires a knowledge of statistical methods and involves close contact with field staff. Candidates should be graduates with some experience of the techniques of survey field inquiries, preferably in the expenditure or some allied field. The post is graded Temporary Higher Executive Officer, salary—Male £675 to £860, Female £550 to £675.

Written applications, giving date of birth, full details of qualifications and experience, including dates should be addressed to London Appointments Officer, Ministry of Labour and National Service, 1-6, Tavistock Square, London, W.C.1, quoting reference number BJ 91. Original references must not be forwarded. Only candidates selected for interview will be advised.

B.A. (Aged 28), top 2nd class honours Modern History and Politics, ex-R.A.F., competent lecturer, able writer with specialised journalistic experience involving scrutiny of large volume of printed material, seeks post in which these qualifications, together with ability to make sympathetic personal contacts, may be utilized. Adult education, journalism, publishing, research, etc. Suggestions invited. Box 173.

FOR SALE: "Keesings" Weekly Diary of World Events. Complete July, 1931 to July, 1950, 7 vols., 11,000 pages. 155 or best offer.—Box 164.

RESEARCH in Applied Social Science. The Tavistock Institute of Human Relations invites applications for the post of Social Scientist (male) to join a team engaged on research on the communication and practical application of industrial sociological developments. Candidates, who should have experience in or knowledge of, industry, must be University graduates, preferably in psychology, sociology, anthropology, economics or medicine. Appointment will be for 1 to 2 years. Salary from £1,000 to £1,200, according to qualifications and experience.

Enquiries to The Secretary, Tavistock Institute of Human Relations, 2, Beaumont Street, London, W.1.

SOCIAL Statistics. The Tavistock Institute of Human Relations offers a one year Training Fellowship in Social Statistics, available October 1, 1949.

Candidates should have an Honours Degree in Statistics; or one in Mathematics; or in a Social Science, such as psychology, which includes statistics. Training would be in the practical application of statistics to social problems and there would be some opportunity for practical experience in statistical methods as applied to specific industrial field research. Experience in the general application of statistics to social problems would be desirable.

Training grant: from £400 to £650, according to qualifications and experience. Enquiries to The Secretary, Tavistock Institute of Human Relations, 2, Beaumont Street, London, W.1.

SALES MANAGER required by large and long established firm manufacturing food specialities. This position is in London and offers an excellent opportunity to the right man, who must possess first-class organising ability and provide dynamic leadership to the sales force. Full particulars, please, including age, experience and salary required. Box 355, 11, Grosvenor Hill, London, W.1.

PERSONNEL Manager required by engineering firm, works in Slough area, employing some 1,100 people. Previous experience essential. Salary commensurate with qualifications. Write, Box No. 642, 18-20, Regent Street, S.W.1.

Investment Statistics

Company Notes

Distillers Company.—The full accounts reveal a further rise in group current assets from £36,709,507 to £57,371,735. Net group current assets are £48,693,377 against £47,003,876. Stocks have risen sharply from £24,762,002 to £30,733,676. Investments are lower at £11,295,026 against £15,648,559. Cash is £1,200,000 up at £8,139,660, but tax reserve certificates are down by over £1,000,000. Group profit is down to £11,378,580 against £12,621,665. The ordinary dividend of 12½ per cent is repeated.

Murex.—The full report shows a group trading profit for the year ended April 30, 1949, of £874,268, compared with £695,828 for 10 months only in 1947-48. An adjustment to take account of the longer period is made to the ordinary dividend, which requires £68,750 against £57,292.

United Dairies.—Trading profit has risen from £2,312,709 (9 months for the parent company and 12 months for the subsidiaries) to £3,233,708 in the full year ended March 31, 1949. Net profit after taxation is £352,890, compared with £771,763. The group balance sheet shows reserves, apart from £1,488,201 share premium account, of which £1,482,387 is to be capitalised by a 50 per cent bonus issue, of £6,096,489. Group current assets stand at £10,783,986, of which nearly half is in cash or marketable securities. The ordinary dividend for the year is 15 per cent.

Thomas de la Rue.—The wholly owned operating subsidiaries have been dissolved and their assets transferred to the company. Intangible assets have been eliminated. Property, etc., in Rangoon and Shanghai has been written off entirely.

Henry Boot.—After an interval of nine years ordinary shareholders are to receive a dividend of 10 per cent for 1948 on the ordinary capital of £110,596.

J. B. Broadley.—No interim dividend is to be paid on the ordinary capital of £20,100 in respect of 1949. Last year's interim and

final payments were 75 per cent each. The 1s. ordinary shares were introduced on the Stock Exchange around 23s. in 1946 and are currently quoted at 5s 6d.

Vaux.—The group's trading profit for the year ended April 30 has fallen to £478,390 against £590,250 in the previous 12 months. Group net profit has declined from £257,331 to £175,537 after crediting £189,630 (£150,000) from deferred repairs. Current assets have fallen from £1,475,289 to £872,259. Current liabilities are up from £895,560 to £1,048,232, including a bank overdraft of £225,306 (nil). The ordinary dividend remains unchanged at 12½ per cent.

Swears and Wells.—The ordinary dividend has been cut from 7½ per cent, to 5 per cent for the year ended January 31, 1949. Consolidated profit is £216,640. Net profit is £129,612.

Nitrate Railways.—The issued capital is to be reduced by repayment of £3 per share on each of the 235,586 £10 ordinary shares and on 54,214 £10 preferred converted ordinary shares. The repayment will reduce the issued capital from £3,440,140 to £2,570,740.

Yorkshire Amalgamated Collieries.—Surplus capital of £1,466,609, being about 29 per cent of the issued capital is to be repaid. One quarter of the amounts paid up on the 4½ per cent cumulative redeemable preference shares, the ordinary and deferred capital is to be repaid. Present issued capital is £4,966,438, and after the repayment the issued capital will be £3,499,829.

Scottish Motor Traction.—Holders of £1,000,000 6½ per cent cumulative preference stock are to be repaid at par and a distribution of £4 (nominal) of British Transport (Wagon Stock) 1968-73 will be made for each 5s. ordinary share unit held.

Capital Issues

Laporte Chemicals.—Shareholders are to be issued with one new 5s. ordinary share

for each existing share held. In this way 2,944,400 new shares will be issued capitalising £736,100 from share premium account.

Millford Steam Trawling.—Shareholders are to receive a capital bonus of two 5s. ordinary shares for each 5s. share held, capitalising thus £100,000 from share premium account.

Montague L. Meyer.—Shareholders are to receive three 1s. ordinary shares for each ordinary share held.

Royton Spinning.—Capital is to be restored to its pre-war level by a bonus issue to capitalise £27,000 of reserves.

H. J. Baldwin.—In the offer to shareholders the six per cent £1 cumulative preference shares are now offered on a one for one basis at 22s. 6d. against originally 25s., and the 200,000 2s. ordinary shares offered in the proportion of one new share for each five shares held are priced 5s. 6d. against 6s. previously.

New Issue Prices

Issue	Issue Price (p)	Price, Aug. 24, 1949
Amber (L), Deb. (150 paid)	100½	50-50
Artisan, Pref.	21 0	20 3-20 7
Assoc. Fisheries, Pref.	21 0	18 6-19 0
Babcock & Wilcox, (20 paid)	57 6	25 6-21 0
Barbados Elec. Pref.	20 3	19 9-20 3
Factoria, Pref.	20 3	20 9-21 3
Cons. Zinc, Pref.	20 0	17 3-18 3
Goldthorpes, L.	2 3	2 3-2 4
Gray's Carpet, Deb. (250 paid)	100	46-48
Guest, Kemp (200 paid)	37 6	20 6-21 0
Hamer-Porter Paints, Pref.	21 6	21 0-22 0
Do. Ord., 5s.	10 9½	10 3-11 3
Indiab. 4½% Pref.	20 0	20 6-21 0
Indiab. 4½% (25 paid)	99	1-1 10s
M. Rhodesia (50 paid)	65 0	31-31 10s
Nawa (50 paid)	100	8-18 00
Rotary Hoes, 5s.	15 0	13 0-14 0
Standard Fineworks, Pref.	21 9	19 6-20 6
Teleph. & Gen. Trust, 3½% Deb.	101½	96-100
Reed (A. E.)	35 0	37-38 0
Do. Pref.	20 0	19 4-19 10½
Whitbread, Deb. (250 paid)	100	15-16
Whitely (B.)	70 0	5-5 6
Willmot-Brecon, Pref.	20 6	19 3-20 3
Yorkshire Dyeware, Pref.	20 0	19 7-20 1½

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Murex; Distillers; Vaux.

Prices, Year 1949 Jan 1 to Aug 24		Name of Security	Price, Aug. 17, 1949	Price, Aug. 24, 1949	Yield, Aug. 24, 1949	Prices, Year 1949 Jan. 1-August 24		Last Two Dividends	Name of Security	Price, Aug. 17, 1949	Price, Aug. 24, 1949	Yield, Aug. 24, 1949
High	Low					High	Low					
BRITISH FUNDS												
100½	100½	War Bonds 2½% Aug. 1, 1949-51	100½	100½	1 2 8	2 5 11½						
100½	99½	War Bonds 1½% Feb. 15, 1949	100½	100½	0 7 6	1 4 1 10s	94½	0 2				
100½	99½	War Bonds 2½% Mar. 1, 1949-51	100½	100½	1 6 2	2 8 7 10s	91	(d)				
100½	99½	War Bonds 2½% Mar. 1, 1949-51	100½	100½	1 7 7	2 10 1 10s	6½	50	50 c			
100½	99½	War Bonds 3½% Mar. 1, 1949-51	100½	100½	2 0 7	3 14 0 7s	5½	5	25 b			
100½	99½	War Bonds 3½% Mar. 1, 1949-51	100½	100½	2 1 9	3 14 0 7s	60½	5	10 b			
100½	99½	War Bonds 4½% Mar. 1, 1949-51	100½	100½	2 2 1	3 14 0 7s	69½	6½	22½ c			
100½	99½	War Bonds 4½% Mar. 1, 1949-51	100½	100½	2 3 2	3 14 0 7s	53½	40 c				
100½	99½	War Bonds 5½% Mar. 1, 1949-51	100½	100½	2 4 3	3 14 0 7s	68½	7	45 c			
100½	99½	War Bonds 5½% Mar. 1, 1949-51	100½	100½	2 5 4	3 14 0 7s	81½	142½ c	125 c			
100½	99½	War Bonds 6½% Mar. 1, 1949-51	100½	100½	2 6 5	3 14 0 7s	103½	90½	8	12 b		
100½	99½	War Bonds 6½% Mar. 1, 1949-51	100½	100½	2 7 6	3 14 0 7s	58½	32½	24 a	5		
100½	99½	War Bonds 7½% Mar. 1, 1949-51	100½	100½	2 8 7	3 14 0 7s	50½	24½	20 b			
100½	99½	War Bonds 7½% Mar. 1, 1949-51	100½	100½	2 9 8	3 14 0 7s	27½	8	8 c			
100½	99½	War Bonds 8½% Mar. 1, 1949-51	100½	100½	3 0 9	3 14 0 7s	60½	6	6 c			
100½	99½	War Bonds 8½% Mar. 1, 1949-51	100½	100½	3 2 0	3 14 0 7s	49½	40 7½	3	7 b		
100½	99½	War Bonds 9½% Mar. 1, 1949-51	100½	100½	3 3 1	3 14 0 7s	44	134	18½ b			
100½	99½	War Bonds 9½% Mar. 1, 1949-51	100½	100½	3 4 2	3 14 0 7s	47½	32	10 c	10 c		
100½	99½	War Bonds 10½% Mar. 1, 1949-51	100½	100½	3 5 3	3 14 0 7s	51½	42	14	10 c		
100½	99½	War Bonds 10½% Mar. 1, 1949-51	100½	100½	3 6 4	3 14 0 7s	62½	35	10 c	15 c		
100½	99½	War Bonds 11½% Mar. 1, 1949-51	100½	100½	3 7 5	3 14 0 7s	52½	35	7½	11½ b		
100½	99½	War Bonds 11½% Mar. 1, 1949-51	100½	100½	3 8 6	3 14 0 7s	45½	35	7	11½ b		
100½	99½	War Bonds 12½% Mar. 1, 1949-51	100½	100½	3 9 7	3 14 0 7s	57½	52½	12½	12½		
100½	99½	War Bonds 12½% Mar. 1, 1949-51	100½	100½	4 0 8	3 14 0 7s	78½	57½	92½ a	15 b		
100½	99½	War Bonds 13½% Mar. 1, 1949-51	100½	100½	4 1 9	3 14 0 7s	64½	54	12½ b	12½ a		
100½	99½	War Bonds 13½% Mar. 1, 1949-51	100½	100½	4 2 0	3 14 0 7s	69½	51½	35 a			
100½	99½	War Bonds 14½% Mar. 1, 1949-51	100½	100½	4 3 1	3 14 0 7s	87½	74½	55 a	15 a		
OTHER SECURITIES												
96½	96½	Australia 2½% 1965-69	96½	96½	3 5 6½							
96½	96½	Birmingham 2½% 1955-57	96½	96½	3 5 6½							
6½	6½	Anglo-American Corp., 10%	6½	6½	3 14 0							
7½	7½	Anglo-Iranian Oil, L.	7½	7½	4 2 0							
71½	71½	Assoc. Electrical, Ord. L.	71½	71½	4 3 11							
71½	71½	Assoc. Port. Cons. Ord. Stk. L.	71½	71½	4 3 11							
25 9	25 9	Austin Motor, A'Ord. Stk. 5s.	25 9	25 9	8 8 5							
71½	71½	Barclays Bank, Ord. L.	71½	71½	3 19 3							
146 3	146 3	Bank of India, Ord. L.	146 3	146 3	5 8 3							
92 6	92 6	Bank of China, Ord. L.	92 6	92 6	4 5 7							
33 6	33 6	Bank of Communications, Ord. L.	33 6	33 6	4 8 3							
24 6	24 6	Bank of India, Ord. L.	24 6	24 6	4 5 5							
28 6	28 6	Bank of Communications, Ord. L.	28 6	28 6	4 5 5							
24 6	24 6	Bank of China, Ord. L.	24 6	24 6	4 5 5							
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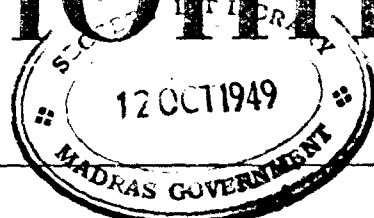
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OTHER NOTICES APPEAR ON PAGE 477

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LEADING ARTICLES

- Prospects for Washington - - - 481
- Recipe for Yesterday - - - 483
- Indonesia at The Hague - - - 485
- Soldiers of the Rhine - - - 486

NOTES OF THE WEEK - - - 488

The Age of Anxiety; The Assembly Assesses Itself; Marshall Aid Allocations; Soviet "Peace" Campaigning; Farming Extravagance; End of the Beginning in Ulster; The BBC and the Unions; Scooping the Finnish Strikes; Albania and "Free Albania"; Studying Soviet Russia; Growth of the Universities; Shortage of Teachers; Cost of Postponement at Lausanne; ECOSOC at Geneva; Chaos Reaches the Milky Way; Heads I Win ...; Ashridge.

LETTERS TO THE EDITOR - - - 497

BOOKS AND PUBLICATIONS - - - 499

AMERICAN SURVEY

- Washington Background - - - 503
- Power in the West - - - 504
- Congress on Holiday; Billions for Defence; Eating the White Paper?; Stockpiling Problems; Restitution for the Nisei.

THE WORLD OVERSEAS

- Politics in the Soviet Zone - - - 508
- The Mood of Europe; Uno's Staff Troubles; Prospects in China.

THE BUSINESS WORLD

- The Sterling Balances - - - 515
- Television in a World Market - - - 517

BUSINESS NOTES - - - 520

Markets and the Talks; Fall in Bank Deposits; Ending the Wool Control; Wages Structure in Coal Mining; The Mineworkers' Proposals; Story of the Utility Cuts; Labour Dispute in the Tobacco Industry; British Shipping Earnings in 1947; American Film Agreement at Work; Battle of Barcelona; Delays over Potash Loan; World Bank Loans for the Colonies?; Fisons' New Issue Plans; Scottish Motor Traction Reorganisation Scheme; Northern Area Road Passenger Scheme; Stockpiling through Barter?; Cocoa Problems and Prices; What Price Tin?; New Trade Pact with Germany.

COMPANY MEETINGS - - - 531

INVESTMENT STATISTICS - - - 533

STATISTICAL SUMMARY - - - 534

Vol. CLVII No. 5532
 THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
 ANNUAL POSTAL SUBSCRIPTION £3
 BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
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Prospects for Washington

THE preliminaries of the Washington talks are now complete. The technical experts of Britain and America have already met; the heads of the ECA, Mr Hoffman, and of the World Bank, Mr Black, have paid their visits to London; and Sir Stafford Cripps and Mr Ernest Bevin are on the high seas en route for Washington. Behind the movements of statesmen, an industrious collecting together of factual information and statistical analysis has been taking place. For weeks, departments have been absorbed in the compiling of facts, the preparing of memoranda, the marshalling of figures. If documentation could ensure the success of a conference, the Washington talks would look promising indeed.

Conferences, however, do not turn on paper work, however well prepared, but on the outlook and convictions of those who attend them. On the American side, President Truman has spoken this week with the utmost sanity and generosity of his own attitude. He welcomes the British delegates as personal friends and fellow workers in the vast effort to create "a sound and expanding world economy," and hopes, with them, to preserve the free world both from the advances of communism and from the tragic economic disasters which between the wars helped to create fascism in Western Europe. From the British side, no clear statement of intention has gone forth. There can have been few periods in British history, in which such urgent problems have met with such unbroken Ministerial silence. True there have been scattered comments and hints about the brief which the British Ministers are taking with them. But they merely add up to a short list of proposals which have become familiar enough in the last month or two—dollar economies, cuts in Government expenditure (this time, perhaps, meant really seriously), commodity schemes for sterling colonial products, encouragement for American investment in the colonies, and cuts in the American tariff. Such isolated comments and attitudes do not reveal a picture of general British policy in the coming talks. The factor which must in the last analysis decide the outcome of the conference—what British Ministers really feel and think—can only be guessed.

The guesses are not reassuring. From hints here and comments there, from the speeches of Labour MPs, and the reticences of Labour Ministers, it is possible to deduce a certain attitude of mind. When Mr Nally at Strasbourg blurts out his party's determination to "defend the British social services against a small group of rich and unscrupulous Americans," he is voicing, though in ludicrous and wildly exaggerated terms, a reaction to be found in saner heads than his. The emphasis is on the word "defend." The task next week, it appears, is to defend various British interests and institutions—among them, the British standard of living, British welfare legislation, the socialist experiment, and the artificial value of sterling. In the same way, the cohesion of the sterling area and even the integrity of the Commonwealth, is also to be "defended." This theme of defensive response runs like a thread through the maze of political

comment and provides a disturbing clue to the attitude which British delegates may assume at Washington. Nor, unfortunately, is it a vague defensiveness. In recent months Government supporters, if not the Government itself, have increasingly argued that all these good things must be defended against the effects of American action and against the impact of American suggestions that British policies—on costs, on productivity, on exchange control, on bilateralism—may have to be re-examined in the light of conditions in 1949.

It is easy to see how this mood has grown. For forty years, socialists have believed that capitalists were bound to seek to destroy a socialist experiment, either purposely or by the contagious instability of their free economy. Ever since 1945, it has been hard for the more dogmatic sections of socialist opinion to accept the idea that the United States was not only prosperous enough to help socialist Britain but also perfectly ready to do so. When in the spring of this year, the slackening of the postwar boom brought a fall in American purchases abroad, this was the sign for which many of the dogmatists had been looking—the sign that their fixed notions were right after all, that capitalism was essentially unstable and that Britain's socialist experiment was "in danger" from the United States. Later, as economic difficulties deepened and as the press of both countries joined in the work of interpreting the crisis to each other, the conviction of American hostility grew apace. Today, although it is not at all a reasoned conviction, it may prove strong enough to create an undercurrent of suspicion at the Washington talks.

Nothing would be more disturbing to the success of the conference, particularly after the President's open disavowal of American criticisms of British politics. Sound results cannot proceed from a faulty diagnosis and if it is in the mind of the British delegates to believe that in some way their task is to "insulate" the welfare state at home and the sterling area abroad from the "unhelpful effects" of American policy, it will be as though they were entering the conference chamber standing on their heads. Far from needing "defence" against the consequences of American policy, the British economy, its economic links with the sterling area and even to some extent its political links with the Commonwealth have all in the last four years been maintained and underpinned by American assistance. Since 1945, even though British exports enjoyed a sellers' market, even though they did not face the competition of either Germany or Japan, even though Britain received over five billion dollars in loans and aid from the United States, the British economy has failed to pay its way. The statistics are familiar, but they are grim enough to deserve repetition. Reserves of gold and dollars which stood at £664 million at the end of 1946 fell to £512 million by the end of 1947, to £457 million in 1948, and by now have fallen well below £400 million. Throughout that period, Britain was not producing or selling enough to pay its own way. In other words, the standard of living, of welfare, of social services which is enjoyed today has been to a considerable extent made possible by American assistance. Confidence in sterling, upon which the sterling area is ultimately based, was maintained by the same means. If in the past four years the British people had been left to spend only what they themselves had provided and at the same time to act as bankers for the sterling area, either their standard of living would have been very much lower or they would have had to adopt the very measures—increased output, lowered costs, a larger volume of more competitive exports—that the Americans are urging on them today.

If this is true of the last four years, it will be so to an even greater degree in the future. The sellers' market has passed, Germany and Japan are re-emerging as competitive exporters. If the British make no change in their policy at this point, it will be only a matter of months before their last reserves are exhausted. Long before that moment, sterling will have virtually devalued itself; after it, unemployment will soon follow because the country will be unable to purchase raw materials. The sterling area will disintegrate, since its central banker will have closed his doors. The Commonwealth itself will be submitted to an economic strain severe enough to disturb the loyalty of even its oldest members. In other words, the disasters of falling living standards, of a collapsing sterling area and a disintegrating Commonwealth, against which the Government wishes to defend the country, are implicit in the policies they are still pursuing. With or without American assistance, they will in the near future be compelled to devalue, to cut costs, to increase output and to tackle the problem of productivity. The choice is not therefore between "accepting American dictation" and the continuance of an independent British line. It is between taking the steps necessary to make the British economy solvent now with America's active co-operation or taking them in six months' time in the middle of economic disaster and with America perhaps contributing no more than a melancholy "I told you so."

The conclusion is inescapable. There is only one way in which the British people can be genuinely "defended" against the economic troubles that lie ahead. It is by the closest and most confident association with the United States. If the British people are prepared to play their part in restoring solvency to their country, there is every reason to believe that the United States administration is still ready to cushion the process, to soften its hardships and to ensure that American policies make the whole process less arduous than it would otherwise be. Purchases of raw materials from the sterling area at guaranteed prices, backing for extensive American private lending, capital developments under the President's Fourth Point—all these are possible means for ensuring that, over and above the remainder of Marshall Aid, more dollars will be pumped out into the world and positive, not restrictive, steps taken to counter the effects of the dollar shortage. Such policies will be pursued, and pursued generously, as part of a joint enterprise to which Britain also contributes its share—though hardly otherwise. And clearly it is only in such an enterprise that there can be any genuine "defence" of British interests, at home, in the sterling area or anywhere else.

If the Washington talks succeed in creating such possibilities of co-operative defence, they will have done much. But is defence, a pale, resigned and uncreative word, to have the last say? Is nothing more at stake than the defence of certain interests, however politically important, and the holding of a line, however economically vital? Underlying the whole British approach, one can detect attitudes of defensiveness, isolationism, and undue concentration on internal problems and difficulties which are unworthy of a great people and may be fatal to the claims they still make to shape the future of free society. At the moment, the British people, irritable and self absorbed, seem incapable of lifting their sights, of thinking beyond the dollar gap of today, of approaching the Americans in anything more than a spirit of expediency and self interest. Yet at this moment a different approach might have incalculable results. The United States stands on the brink of accepting fully the responsibilities of leadership in the free world. The temptations of

economic isolationism are still strong, and the unexplored country of international responsibility and world leadership is new and unfamiliar. But the scene might look very different if at this decisive moment the British people, who in their time have served a similar function, were to show enough generosity and imagination to encourage the American people in their new tasks. They are tasks fully within America's powers. They deserve the undeviating support of the whole British Commonwealth. Now would be the time for British statesmen to declare that in the great efforts the new policy demands, Britain, no less than America, will, in President Truman's homely phrase, be "everlastingly at it."

Recipe for Yesterday

NEXT Monday, when the eighty-first Trades Union Congress opens at Bridlington, the delegates will have before them a special report upon trade union policy and the economic situation. Its main conclusion is that unequivocal support should continue to be given by the TUC to the Government's policy of stabilising wages and prices, because there is no practical alternative which would give results at least as good. This is a commendable statement in view of the uneasy temper of organised labour—there are a dozen resolutions on the agenda of the Congress criticising or rejecting one aspect or another of the Government's policy on prices and wages. Indeed, the economic report, despite its occasional resort to anaemic and involved language, shows a considerable advance in courage and honesty. It shows that the leaders of the trade union movement, at least, have been learning the facts of economic life. It is, on the whole, a fair-minded document, less informed by self-righteousness than some of its predecessors. For example, when it speaks of the less than 100 per cent observance of dividend limitation, it admits, too, that some wage advances could not be brought within the four corners of White Paper policy:

The General Council have been aware that there would be companies which for one reason or another would not adhere to the national policy; but they are similarly conscious of the fact that they themselves are not in a position to guarantee that every wage application put forward or advance obtained by Trade Unions will be within a strict interpretation of the White Paper, or of Congress policy.

There is a touch of humility here which has not been observable in some earlier Simon-pure utterances of the TUC. It is matched by a surprising admission of realism in its remarks on prices: "It is true that prices have risen, partly in consequence of wage and salary increases . . ."

This is the spirit that is lacking on the British side, the spark of generosity, the gleam of vision beyond the preoccupations of each recurrent crisis. There is nothing in their approach to fire the American imagination, yet no people so warmly responds to high ambitions stated honestly and simply as the Americans. Without such an appeal the Washington talks may achieve some alleviation of the present difficulties; with it, they might stand some chance of achieving the wider aim that should be theirs—to strengthen the foundations of international stability and economic expansion and to harness a lasting Anglo-American partnership to build them both.

This new note of candour is not the result of a new policy among the leaders of the trade union movement: it is the result of being confronted with a situation from which there is no escape. The TUC in the past year has still been actively concerned with raising the level of real wages—its leaders would lose their jobs if they permitted themselves any other objective. They have tried all the possibilities (" . . . the General Council felt it was incumbent upon them to raise with the Chancellor of the Exchequer points in regard to purchase tax, cost of living, subsidies, margins, profits and dividends . . .") only to reach the conclusion that there is no short road to a rising standard of living for trade unionists. When they looked at the purchase tax their examination convinced them that it was "from sources other than purchase tax that any real contribution to reducing the cost of living must be found." Having drawn blank here, the TUC turned to the subsidies to see whether they might be used to foster a rise in real wages. But this sacred milch cow also failed them. They concluded that subsidies and reliefs in food duties of £498,000,000 represented the most that could be expected of any Chancellor. They then turned to price control to discover if it could be used to secure price reductions, only to find that price control was "substantially effective" and that mere changes in the machinery of control would not yield "rapid and widespread price reductions."

These are matter of comparatively simple proof. On profit margins, the conclusions are more hesitant and suspicious—and probably rightly so. A policy of controlling prices on the footing that the least efficient firm must be kept in business, enables the more efficient firm to sell at a larger margin of profit. No method of varying margins according to the size or efficiency of firms has been found. Since the whole question was too complicated to examine in a matter of weeks "as a means of solving the immediate problem of



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high costs of distribution," the report urges yet another governmental inquiry. The recent cuts in the permitted retail price of utility clothing, footwear and household goods, which were largely inspired by timely pressure by the TUC to secure some result before the Congress met at Bridlington, are noted in the report. But it goes further: "These price reductions will be dependent for complete effectiveness on the availability of utility lines. . . . They (the General Council) have consistently urged that utility goods should be readily available for all would-be purchasers." In other words the pattern of the economy must be so contrived as to minimise the pinch that economic stringency exerts upon the community, without regard to the damage which pre-occupation with utility production inflicts upon the production of high-class goods for export.

★

On profits and industrial capital, light has been let into Transport House. A round platitude declares that close determination of profits before they are made is not practicable. "Excessive profits" are best prevented by control of prices (it would be vain to expect a TUC document to admit that competition would have the same virtue in a more effective measure), not by direct legislation. High profits are evidently regarded as "a good thing" in export trade for they secure for the country "the maximum amount of foreign exchange." The fact that a pound is a pound in the bank account of an exporter, whether it is earned in hard currency markets or in soft option trade with the sterling area, surely dilutes the advantage claimed for high profits in export trade. And there is good and refreshing sense in the report's further emphasis that "the rise in the cost of capital replacement means that an apparent profit is not necessarily available as a real surplus from business activities," and in its demonstration that "the community" takes between 50 and 60 per cent of all profits as taxation.

The report dwells with some satisfaction on the statesmanship of the trade unions in co-operating with the Government in its policy of economic stabilisation. Those participating in it are told to take pride in their achievement, "the more so inasmuch as there has been no 'standstill,' no 'wage-freezing'." Indeed, nearly four million workers obtained wage increases in the past six months of 1949, over five hundred thousand more than in the comparable period of 1948. The report concludes that the policy of wage stabilisation has been a success, and makes what is virtually a challenge to any trade union to put forward any alternative policy which would fit present economic facts—a challenge that is presumably intended to silence the Communists.

The TUC, then, has made up its mind that what Sir Stafford Cripps and others have been saying for two years is not bourgeois prejudice but truth. Every effort has been made to find some loophole through which the British worker could escape from its consequences, and every effort has failed. The General Council of the TUC, after long and patient coaching, has learnt that "at this stage a mere general increase in money wages could not bring idle resources into production, and would, therefore, fail to give a higher standard of living than at present; and, indeed, a substantial increase in money wages would, in fact, intensify both our internal and external difficulties and thereby have an adverse effect upon the general standard of living." This does represent a clear advance in trade union thinking: what was reluctantly accepted last year out of loyalty to the Labour Government is now asserted as triumphant truth.

But it would be a mistake, for two reasons, to place too

much weight upon this recognition of the truth. In the first place, the General Council of the TUC, as it sadly admits, is not designed to control its members' unions, but only to represent their demands. Whether the unions themselves believe these facts to be self-evident will be apparent next week at Bridlington. Even if the majority of Congress accepts them there will remain a broad and widening gap between the views of the trade union officials and the ordinary workman. The TUC has made no progress in resolving the dilemma between its traditional functions as a pressure group and the Government's desire to treat it as a headquarters with powers of command.

★

In the second place, the report might be entitled *Recherche du temps perdu* for it deals only with one fading aspect of economic policy—that of stabilisation. It makes a passing acknowledgment that "in their short-term aspect the country's economic and financial difficulties have worsened in recent months," but it gets no further than suggesting that dollars and the shattering impact of two wars are responsible. There is nowhere any suggestion that something more positive than a policy of stabilisation is needed, because there is no realisation that stabilisation cannot get prices and costs down and productivity up. It is a document which advocates "no change" when changes are urgently needed in almost every basic assumption about postwar economic policy in Britain. The situation in the winter of 1947-48, when the policies of Dr Dalton had actively presented the beginnings of a runaway inflation, demanded severe measures of restraint to halt the rise of prices and wages. It was possible to argue then that if prices and wages could be stabilised the slowly rising level of productivity in British industry would enable Britain to compete effectively in the world market when Marshall aid came to an end in 1952. Time has shown that argument to have been too optimistic. Wage stabilisation is still of major importance, but it is no longer possible to claim that it alone will accomplish the recovery of the British economy. What is needed now is efficient and economic production, cost-cutting on the grand scale, the restoration of flexibility in prices, jobs, and output, which alone will enable Britain to compete effectively in the dollar markets. Such a policy finds no echo in the TUC's report.

Closely analysed, the report shows that the TUC remains wedded to policies of controls, full employment at any cost, and neo-Schachtism abroad which have made the British economy the least resilient of all the industrial nations. The recent accentuation of Britain's export difficulties "cannot be fairly attributed to any action of our Government, or to any slackening of effort on the part of the British people." But are the actions right, and the efforts well-conceived? "The Congress expects that the Government will continue to strive, by every conceivable means . . . to keep prices stable, to finance extensive social services and to improve our capital resources." But what if the means make it impossible to secure the food and raw materials from abroad which alone make these things possible? Confronted with facts, and given enough time, the TUC is capable of reaching the right conclusions and sticking to them with some courage. It has cultivated its hindsight to an impressive degree. But of foresight, there is none. It is satisfied with things as they are—higher wages, stable prices, a reasonable cost of living, valuable social services, and full employment. What it has not faced is the problem of securing all these aims by independent effort and sacrifice—how, in short, to prevent real wages from falling.

Indonesia at The Hague

THE essential fact about the Round Table Conference, now meeting at The Hague to decide the future of Indonesia, is that it represents the last chance for a truly peaceable settlement. It is an opportunity which observers who were in Indonesia when the Dutch police action took place last December, felt could never arise again. That this chance of transferring sovereignty in the atmosphere of reason and quite unexpected goodwill now ruling at The Hague should, in fact, have recurred is little short of a miracle. And it must produce a solution. Neither side has any right to let it fail.

It is clear that the only solution can be a "real, complete and unconditional" transfer of sovereignty to a United States of Indonesia. This was the purpose for which the conference was called. And neither side can afford to achieve less. For Mohammad Hatta and the rest of the Indonesian delegation, sovereignty is the only possible outcome. They regard themselves as their own masters already, and can accept nothing but formal recognition of this fact. Furthermore, they are under pressure from their own followers. In Indonesia trigger-happy forces cannot be kept in suspended animation indefinitely. Nor can it be expected that left-wing Indonesian nationalists will fail to exploit delay.

On the credit side, however, must be placed the fact that Mr Mohammad Hatta and his associates, although their records are by no means stainless, nevertheless represent the most responsible Indonesian leadership available. Experience has sobered them. They have learned to moderate their demands on everything except the fundamental principle of sovereignty. They represent a nationalist movement in which, unlike some others in South-East Asia, the Communists hold no place. This was not always so, but it is now. During the past few months, the Indonesian leaders claim that 30,000 Communists have either been removed from influential positions, put in gaol or kept at bay in minor gangs in the hills.

What the present leaders wish to secure more than anything is the sort of agreement the Indians achieved with the British. It is a measure of the new Indonesian moderation that the example of the British transfer of power haunts the conference tables at The Hague. Pandit Nehru has known Mohammad Hatta for twenty years, and Delhi has taken a close interest in the Indonesian struggle. Many of the delegates to the Round Table Conference stopped in India on the way, in order to study in detail the methods used for Britain's transfer of power. This is far from the revolutionary break feared by so many in Holland. The approach carries the stamp of statesmanship.

A further strengthening of the Republican position has been brought about by the measure of agreement achieved between the Republicans and the Indonesian Federalists. The Federalists represent those autonomous governments set up in agreement with the Dutch in the non-Republican parts

of Indonesia. Hitherto, they have tended to picture a United States of Indonesia in which the Republic could even be omitted altogether if it refused to accept Dutch terms. But today they are responding cordially to Republican leadership. And few realistic observers believe that there can now be any question of by-passing the Republicans in order to set up a new Indonesia with Federalist help; the new state of 76 million people will be built by both groups of Indonesians, acting in agreement and together.

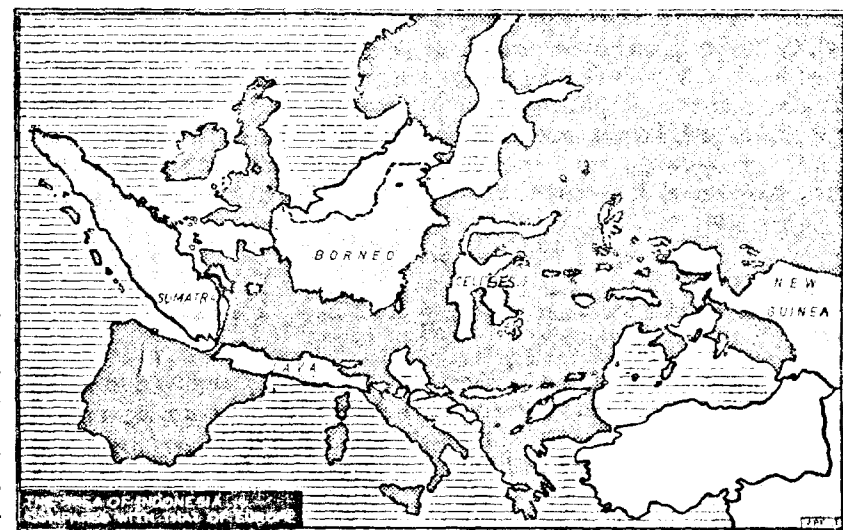
So much for the Indonesian delegation. What of the Dutch? It is indeed no small thing to lose an empire, and the Dutch stake in Indonesia is immense. Without the vast Dutch investments and trading interests in Java and the surrounding islands, the Netherlands standard of living would be cut at least by ten and perhaps even twenty-five per cent. But events have moved against the Netherlands. Six months ago, before the second police action, when the Dutch were threatened with an unruly and potentially Communist Republic, whose leaders appeared to let them down after every agreement, there was a great deal to be said for their efforts to achieve a settlement by firm action. But that

time has passed. The problem now is for the Dutch to recognise the essential facts—that the Japanese occupation put the Indonesians into a new frame of mind from which there is no going back, that the two Dutch police actions have proved that this frame of mind cannot be countered by force, and that Holland, nevertheless, is providentially confronted with a group of Indonesian leaders still ready to do business and who have

turned their backs on Communism. The leading Dutch negotiators understand this. By acting on their understanding, they know that they can help to bring into being a prosperous and contented Indonesia, in which the Netherlands would find a profitable and an honourable place. But it is still an issue of the Conference whether the enlightened Dutch point of view, held particularly by the Prime Minister, Dr Drees, and by Dr van Royen, can carry the day at home.

In a sense this fact cuts across the purpose for which the Conference was called—"to transfer real, complete and unconditional sovereignty to the United States of Indonesia in accordance with the Renville principles." There can be no denying that there lurks just a hint of doubt in the corridors of the *Ridderzaal* about the degree to which the aim of the Conference can be taken for granted. For instance, in the recent debate in the Dutch parliament—watched from the gallery by the first Indonesian arrivals—it was never quite certain until Professor Romme, the Catholic leader, had actually spoken, whether he would try to limit the "concessions" which the Dutch are prepared to make at this Conference.

These hesitations do not necessarily mean that Dutch second thoughts will undermine the success of the Conference. The leadership of statesmen such as Dr Drees and



Dr van Royen should be enough to convince a decisive majority of Netherlands opinion that this conference is, indeed, their last chance of effecting a peaceful transfer and—which is as important—of ensuring for themselves a constructive and influential role in the new Indonesia which, as Indonesian leaders know themselves, will be short of capital and skill, of technicians and administrators. The danger is rather that hesitations in Holland may compel the conference to proceed at too slow a pace. Already the opportunity of opening the conference with a sensational declaration of sovereignty has been missed. It is essential that the fund of good will should not be allowed to trickle away through the interspaces of technical committees.

The agenda of the Conference is long and difficult. It includes the establishment of a provisional constitution for the new Indonesia; this is something which the Republicans and Federalists have yet to work out together, before talking it over with the Dutch—and it is to be hoped that they will not delay, since failure to have it ready could give a dangerous argument to the opposition in Holland. The agenda also covers a proposed charter for the transfer of sovereignty, provision for a Netherlands-Indonesian Union and agreements on Dutch military withdrawal, the handing over of economic and financial administration, the problem of citizenship, the status of Dutch civil servants and other subjects.

Which, if any, of these thorny topics presents the greatest risk of collision? And what hope is there of settling them all in detail within two months, even granted full cordiality on both sides? The way in which each item is tackled will depend on the underlying assumptions in the minds of each side—whether or not “real, complete and unconditional”

sovereignty is, in fact, to be transferred without hesitation. The problem of the Netherlands-Indonesian union is probably the most potentially dangerous since it is here that the scope of the transfer of sovereignty comes starkly into the open. It is clear that, whatever interpretations are entertained in Dutch minds, the Indonesians have only one—a union in which their full sovereignty is unaffected and in which the monarch is no more than a symbol in the same fashion as in India. Closer ties they do not seek unless they can be of proved economic and social advantage. All this, it must be said, is a vast change from the ideas behind previous agreements between the Netherlands and the Indonesian Republicans—agreements to which some Dutch minds still hark back.

In a sense this is conference of details. Yet dealing with them will always raise the fundamental principle on which the settlement is to be based. Is it really to be uninhibited Indonesian sovereignty or not? Further, it is a Dutch characteristic to like the written contract; yet it will be almost impossible to reach written agreements on all the necessary details in the time available. Thus, if the conference is to succeed, a great deal will have to be taken on trust. Step by step in this long dispute, Dutch views have proved to be just behind rather than ahead of events. Every possible attempt to go back to the old Indonesia has now been tried—and has failed. Yet at the eleventh hour, a sense of confidence has returned. The future depends on seizing the goodwill now prevailing at The Hague to build the new Indonesia which both sides need. It can be done—of that there is now no doubt. But it must be done at once. Extremism in Indonesia and reaction in Holland alone profit by delay.

Soldiers of the Rhine

IT is very easy for a visitor to the British Army of the Rhine to be misled by superficial impressions. Observing the off-duty habits of the Regular Army, the clubs, the race meetings, the dances, it is natural to suppose that the army has reverted to the leisurely pattern of prewar years. But such first impressions are wrong. If the Army of the Rhine has a way of life more spacious than its counterpart at home or of the war, and if it is smaller and less well-equipped than it should be, it is even so more effective and more highly trained than any previous peacetime British army. Moreover, if there were no other differences—if the greatly superior knowledge of the realities of war were not evident—the most striking of all differences would still remain, that the majority of the soldiers of the Rhine are not regulars, but civilians in uniform.

Within the framework of conscription, the British Army in Germany is charged with the main responsibility for the training of the national servicemen, and its units contain on an average about sixty per cent of national servicemen. Boys called up for national service spend a minimum of ten weeks in the United Kingdom undergoing first a selective system which extracts the potential officers and technicians and then a short period of basic training. They arrive at a unit of the Rhine Army in batches of about forty every six weeks. In the case of infantry battalions, they spend a further six weeks undergoing “continuation training” in a special cadre company organised for the purpose (the period is longer in the armoured regiments) and thereafter are considered fit to take their place in rifle companies.

A great deal has been said and written about the dangers

of permitting young men to be exposed to the demoralising influence of an occupying army in a disorganised country. The basis for these fears has now almost entirely disappeared. The Rhine Army has in the past two years taken its responsibility for the moral welfare of the National Servicemen very seriously. The boy's officer keeps in touch with his parents, and a great deal of time and resources have been spent in creating amenities superior in quality to anything at home stations or in civil life. The training curriculum is a rigorous one which leaves the national serviceman little time for “fraternisation.” His pocket money, issued in army currency, leaves him—quite unlike his American counterpart—about enough for a daily indulgence of coffee and doughnuts in the canteen. In any case the standard of living of the German civilians in the British zone has now well outstripped the living standards of the British Army, and the occupying army is now in the odd position of being denied access to the ordinary enjoyments of German life by regulations designed to prevent it from consuming scarce German resources. The national servicemen are not the sorely tempted innocents that some observers have attempted to portray. They represent a complete cross-section of the community (with the exception of two of its best elements, farm workers and miners), with all the moral deficiencies to be found among adolescents at home. The Army can and does remove obvious temptations from their path, but since training for war is the purpose for which it exists and for which the taxpayer supports it, it is not organised to cure, although it does curb, such vice, criminality or mere listlessness as are the result of bad upbringing or environment.

The utility of the National Servicemen to the Army in Germany is more questionable. As has been said, the Regular Army makes a commendable effort not only to make life in Germany safe and tolerable for the conscript, but to train him to the highest efficiency that can be achieved in the period of his service. Except that the constant needs of training keep the regular soldier up to the mark and contribute to a certain extent to his own efficiency, the National Serviceman gives very little in return. He spends something over a year in Germany and emerges into civil life with a definite idea that he has discharged for ever his military obligation to the community. It is true that the conscripts who have been called up since the beginning of 1949 must spend four years in the territorials: but in the present state of the Territorial Army, it is doubtful if this will be of any great military value. To this extent the Regular Army is at the present moment spending its time turning out young men who may be slightly better citizens by reason of their period of national service, but who, supposing war were to come in 1955, would by no means be of immediate use to the army.

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The continuing element in the Army—the regulars—upon whose standards and efficiency depend the quality of National Service training and the preparedness of the whole Army for war present a more complex picture. In a unit of the Rhine Army the regulars provide almost all the non-commissioned officers above the rank of lance-corporal and all the officers above the rank of second lieutenant. In addition the units must find from their regular strength the officers and men to run all the numerous odd employments connected with army administration. Each battalion is at the mercy of the postwar system by which regiments of infantry are grouped by counties or regions and their officers and men regarded as interchangeable. If one or more battalions become alerted for a task of higher priority than Germany, then officers and men from Germany will be creamed off to fill it. In balancing the continued widespread commitments of the British Army with the smallness of available manpower, this is perhaps the best compromise that any Adjutant-General can make, but it creates a shifting and unsettled atmosphere in a unit which militates against efficiency, and acts as a deterrent to regular recruitment.

The difficulties of the Army of the Rhine in girding itself into an operational force while being the main training ground for National Servicemen, reinforce the thesis expressed in *The Economist* and in many other places, that while Britain must for political and diplomatic reasons continue to have conscription, it is extremely difficult to create a mobile army—however small—that is fit for war. What is wrong is not conscription but the size of the Regular Army, and what is needed is to raise the level of the Regular Army from its present level of about 180,000 to somewhere in the region of 250,000 and then gradually to reduce the length of national service until it becomes six to ten months intensive primary training in the United Kingdom before passing the conscripts on to a vastly more efficient Territorial Army. Until that is possible eighteen months represents a far more useful period of National Service than twelve.

But in discussing the methods by which a larger Regular Army can be achieved, it is very easy to be over optimistic about the effect of the various incentives of higher pay, better accommodation, and better conditions of service. For able and responsible young men, the Regular Army competes directly with civil life, and any future revision of the induce-

ments to recruitment must take account of that. Distrust of the future and of the Government's intentions has caused many men, officers and other ranks, to leave the Army who with a little encouragement would gladly have made it their life's profession. Any future attempt to attract good men for the army will be much more costly and laborious than would have been the case if a generous and rational system of pay and conditions of service had been instituted immediately after the war.

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The British Army of the Rhine has the duty of discharging three irreconcilable tasks. It is still an occupying force and must provide the teeth for the policies of the Control Commission which are unpopular or openly resisted by the Germans. It must transform the bulk of the National Service intake from raw recruits into trained soldiers. And finally, it must train itself to defend the North German plain, the traditional military high road into western Europe.

If the first task, the occupation of Germany, had been as formidable as appeared likely in 1945, the other two would have been impossible. But the collapse of all German resistance, coupled with the course of international politics, has enabled the British Army to accomplish by its presence what it would have found extremely difficult to achieve by *force majeure*. Problems of internal security still exist and will continue to do so at least as long as dismantling goes on, but the wide dispersion of military units throughout the zone, at the expense of their proper tactical disposition, has prevented trouble at a cost to military efficiency which could be quickly redeemed in the event of impending hostilities with the Russians.

As regards the training, the Rhine Army has had to reconcile the needs of the National Servicemen, which require that regiments and battalions should really be instructional camps, with the need to train the units and formations themselves in mobile warfare. A year ago, the needs of the National Servicemen were regarded as paramount, and the Army was losing its feeling for real operations. But now that the period of conscription has been lengthened to eighteen months, the training curriculum for National Servicemen is less strained and it has been possible to make considerable progress in dovetailing the two programmes. This year's training programme culminates in October with divisional exercises, which, though very circumscribed by wartime standards, will give formation commanders in the Rhine Army (including its western European components) a genuine exercise in the realities of war. The British zone, regarded not as a front line but as a vast training ground, an extension of Catterick or Aldershot, has advantages which cannot be found in England. The barrack facilities are far better even in Berlin and the old Wehrmacht training area at Senne Lager is better equipped and laid out than anything in England.

Finally, there is the real operational role which has emerged out of four years of diplomatic controversy—the holding of the most vulnerable sector of the front line of western Europe. Though it is small and hampered by the contradictions in the tasks allotted to it, the Rhine Army is growing more confident that, provided it could obtain, if the need arose, really effective air support, it could provide a very respectable deterrent to any threat from the east. But this feeling of confidence among soldiers that the best could be made of a desperate situation is no substitute for a defence policy based on the realities of the cold war.

NOTES OF THE WEEK

The Age of Anxiety

"The British people, with a quiet and unflurried resolution as strong as anything in their history, have determined that it is better to fight a war than to yield an inch on a principle that has become one of national honour and national safety." So ended the first leader in *The Economist* of Saturday, September 2, 1939, and on the following day, ten years ago today, the population of London put that unflurried resolution to its first test by trooping quietly to their shelters as the unforgettable, unforgotten notes of the air raid siren entered upon their long domination over the lives of the citizenry.

The war has had two curious effects upon the minds of most people. The last decade has involved for almost everyone, except Mr Churchill and a few others, such great periods of boredom, frustration and routine that time has become foreshortened and one war year entangled in the memory with another. But if in one sense 1939 seems yesterday, in another, the distance that divides 1949 from 1939 seems not ten but a hundred years. In retrospect the 1930s—one of the least agreeable, fruitful or honourable decades in British history—becomes too easily invested with the aura of a golden age, the last flicker of the *douceur de vivre*. Both these effects are together present in much of the political, economic and social thought of today, and together they perhaps account for many illusions upon which such thought is apt to build. Now that ten years have passed, now that a generation that were small children in 1939 have grown to manhood, it will perhaps be possible to escape from the thrall of 1939 and to see the past in a more even perspective.

It is as well that the British people had no inkling in September, 1939, of the ardour, the horror and the bitterness of the decade which lay ahead of them, for no people, however great their fortitude, could have braced themselves for an ordeal as great and as prolonged as it in fact became. It is the merciful capacity to live for the moment which has saved the morale of the British nation as well as producing a well-nigh insoluble economic problem for its postwar leaders. In moments of bitterness it is easy to see the past ten years as the rise and fall of one cherished illusion after another: that Hitler would run out of oil or that the Germans would revolt; that the wartime spirit of community would resolve class differences for ever; that the Russians would become a friendly and democratic ally in peace-time; that the United Nations would be different from the League of Nations; or that the American loan and Marshall Aid would overcome the cataclysmic change in Britain's economic position. But there is no panacea and the British people are with infinite slowness becoming aware of what it means to reap the harvest of a timid foreign and a negligent economic policy in the years between the wars—"the long week-end" of their history.

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The Assembly Asserts Itself

After three weeks' work, it is clear that the European Assembly at Strasbourg has gained confidence and started to feel its potential strength. M. Spaak has declared that he is more than satisfied with the results achieved so far, and out of this surge of confidence has grown the determination to see that the end of the Assembly does not mean the end of all its activities until it is summoned to meet again next year. The delegates feel that it should provide itself with organs of continuous association which could study, represent and defend European interests all the year round.

It seems clear that at least two permanent bodies will emerge from the Assembly—the first, a Steering Committee composed of the President, the five Vice-Presidents, and representatives of all the nations concerned, will meet regularly throughout the year and exercise continuous oversight over the political problems which in their view deserve European, as opposed

to a purely national, consideration. It is also likely that an economic department will be established, which will be expected among other things to establish close links with the Organisation for European Economic Co-operation in Paris.

The work of the last weeks, described on page 509, has not only brought confidence, it has also brought delegates face to face with the genuine problems, and put squarely before them the question whether there really is a European solution to any of them. The sharpest difficulties have naturally arisen over Europe's disturbing economic plight and although the report of the Economic Committee has not yet been debated, the general aspect of its recommendations is beginning to become clear. The majority of its members genuinely believe that greater unity in Europe is essential to survival. They also believe that the first step in this direction must be to achieve the interchangeability of European currencies, and the next, to create a low tariff area in which the overseas dependencies, and if possible, the British Dominions, would be included. There is also considerable support for the idea that on the basis of this move towards unity, the European nations should negotiate with America, not as separate governments, but as a single organised body.

It is no use pretending that the British Labour delegates do not find these suggestions embarrassing. Strong moves towards devaluation, or the removing of trade barriers can be construed as attacks upon British policy and planning. Feeling ran so high in the discussions on devaluation that one of the Belgian representatives is reported to have stalked out of the session in which the British Labour members refused to have devaluation even discussed. Nor is the proposal of general negotiation with the United States altogether welcome, since the British feel that they are in a special position, *vis-à-vis* the United States, and wish to do nothing to weaken it. Thus, however much Strasbourg may have opened in an atmosphere of academic goodwill, its thorough examination of European problems is bringing to light problems and conflicts which are not academic at all.

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Marshall Aid Allocations

The Organisation for European Economic Co-operation has not had to accept the ignominy of defeat in the task of dividing Marshall Aid for the year 1949-50. The recommendations of the Committee which had previously been charged with this task had been found unacceptable, mainly by the United Kingdom. The responsibility of drawing up a compromise solution was then given to two men, Baron Saoy, the Belgian Chairman of the Council, and M. Marjolin, the Secretary-General of OEEC. Their findings have been accepted by the Council of OEEC. Their decisions on the distribution of aid, for the year to June 30th next, together with comparable figures for 1948-49 are shown in the appended table:—

	ALLOCATION OF MARSHALL AID	
	1948-49	1949-50
	\$	\$
Austria.....	215,200,000	174,000,000
Belgium-Luxembourg.....	247,600,000	312,000,000
Denmark.....	109,100,000	91,000,000
France.....	980,600,000	704,000,000
Germany (Trizone).....	509,600,000	348,000,000
Greece.....	144,800,000	163,000,000
Ireland.....	78,300,000	47,000,000
Iceland.....	5,200,000	7,000,000
Italy.....	555,500,000	407,000,000
Netherlands.....	469,600,000	309,000,000
Norway.....	83,300,000	94,000,000
Portugal.....	None	33,000,000
Sweden.....	46,600,000	48,000,000
Turkey.....	39,700,000	61,000,000
Trieste.....	17,600,000	17,000,000
United Kingdom.....	1,239,000,000	962,000,000

From "New York Herald Tribune" Paris Edition

The allocation to the United Kingdom has been raised from the figure of \$850 million which had previously been suggested and vehemently rejected, to \$962 million. The British share undergoes the biggest cut compared with last year's allocation. The cut is even bigger in relation to the figure of \$1,500 million to which the British request had been pushed following the emergence of the sterling-dollar crisis. Given the fact that most of the ERP countries' dollar deficits have grown and that the amount available for allocation has at the same time been cut from the 1948-49 allocation of \$5,000 million to \$3,377 million, some disappointment was bound to occur. The findings of the "two wise men" would seem to represent as reasonable a compromise as could be secured in the extremely difficult circumstances created by the growth of appetite for dollars and diminution of the total out of which to fill the clamant mouths.

Final judgment on allocations of aid cannot be passed until agreement has been reached on the contributions and drawing rights that will be exchanged between ERP countries for the second year of the Intra-European Payments Scheme. As in the case of the first version of that scheme, the conditional grants which will be made by ECA against contributions to other ERP countries will be taken out of the general allocations which have now been agreed by the OEEC Council. It is, therefore, only after full details of the amounts of these contributions and drawing rights are known that it will be possible to calculate net figures of effective aid which each participant will derive from the Marshall plan in the year 1949-50.

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Soviet "Peace" Campaigning

The Russians are a strange people—or perhaps it would be fairer to say that the Russian Government most obviously lacks a sense of humour. This week, with the tenth anniversary of the German war upon them, their Communist parties are organising peace ballots and peace days all over Europe. In France, for instance, nine million votes for peace are to be collected on the "anniversary of the bloody Hitlerite aggression against world peace in 1939." Do the Russians therefore forget, or, at least, do they hope that everyone else will conveniently forget, that on September 3, 1939, they were Hitler's



partners in a non-aggression pact and were within a few weeks of joining this same "bloody Hitlerite monster" in a joint partition of Poland?

An equal incongruity underlies the peace conferences which are being held for the young in Budapest and for the not-so-young in Moscow. When all these eager people take oaths in defence of peace or pledge themselves to "strike down the warmongers," it can only be assumed that neither they nor the men of Moscow feel the least embarrassment over the fact that at the present moment, there is only one campaign of violent warmongering in progress, and that is the Russian campaign against Yugoslavia. Under the doves and peace

banners of the Cominform, this particular manifestation of the war spirit continues unabated. This week yet another Note, the same in substance, though more abusive in tone, has been dispatched from Moscow to Belgrade, once again accusing Tito of sacrificing Carinthia to "western imperialism," and once again declaring the open hostility of the Soviet Union.

How serious is the threatening tone in the Russian Notes? Does it in fact mean war? It is still not possible to answer the question. Russian policy certainly indicates "all mischief short of war," and there is some evidence that anti-Tito Communists in Istria—they may well be in the main Italian, and affiliated to the Italian Communist Party—have succeeded in dynamiting a number of trains and ships and have dealt a most serious blow to the Yugoslav economy by blowing up the only refinery in the country at Fiume. But violence and internal sabotage, far as they are from the peaceful ways advocated with such ardour from Moscow, do not constitute invasion. An actual physical attack is still in doubt. There are rumours of troop concentrations in southern Hungary and in Rumania, opposite the flat plain of the Vojvodina, which could not easily be defended against strong mechanised forces, but there have been no counter movements of troops in Yugoslavia and for the time being it looks as though Marshal Tito may determine to seek another form of defence—the defence of publicity and world opinion. A strong Yugoslav delegation is to attend the forthcoming United Nations Assembly and Yugoslavia may arraign Soviet Russia before the Security Council.

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Farming Extravagance

The eleventh report—on agricultural services—of the Select Committee on Estimates (HMSO, 9d.) paints a black picture of extravagance and mismanagement. The net cost to the Government of its food production services, initiated during the war and mainly carried out by the county agricultural executive committees, was stated in the Civil Estimates as nearly £40 million for 1948-49, a figure which is expected to decrease to just over £32 million for the current year. This large Government expenditure represents the net cost of assisting food production by the hiring out of machinery, the provision of gang labour, the destruction of pests, and the farming of requisitioned land.

The worst feature disclosed by the report is the chaotic manner in which public bodies have kept their books. The accounts of the various services rendered by county committees have been so muddled together that it must have been difficult for the committees themselves to know what any given service was costing the taxpayer. Again, no separate capital estimates were kept; thus a committee, which let its stock of machinery deteriorate rapidly with no provision for replacement, might nevertheless show an apparent profit. For a Government which is singularly given to lecturing private enterprise on business efficiency to countenance such practices is extraordinary.

The agricultural committees have had, it is true, a difficult task. Their provision of certain services has been vital to the expansion of food production; for instance, many farmers could not have embarked on cereal production without the assistance of machinery and gang labour from a county committee. Much of this work is bound to involve a financial loss, and until recently little pressure was put on the committees to temper their undoubted zeal with a measure of financial discretion.

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The Select Committee proposes drastic remedies. The machinery and gang labour services should be progressively terminated; pest destruction services should be reduced in scope; and no drainage contract should be accepted which involves a loss. In its right-minded zeal for economy the Select Committee may even have gone too far. The Ministry of

Agriculture believes that large numbers of small farmers are dependent on the machinery service, and that its removal might affect up to one million acres of arable land. Any agricultural committee which is capable—as some may be—of carrying on this service at a low cost should be encouraged to do so.

The agricultural committees are also responsible for farming direct or letting over 400,000 acres of requisitioned land. Since much of this land was taken over because of its poor condition, it is not surprising that considerable losses—put at £1,418,000 for 1947/48—have been incurred in its management. The Government has been much too slow to decide which of this land it means to acquire permanently and which to hand back to its original owners. The Select Committee's verdict is that remarkable results have been produced on marginal or near-marginal land, "but only at an exorbitant cost in fertilisers, manpower and machine power." There is a lesson here for those, including many members of agricultural committees, who are still pressing for the intensive development of unsuitable land, regardless—in this as so many other matters—of the cost.

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End of the Beginning in Ulster

"Civil and religious liberty" is an Orange toast and an Orange boast (writes a correspondent in Belfast), yet, since the Northern Ireland Parliament began to function in 1922, Special Powers Acts have been part of its ordinary code of civil law and constituted a genuine threat to the British conception of civil liberty. For many years the basis on which civil liberties could be built did not exist. The Northern Ireland state was born amid bloodshed, and, for long, rioting and terrorism were part of the daily routine of many of its citizens. No government could have been expected to maintain order without special powers.

The fundamental mistake made for many years by the Government of Northern Ireland was not the arrogation of such special powers and the use of them with almost Prussian efficiency; it was the deliberate alienation of the Nationalist minority. Despite the truculence of their one-third minority, tactful administration and generous leadership would have avoided turning the knife in the wound. But such a policy was beyond the powers of the triumphant Unionist Party in the pre-war years. Fear of that large and irreconcilable minority did not allow of wise and generous action on the part of the Unionist Government, a government with a rebel mentality itself—1912 is not a distant date, at any rate in Northern Ireland, where 1690 is still a memory.

Now, in the plenitude of its power and fortified by recent British legislation, the Government of Northern Ireland has revoked many of the Orders made under the Special Powers Act. No doubt some members of the Government are mainly concerned with English, American and world opinion, but this is not the full explanation. The recent election revealed clearly the extent to which a sizeable *bloc* of Northern Ireland Nationalists are mentally detached from the South. Anti-partitionism is not a living issue in Belfast. Bread and butter is. Republicanism is not the creed of the small marginal farmers just north of the border. Subsidies and allowances have become part of their economic and social life. The Government has wisely begun to woo, and perhaps to win, a measure of support from these Nationalist groups.

The bitterness with which some of the Dublin dailies have attacked the revocation of these Orders suggests fear. Not only have anti-Partitionists been robbed of a useful weapon and effective slogans—"The Police State," "The Oppressed Minority"—but in addition the spectre that has long haunted their minds has begun dimly to take shape. A Unionist Party bent on preserving the link with Britain rather than maintaining Protestant supremacy would commend the support of many Northern Nationalists. A broadly-based Commonwealth or Imperial Party in Northern Ireland might in time command the support of a majority of the Irish people. Even in Northern

Ireland politics cannot remain frozen for ever. Perhaps the end of the beginning in the evolution of Northern Ireland as a united country has been reached. Certainly many people—Unionist and Nationalist alike—are aware that a subtle change in the political climate is taking place.

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The BBC and the Unions

The BBC is a large public corporation employing some ten thousand people, engaged in activities as far apart as electrical engineering or catering, on the one hand, and staff producers and announcers on the other. This has always presented a problem from the point of view of staff relations. Should all these multifarious forms of employment be farmed out to the great variety of outside unions—their activities then being co-ordinated by some sort of joint council—or should the BBC be regarded as a branch of industry in itself, and therefore able to form its own union to represent all types of work and activity?

The last report on BBC activities, the Ullswater Report of 1936, decided that the most appropriate form of staff representation would lie in the latter concept, and accordingly recommended the formation of a Staff Association, to cover all people permanently employed by the BBC. After some delays, prolonged by the war, the Staff Association came into being, achieved a membership, it is understood, of over 50 per cent of the BBC staff, and was recognised by the Governors of the BBC as the proper body to represent their employees. In all branches, standard union rates have been paid, but the machinery of negotiation has been with the Staff Association.

Unfortunately, the Trades Union Congress has taken the opposite view, and when the question of staff representation in public corporations has come up, for instance, in civil aviation, it has preferred the splitting of employees among the appropriate unions and the formation of a co-ordinating central body. In parenthesis, it can be said that the National Union of Mine Workers appears to dissent from this view, for their aim is to create a union co-extensive with the industry.

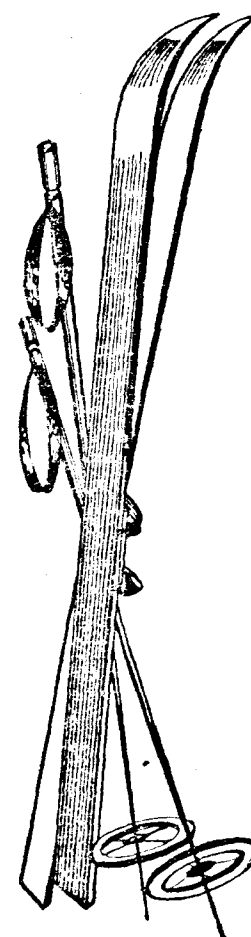
For some time, the trade unions have been pressing the Governors of the BBC to alter their policy, and negotiations have dragged on over two or three years, but no agreement has been reached. On the one hand, the Governors of the BBC have felt that, having set up a Staff Association on a mandate from the Ullswater Report, they could hardly reverse their policy without receiving a fresh mandate. Their view is that the matter should be examined by the Beveridge Commission of Enquiry. On the other hand, the TUC has insisted that the BBC should not expect to be the exception to the general rule now established, as it claims, throughout the whole field of industrial relations.

It does not seem, however, that the TUC is ready to wait until the Beveridge Committee can make its report. The Association of Cinematograph and Allied Technicians, who have members among the television cameramen employed by the BBC, have announced that since there is no machinery for the negotiation of wages within the BBC, they must put their disputed wage claim before the Minister of Labour. There the matter rests. If other unions, also with membership inside the BBC, follow suit, Mr Isaacs may find himself compelled to intervene, not in a matter of wages, but on an issue of principle.

* * *

Scotching the Finnish Strikes

Tension is still high in Finland. The task of the Social Democrat Government in controlling the Communist strikes is like the act of squeezing a balloon that has not been completely deflated. A little easing in one place produces increased pressure in another; and there is always the chance that the balloon will go off with a bang. So it is now in Finland. Things are going better in the original areas of dispute among the timber workers at Kemi and the



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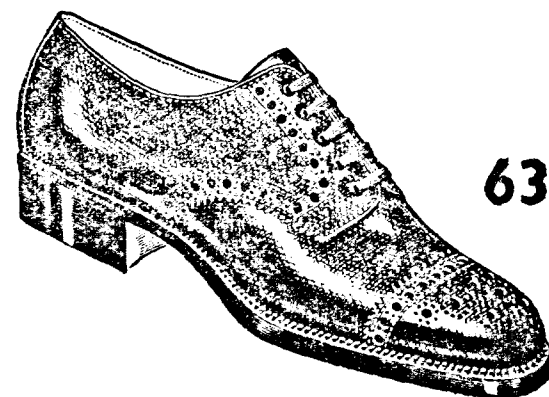
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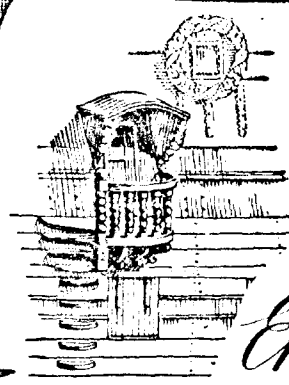
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Entry Ports

As ships' sides became higher the difficulty of boarding them by a rope ladder increased, and 'entry ports' made their appearance. At first entered by means of simple cleat steps, they soon became canopied, balustraded and handsomely carved until, by the time of the Restoration, they were a picturesque feature of the great three-deckers.

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dockers. But the strike early this week of the workers in important shipyards at Turku is in some ways a more serious development than the earlier though more violent outbursts of the first phase of the present Communist offensive. Riots and disorder are primarily the internal affair of the state. But the failure of the shipyards, which are now idle, to deliver their quota of reparations to Russia becomes a matter of international concern.

Very severe fines could legally be imposed by the Russians under the Peace Treaty. In the event of continued default, direct intervention in Finnish affairs is conceivable on the pretext of ensuring due deliveries of reparations goods. It is this possibility that responsible opinion in Finland has always feared. The Finnish Communists though a nuisance are by themselves of slight account, being fairly numerous but badly led. It is in the pretext their actions could provide for Russian interference that the danger lies.

It is likely that the Communist strike offensive would have concentrated on the reparations industries in Finland, had it not been precipitated by the labour unrest which followed the sudden and considerable devaluation of the Finnmark early in July. But this very unrest means that, even if the Communists' hands were to some extent forced—and that would explain the surprising delay of nearly a month in mobilising support for the Kemi strike—the prospects of keeping the strike simmering are greater than if it had been a later, but more purely Communist, outbreak. And the split of the Finnish Federation of Trade Unions into non-Communist and Communist unions bodes ill for the future of labour relations in Finland.

* * *

Albania and "Free Albania"

The traveller by air-liner from Rome to Athens can, in present summer weather, enjoy the sensation of munching a western sandwich while gazing without stint into Albania. But he can get no closer. All frontiers except that into Bulgaria are sealed with 20 kilometre "forbidden zones." Of the western powers, only the French and the Italians are diplomatically represented in Tirana. It is therefore difficult to confirm the growing volume of tales about the difficulties of the Albanian premier, Enver Hoxha. Naturally, they reach the outside world via his enemies who have increased in number since the fighting in the Grammos mountains brought the Greeks to his border and increased the chances of interviewing "barefoot, tattered Albanian deserters." But there is a good deal of other evidence that his regime is less secure than it was.

His former dependence upon Yugoslavia and the extent to which he burnt his boats when Moscow broke with Tito, was described in *The Economist* of January 1st. Possibly

he calculated that he could afford the gesture because Tito would not last. Possibly he relied entirely on his belief that supplies of necessities would somehow arrive from Russia pending the establishment, with Russian aid, of industries in Albania. Clearly the Russians wanted him to think them powerful and reliable friends. They took the trouble to release a railway engine from Rumanian stock so as to ensure that Albania's first railway line—the Durazzo-Tirana service—could puff into the capital on the 31st anniversary of the founding of the Red Army, February 23rd. Its Rumanian markings were scarcely noticed by the admiring populace. Moscow was at pains to entertain Albania's large trade mission lavishly, in the highest Moscow circles and for a whole month in March. Shipments of goods are being sent by sea from Russia.

However, there are drawbacks to the Russian programme. The Russians are in a hurry to use the technical knowledge of the 3,000 engineers and other experts whom they supplied to replace the Yugoslav advisers whom Hoxha had sent home. Their deliveries, therefore, have been primarily of machinery in fulfilment of Albania's two-year plan—principally for oil drilling and pumping, but also for a textile factory at Tirana, a second railway line in the north, and a hydro-electric power station. They have not delivered the everyday necessities that Albania used to get from Yugoslavia: notably foodstuffs, clothing and refined oil. The need for these is now immense, and prices for manufactured goods of everyday use are beyond the reach of any peasant purse. Russian shipments fell off in June and July, but perhaps only because less has been sent, lately, from Russia through Albania to the Greek guerrillas.

*

Albanians love success and are quick to change sides if they suspect failure. It is doubtful if, upon empty stomachs, they appreciate the stock success stories of Russian pattern with which they are being fed—prodigious Stakhanovite effort by a soap-worker at Berat, the oil target exceeded by 102 per cent, and the chrome target by 152 per cent in the first half of 1949; increase of sown area in 1948, 180 per cent over that of 1947. Meantime they are hearing siren calls from two directions. One is from the north, where a Tito-type Communism is advocated by elements who do not like the southern preponderance in Hoxha's government, and who are being encouraged by their tribal connexions, the Albanians in Yugoslavia. The other is from Rome, Paris, London and New York, where a Committee for Free Albania has announced its formation. Its chairman is Midhat Frasheri, a former premier with a wide knowledge of world affairs, and it includes another ex-premier Koça Kotta, and Abas Kupa, the guerilla leader who harassed Mussolini. Men of this stamp would not show their hand without money at their back and good connexions inside Albania. But Hoxha holds the capital, and the guns. His chances hang, first, upon the question whether the Albanian will put up with a diet of statistics and promises of jam tomorrow; secondly, upon how much physical help his opponents get from Tito; and thirdly upon the wisdom of the successful Greek army in the Grammos Mountains. No doubt the fugitive rebels will once again bolt into Albanian territory. But if the Greek Government is so foolish as to pursue its victory into southern Albania and to repeat the long-standing Greek claim to that area (called by the Greeks northern Epirus) it will reuse Albanian patriotism and offer Hoxha a gratuitous trump card.

* * *

Studying Soviet Russia

The serious study of contemporary Russia is making slow progress in this country as compared with the United States, where many universities of repute have, or are planning to have, their institutes of Russian studies. It is true that the number of men and women studying Russian language, literature and history is growing rapidly, but those who have the ability to make a career out of their studies find themselves caught in a vicious circle. There are few teaching posts of

distinction and value associated with the study, and this scarcity is sometimes defended by university authorities with the argument that there are insufficient students to justify the founding of new chairs. There are surely powerful arguments of national as well as academic interest for trying to break this circle by devoting more money to Russian studies, especially in the universities of Cambridge, London and Oxford. In the younger universities there have already been signs of enterprise, and a book review in a recent issue drew attention to two promising series of periodical studies in this field which have begun publication, one from Nottingham and the other from Glasgow.

An important, perhaps decisive, difficulty in developing this particular study is its politically delicate character. The student in this country constantly comes up against an attitude which may be described as either *De Russia nil nisi male* or *De Russia nil nisi bene*. Is it possible to view Russia without bias? "Since history is our interpretation of human affairs in the past, it could not exist without bias," says Sir G. M. Trevelyan. How much more true is this of contemporary history and of the Russian part of it, which on all sides is so highly charged with emotion and ideological tension. The fear of being accused of bias leads sometimes the more timid writers on Soviet affairs to a careful concealment of bias or towards over-cautious pedantry. This apprehensive mood is noticeable even among students of Russia, who can hardly be classed as "fellow-travellers." It is therefore essential that the academic atmosphere in this country should remain, as it has been hitherto, completely free from ideological witch-hunting, which rarely does any great harm to the alleged witches but often plays tricks with the minds of the hunters. It seems that the only sensible way out is to encourage in the study of Russian affairs the balanced expression of all sorts of bias—subject, of course, to the requirements of academic standards; for nothing constitutes as great an obstacle to real knowledge as does the monopoly of one bias.

In the senior universities the one-sided linguistic and literary approach to Russian studies is still dominant; too little is being done to organise systematic research in the social, political and economic facts about Soviet—and pre-Soviet—Russia. It is unfortunate, too, that the one or two professors of international relations who have specialised in the Soviet period of Russian history do not at present teach in British universities.

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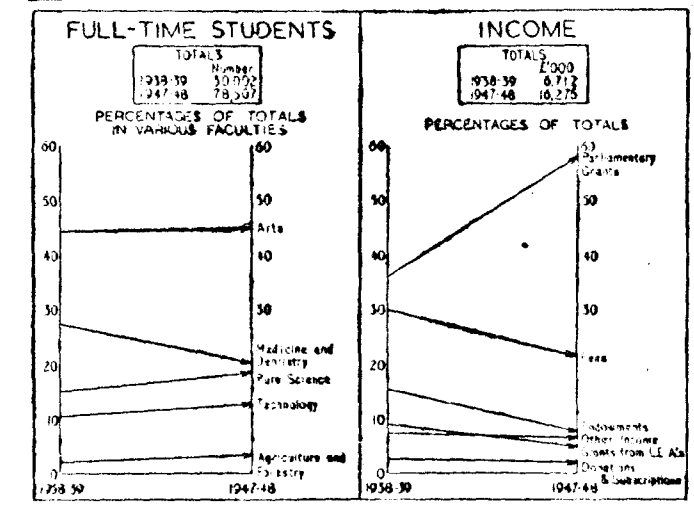
Growth of the Universities

The first annual statistical returns since 1938-39 from universities and university colleges receiving a Treasury grant illustrates in detail the postwar trends that have been frequently discussed in *The Economist*. The returns cover the academic year 1947-48 and show that in that year the total number of full-time students was 78,507, compared with 50,002 in the year before war broke out. The distribution of these students among the various faculties is also fulfilling the recommendations of the Barlow Committee on Scientific Manpower that the number of graduates in pure science and technology should be doubled as soon as possible. As will be seen from the accompanying chart, the number of students in these two faculties had all but doubled by 1947-48.

The returns also illustrate to some extent how the University Grants Committee is carrying out its declared aim of distributing the money voted by Parliament not solely according to need but also according to merit and according to the principle of helping those who help themselves. To a certain extent the second and third principles conflict with the first. If need were the sole criterion of a grant, obviously the whole grant might be given to some of the provincial universities to the exclusion of Oxford and Cambridge. But unlike some local education authorities the University Grants Committee has always wisely repudiated the principle of uniform standards. The desire to double the total number of university students,

which cannot take place unless there is a big expansion in the smaller and often financially weaker universities, does mean that in its postwar allocation of grants the committee is guided more by the criterion of need than it used to be. But Oxford and Cambridge, with their large endowment income and large college income which does not appear in the statistics, are nevertheless given parliamentary grants that accounted for 17.3 per cent and 23.4 per cent respectively of their total income in 1947-48.

The claims of need versus the claims of achievement are also illustrated by the returns of expenditure on the salaries of the teaching staffs. Ought the financially weak universities to be enabled by grants to pay salaries comparable to those



in the older universities, or ought existing variations to be maintained? The committee adopted a compromise by which standard rates of salaries were recognised but grants allowed, by individual assessment of universities, to enable some of them to supplement the standard rate. The effect, as shown in the returns, is that expenditure on salaries for each full-time student varies among the provincial universities from £125 at Bristol to about £85 at Manchester and Liverpool. At Cambridge the figure for expenditure from university income alone is about £80, but it would be a great deal higher if the expenditure on salaries from college income were taken into account.

* * *

Shortage of Teachers

Can the planned expansion in the number of university students be maintained without a lowering of their average standard of education? Doubts that are sometimes expressed on this point will be strengthened by the results of a questionnaire undertaken by the Incorporated Association of Headmasters to ascertain the extent of the shortage of teachers. The inquiry took place in 780 schools—mainly aided and maintained grammar schools, but including 76 large public schools.

The results of the questionnaire showed no pronounced drift from the profession, although of 913 teachers who had left their posts, 330 had gone to other occupations. They do show, however, great difficulty in filling teaching vacancies in certain subjects, particularly the sciences and mathematics. (The shortages in respect of some of the subjects are shown in the accompanying diagram.) Sometimes this has meant abandoning a subject altogether; sometimes it has meant sending a class to another school for instruction in the subject concerned. Makeshifts like this, the association comments, will inevitably be felt later in a lack of sufficient students. Among other things, this will mean that the Barlow Committee's objective for an increase in scientific manpower may not be achieved.

Under the third heading, the 780 schools show a total increase of 60,000 pupils and the numbers in their sixth forms

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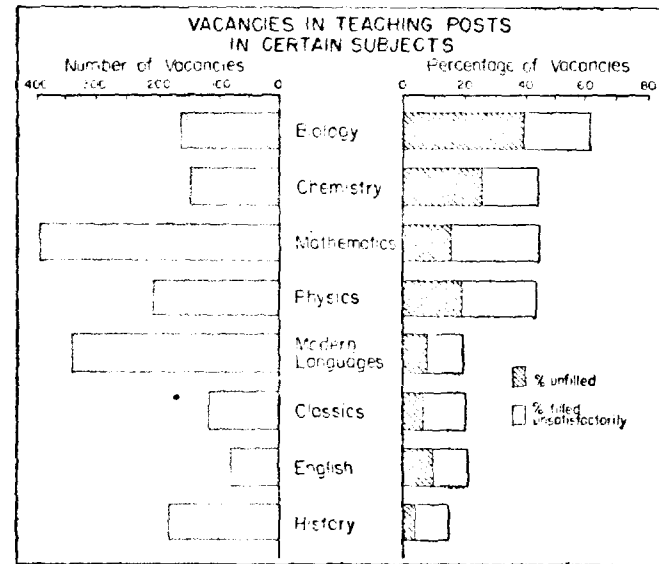
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have increased by 67 per cent. But there has been a decrease of 3 per cent in the number of graduates with first-class honours, an increase of 25 per cent in those with second-class honours and an increase of 29 per cent in the number of third-class honours, pass men and non-graduates. The association concludes that the growth in sixth form work is not matched by an equal growth in the number of well-



qualified men and that scholarship and advanced work will be handicapped. When it is considered that the questionnaire covered 76 public schools, where salaries are on a higher scale and whose conditions of service are much better than in the aided and maintained grammar schools, the prospects of maintaining high standards of sixth-form work where they exist, and of attaining them where they do not, appear very gloomy.

Cost of Postponement at Lausanne

Mr Paul Porter, the American member of the United Nations Conciliation Commission for Palestine, arrived back from Washington last week not, as some sanguine people had hoped, with the dollars to pay for refugee settlement in his pocket, but instead with another commission of enquiry to propose. (The Americans are now appointing these with that regularity they were so ready to criticise when practised by Britain.) This time, the body is to be called an Economic Survey Group, and Mr Porter was able to announce it is already selected by the United Nations, assembled, packed and ready for despatch. The Israelis and the Arabs have both expressed readiness to see it at work. Ought the two disputants, the unfortunate refugees and beyond them the world at large to be glad or sorry that yet another fresh set of minds is to work at the debatable subject, and that yet another postponement of final decisions has occurred as a result?

The events of this week conclusively prove that no immediate solution was possible and that Mr Porter was justified in using satisfied tones when he told the press that "by the appointment of the Economical Survey Group we have averted a show down." For on August 29th the four Arab delegations jointly submitted a startling reply to the question: what are your territorial demands and how many refugees can you accommodate? Their answer is a measure of the unreality in which they live and dream. They replied that they must ask, in order to settle a number which they did not specify, not only for the lands allotted to them under the partition plan of November, 1947 (about 2,300 square miles of which have, as a result of conquest, since been occupied by Israel), but in addition for considerable parts of what was to be Israel under that same partition plan. By their proposals of May 24th,

1949, at a time when they had been wasted in war, they accepted the 1947 partition line. Now they have asked for more. This is a melancholy repetition of past folly. More than once, they have been in a position to shame the Assembly into standing up for them and for their half-loaf; each time, they have preferred to throw away the chance. Even those most anxious to see them through the trouble that has come upon them repeatedly find the grounds for supporting them swept away.

The new Survey Group is powerfully manned. At its head is Mr Gordon Clapp, chairman of the Tennessee Valley Authority board. He has fifty helpers. Uno, it seems, is to pay. But even his vast experience of causing deserts to bloom will be taxed to the uttermost if he is to fulfil the assignment planned for him by Washington and Lake Success. His Group is to reach Israel next week, to visit Jordan, Syria, Lebanon and Iraq over the following three weeks, to report "first results" to the Conciliation Commission by early October, and to enable the Commission to make recommendations to the Assembly at its current session. Those who know the terrain and the governments concerned are convinced that the schedule demands the impossible. This pleases the Israelis, who are anxious for no voting at the current Assembly and for a further chance to negotiate a settlement between meetings and without a verdict by the voters of 1947. The voiceless people whom it does not suit are the refugees themselves. The funds for their care and maintenance (\$32 million requested by the Assembly in the shape of "voluntary government contributions" for the period December, 1948, to August, 1949) are running out. Only the United States and Great Britain have furnished contributions on any scale. It is reported from Beirut that the relief organisations who are actually handling the camps have been informed that they are likely to have to carry on until the end of March, 1950. If so, the United Nations—either from its working fund or by means of another round robin—will have to find, at the old monthly rate, a further 25 million dollars. The bill to pay for the triumph of "averting a show down" is far from negligible.

ECOSOC at Geneva

A session of the Economic and Social Council has become a depressing event. The topics covered seem to lend themselves even more freely than do politics to an exchange of vituperation between east and west. This has been the daily dose for the last seven weeks at Geneva.

Given the wide differences of interpretation that prevail on every important topic ranging from the causes of unemployment to the right of an accused man to stand trial, it is easy to understand why one western delegate should remark (during the debate on prevention of unemployment) that "no useful purpose is served in attempting to address resolutions on policy to any particular government." "More information," he added, "is necessary." But even in the limited field of security information there are too many delegations who for one reason or another prefer to impart a political flavour to the inquiry and too few who appreciate the worth of dispassionate surveys on a situation's merits. As examples of this last, some of the reports of the Economic Commission for Europe—a subsidiary of ECOSOC, shine almost alone, and it is a pity that their parent commission should have been singled out for attack by Mr Hector McNeil, who could fruitfully and justifiably have attacked so many less worthwhile ECOSOC activities.

As a sample of political bias carried to excess, it is worth citing the defeat of an American motion for ascertaining some hard facts. This was a proposal to sift the wealth of proposals for aid that are now arriving from undeveloped areas through the sieve of an impartial group of technical experts who would rate them on their economic merits. This suggestion was

defeated by a combination of the Soviet bloc with some of the applicants for aid, many of whom fear that projects dear to them for prestige reasons might be thrown out by wholly dispassionate surveyors. As a result of prejudice of one kind and another, therefore, the Assembly is, on the whole, not getting from ECOSOC the technical advice upon which, ideally, it should be able to count.

Now and then it can count on reliable information. The recent session agreed to recommend the establishment of one fact-finding body that may have some worth—a joint ECOSOC cum ILO investigation into the practice of Trade Union Rights. But it was forced, through disagreement, to abandon all hope of a dispassionate investigation of slavery, and to postpone any action upon forced labour, upon provision for refugee rights when the International Refugee Organisation comes to an end in mid-1950, and upon the establishment of an Economic Commission for the Middle East.

For the Middle Eastern countries, and for undeveloped areas in general, by far the most interesting reflection to which the session gives rise is: how far is America willing to invest in schemes which are not economically well conceived, or which the UN Agencies, however keen, have not in fact the powers and means to carry out? It should be noted that the American delegate questioned the size and wisdom of Mr Trygve Lie's programme. He recommended, instead of the \$36 million outlay there proposed, a further sifting of the economic merits of given schemes and a first year's start at, say, \$15 million. Clearly, American thinking has been sobered by revelations, principally from the International Bank, of the questionable economic merits of some of the schemes put up by hopeful applicants. For the boundlessness of these hopes, vague over-expansive speeches both by President Truman and by Mr Lie himself must bear some of the blame.

Chaos Reaches the Milky Way

The National Dairymen's Association has declared that the milk ration of three pints must be cut although the Ministry of Food appears strangely reluctant to do so. In fact, however, the ration has not been generally maintained, and the retail distribution of milk during the last week has exemplified one of the least engaging features of the planned economy—its propensity to crash its gear-changes. Where—under the old dispensation, seasonal or weather induced gluts and shortages were translated into new patterns of consumption by the pre-selective action of price, their counterparts today induce as a matter of course a screeching of outraged administrative cogwheels, a violent jerk on the distribution mechanism, and a more or less vicious shaking-up of the passengers. All summer the weather has been abnormally dry, to the sorrow of dairy farmers. All summer the most casual holidaymakers or outer-suburban season-ticket holders—to say nothing of the disinherited breed of genuine countrymen—have been able to observe the coconut-matting pastures and draw the appropriate conclusions. Yet the best that planned milk-distribution can do, in face of Nature's clearly-phrased notice of impending shortage, is to confront the consumer with a crisis of such arbitrary incidence that the situation of his house on one side or another of the street may determine whether or not he receives, on a given date, any milk whatever. Under the anarchic, wasteful and obsolete price system the achievement of such results would have needed either sudden and universal muttair or an earthquake.

Heads I Win . . .

For forty years, bookmakers have clung, precariously, to a legal decision which gave them some chance of recovering money owed to them by their clients. In 1845, Parliament passed the Gaming Act, which declared that all agreements

by way of gaming or wagering were void and, further, that no proceedings could be brought to recover any money alleged to have been won on a wager. In course of time, bookmakers and their advisers sought a way round these plain prohibitions and they evolved an ingenious plan. The bookmaker said, in effect, to the defaulter, "if you will pay your betting debt, I will refrain from reporting you to Tattersalls Committee; thus you will be enabled to continue betting." That, it was claimed, constituted a new bargain, and one which could be enforced by law. In 1908, the Court of Appeal held, by a majority, that it was a new bargain and outside the limitations imposed by the Gaming Act, 1845. On the last day of the Trinity Sittings, the House of Lords, by a majority of four to three, held that the Court of Appeal in 1908 were wrong. Despite the introduction of the new promise over Tattersalls Committee, the sum claimed, in origin and in fact, remains a sum of money alleged to have been won on a wager, and so due under an unenforceable contract.

It is impossible not to feel some sympathy with the bookmakers. They do not carry on an illegal business, and most of the adult population of Great Britain are their clients at one time or another. The bookmaker depends for his success in business on his readiness to pay out promptly on a contract unenforceable in law. And yet, apparently, his success in the future will be determined by his ability to pick out in time those of his clients who, when they lose, will do the one thing that they know the bookmaker will

Central vs Local Administration

According to the weekly return of the Registrar-General, the cholera is increasing in London and in the country generally. . . . We are old enough to have a vivid recollection, when the pestilence first came to us in 1831, of the meetings that were held in the different parishes of the metropolis, of the scrubbing and scouring and whitewashing that were immediately set about, of the establishment in each parish of separate places for cholera patients, of the appointment of additional medical officers, and of the many precautions that were taken, not scientifically perhaps, nor efficiently, but zealously taken, by the different local authorities. Then the disease did not slay its thousands here as in other metropolitan cities, and it may be that these authorities, far less alarmed now than then, are, therefore, less zealous. . . . We are, however, constrained by these circumstances to remember and to remind our readers that since 1831, legislation . . . has set in with a heady current against all local, and particularly against parish, authorities. It may, we think, therefore, be that the zeal of these authorities has been naturally cooled, by being superseded in many of their functions, and that they may have . . . relied on the Board of Health to order and take all the necessary measures for combating this "great epidemic."

We are not now about to enter into an inquiry as to the utility of the Board, or as to the necessity of extending its powers, though we must own that we prefer a system which calls into operation the active zeal of hundreds of thousands of well-intentioned, though perhaps now over-well informed men scattered over the country, to the system which substitutes for them the science of one or two gentlemen, who cannot possibly govern the whole, though they extinguish all zeal in others,—but we must say, whatever system be adopted, that it behoves the Legislature to carry it completely out, and not tolerate a conflicting jumble of laws and authorities, which paralyze exertions and exhibit a picture of complete anarchy. . . . We have not lately seen anything more disgraceful to the national character . . . than the statement of the Registrar-General, that only now, when the disease seems about to abate, are the authorities beginning to take proper measures to combat and conquer it.

The Economist

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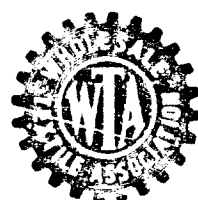
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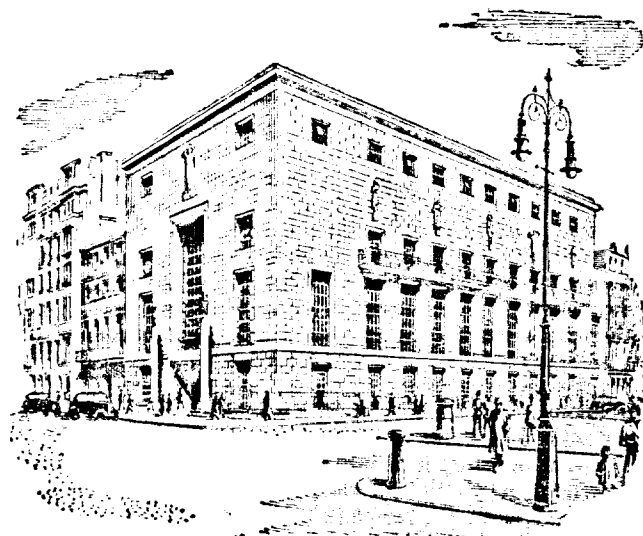
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not, that is plead the Gaming Act. Still, the House of Lords, which, for this purpose, consists of members of the legal profession, has prudently left the door slightly ajar to further litigious excursions. Lord Greene, in his judgment, said that he was not suggesting that there could never be a case where a promise to pay given by a defaulter in return for a promise not to report him might be enforced. The bookmakers will have to think again. They may in the end find a formula which a different House of Lords may be able to "distinguish" from the mechanism for securing payment of bets examined in the recent case. But, for the moment, bookmakers must be feeling as if three successive favourites had won.

★ ★ ★

Ashridge

The dispute over the future of the Ashridge College of Citizenship has now become public property with the announcement of the impending dismissal of its principal, General Sir Bernard Paget and his staff. Ashridge, a vast regency gothic house, was before the war a Conservative college, endowed by a fund known as the Bonar Law Memorial Trust. After the war it was converted into a college of Citizenship which, thanks to the intelligence and integrity of its directing staff, has made a great success in providing the kind of simple extramural education for senior schoolchildren and young people in industry which is not within the scope of the Universities. The College now faces financial difficulties which by reason of its charter cannot be met by a Ministry of Education grant, and which industrial firms who have made good use of the services of Ashridge are unable or unwilling to meet in full. The board of governors, bypassing the educa-

tional council which is responsible for the work undertaken at Ashridge, has decided to meet the deficit by taking in a young ladies finishing school which will by cramping the accommodation make it impossible to run the series of short course which is one of the main advantages of Ashridge. Since the board of governors who are irremovable seem set on this course, it rules out the possibility of making Ashridge an extension of either London or Oxford University. It is possible that the governors prefer the safety of being landlord to a seminary than the more courageous course of seeking by every means to preserve the modern value of Ashridge. One of the senior and less nervous academic institutions would be well advised to acquire the services of so able an educational improviser and administrator as Sir Bernard Paget.

Shorter Note

The Saudi Arabian Legation in Cairo has issued an official denial of reports that King Ibn Saud's government is willing to ship oil to Haifa. "The American oil company," the statement says, "has pledged that not a single drop of Saudi Arabian oil should reach any Jewish destination, either directly or indirectly." Simultaneously, Nuri Pasha es Said, upon his return to Baghdad from London, has stated that no oil will be pumped to Haifa "until the question of the refinery is solved." Does this mean "until the refinery is working with other oil, and Iraq is so blatantly a loser by the process that it may be possible to break down Iraqi intransigence"? Or does it mean "until Haifa becomes a free zone"? The vague wording suggests that Nuri himself is not sure. If, therefore, Anglo-Jewish efforts to resume refining are successful, the oil will have to be secured elsewhere.

Letters to the Editor

The Dollar Drain

SIR,—In view of certain developments in South Africa I read "Overseas Banker's" letter in your issue of July 23rd with more than passing interest.

In a Territory, which is about to become a Fifth Province of the Union, the Malan Government recently banned the use of optional and through Bills of Lading (enclosed: Transshipment USA Ports) in a belated attempt to prevent the use of cheap sterling for financing her karakul pelt exports, with a resultant sharp drop in domestic prices occasioned by the disappearance of the exchange premium accruing thereon.

The producers and certain exporters promptly made a political issue of the matter; and Dr Malan, apparently fearing a Nationalist debacle in the forthcoming south-west African elections for the Union Parliament, has been compelled to suspend his Finance Minister's directive.

On a most conservative basis it is estimated that South Africa's potential dollar drain from this source only is in the neighbourhood of \$12 million per annum. Is it surprising therefore that responsible bankers feel a sense of bewilderment and frustration when official policy is so vacillating?—Yours faithfully,
S.W. Africa
"ANOTHER OVERSEAS BANKER"

The Greek War

SIR,—In your Note entitled "New Turn in the Greek War" published in *The Economist* of August 27th you speak of the Greek Government's "atrocious record" of 700 executions "in cold blood," adding that "some of this butchery represents personal vengeance wreaked by minor officials."

This is a fantastic accusation to make against a country the impartiality of whose judiciary has been admitted by a British Legal Mission. Do you seriously suggest that persons are being condemned to death by the Greek Courts and executed merely because they have incurred the displeasure of some petty official? If so, you should cite specific instances instead of making sweeping allegations that are as unfair as they are false.

The Greek Government is the first to deplore the necessity for so severe punitive measures; but at the same time it should be borne in mind that Greece is at war and that thousands of her soldiers, not to mention innocent civilians, are being killed and maimed as the result of direct action, sabotage, etc. Is it surprising that persons who commit or abet such acts should be punished, in extreme cases, with death? You make no mention of the large numbers of misguided rebels who have surrendered or have been captured while fighting with the guerilla bands and who have been allowed to go free. Does that reveal "fascist tendencies" on the part of the Authorities?

There was little protest in this country, if I remember rightly, when Joyce was hanged. You may rest assured that the persons executed in Greece have been found guilty of far more odious crimes than broadcasting for the enemy.—Yours faithfully,

A. A. PALLIS, Minister Plenipotentiary
34 Hyde Park Square, London, W.2

SIR,—If the writer of your Note on Greece were a Greek citizen living abroad he would receive instant proof of the truth of his conclusion: "And until the Greeks' fascist tendencies can be scotched once and for all, the regime may find it impossible to establish the measure of internal political unity necessary for a lasting peace, whatever the outcome of the present fighting."

He would be villified as a "Communist" by the Greek Government. His passport would not be renewed. He would be found guilty of "subversive activities" and would naturally keep away from his country while these "fascist tendencies" were manifested.

A case point is that of the publisher of this modest monthly, Mr E. H. Athanassoglou. His "crime" is that, subscribing to the unchallengeable truth of your conclusion, he has "subversively" advocated mediation as better than the present policy of useless bloodshed to bring tranquillity to his country.

Yours faithfully,
EDITOR, *Greek Outlook*

SIR,—In your issue of August 27th you flagellate the Greek Government for pronouncing 53 death sentences on indictments connected with the Communist war. Have you seen the evidence? I have not, so in justice to an ally I suspend judgment till I have some knowledge of the charge. If you have seen the evidence, will you please publish enough of it to enable your readers to gauge the validity of your strictures? If you have not seen it, will you suspend your judgment too? In any case will you provide chapter and verse for your sweeping affirmations on "the Greeks' fascist tendencies"? That is, of course, what the Iron Curtain radios say; but I hardly expected to hear the echo in a British periodical.

Such blackening affirmations surely require completely solid grounds. Unless these exist, it is a mistake for democracies to show that, while Greece is bearing the burden of the hot war, they have no idea how to fight a cold one. On August 26th, for example, the *New York Herald Tribune* naively allowed those persistent propagandists, Messrs. Athanassoglou and Doganis, almost to monopolise its exiguous correspondence columns with denigration of the Greek Government little stronger than yours. Could anything be better calculated to discourage men fighting in a common cause?—Yours faithfully,

Denham Place, Denham, Bucks

VANSITTART

SIR,—Having been deprived of my Greek citizenship by the present regime in Athens, because of my politics, I wholeheartedly agree with your note of last week on Greece which describes the thousands of executions as "butchery" and an "atrocious record."

May I point out in this connection that it is this "vicious and appalling savagery" which is mainly responsible for the continued civil war. For the past five terrible years, almost continuously, Greek has been killing Greek. And this is mainly because the regime in Athens has built itself up on the basis of a terror which makes civil war inevitable. Peace, and the return of the country to a democratic way of life, would mean the political extinction of the inefficient, corrupt and bankrupt people who rule in Athens today.

As long as these people are in power, supported by the British and American Governments, peace and decency can never return to Greece.

But Greece needs peace and the reconstruction of her shattered homes more than any other country in Europe. The entire nation, irrespective of political creed, longs for peace. But this peace cannot be established by the extermination of the Left by military operations, mass executions, or mass imprisonments. The past four years have proved how criminally wrong and futile such a policy is. Peace will be restored in Greece only by negotiated democratic agreement. The guerrillas will never lay down their arms unless such an agreement is reached.

As regards the latest "final victory" of Athens, it will prove to be another Pyrrhic victory, like previous ones.

That is why, in my opinion, all those in Britain who really wish to see the present ordeal of Greece brought to an end should work for a negotiated and democratic solution of the Greek problem.—Yours faithfully,

12 Mickham Gardens, Twickenham

TH. DOGANIS

Interest Rates Now

SIR,—Last week's timely article "Interest Rates Now" does not appear to give due regard to one of the most important technical market factors which has accentuated the recent fall in gilt-edged stocks. This has been the fairly large selling of War Loan by those in banking circles who held it with a mixed portfolio of short and medium dated stocks; who regarded it, in fact, as a "short." Consequently, any slight digression under par is accelerated by hasty selling of this loan—then irredeemable. In turn, this engenders further weakness.

Quite apart from the general lessening of confidence as the result of a wider realisation of the country's export/import position and the possibility of some ultimate readjustment in exchange rates, one other factor is surely relevant. As shown by your "Consolidated Balance Sheet for Industry" published in a recent issue, not a small proportion of the capital value of physical stocks held by industry has been financed by the gradual sale of Government stocks. This indicates a shortage of working capital, which has occasioned the recent large issues of industrial prior charge stocks. These issues compete with existing stocks (including gilt-edged), and tend to raise interest rates to a moderate extent.

One other point—has the long-term internal credit record of successive British Governments been compromised by the issue of Gas Stock to holders of similar securities at prices varying by as much as 10 per cent?—Yours faithfully,

12 Tokenhouse Yard, E.C.2

G. J. CHANDLER

Utility Price Cuts

SIR,—In describing the new Utility price cuts, you state that "the retailer's margin is reduced by about 2½ per cent of the retail price." It is true that retailers' margins are being reduced, e.g., from 27½ to 25 per cent of the selling price. But this reduction, even if unaccompanied by lower suppliers' prices, cuts retail prices by about 3½ per cent (8d. in the £, not 6d.). Taking into account also the effect upon retail margins of lower suppliers' prices, the retailer will be contributing about 9d. to price cuts totalling just over 1s. in the £.

You also quote the retail margin on household textiles as being cut from 30 to 27½ per cent on returns. In fact, the margin on cotton varieties is cut from 22½ to 20 per cent, and on linen varieties is cut from 25 to 22½ per cent.—Yours faithfully,

DONALD BARBER

London, W.1 Secretary, Retail Distributors' Association

[This subject is discussed in a Business Note on page 523.—EDITOR.]

The Repellent Germans

SIR,—In your article "After the German Elections" in *The Economist* of August 20th, the conclusions of which seem to me to be very reasonable, I find to my regret a sentence which is the reason for my writing to you. In speaking about the electoral campaign you write: "All the most unpleasant characteristics of a not very attractive people came to the surface." Every people have pleasant and unpleasant characteristics, which, according to the circumstances, come to the surface. I would not have taken exception to this statement if it was not followed by the sentence: "Germany's repellent record in the international affairs of the last seventy years was forgotten." Germany's "repellent record" is based on the falsehood of Germany's sole guilt for all the wars in which she was involved during the last 70 years. With regard to Germany's sole guilt for the war 1871 I quote from *The Times* issue of July 16, 1870, as follows:

The greatest national crime that we have had the pain of recording in these columns since the days of the First French Empire has been consummated. War is declared—an unjust, but premeditated war. The dire calamity, which overwhelms Europe

with dismay, is, it is now too clear, the act of France, of one man in France. It is the ultimate result of personal rule.

There can be no doubt as to the side on which the world's sympathies will be enlisted and, whatever may on former occasions have been the offences of Prussia, she will in this instance have on her side all that moral support which is seldom denied to those who take up arms in self-defence.

With regard to Germany's sole guilt for the war 1914/18—the second proof of "Germany's repellent record"—I beg to draw your attention to the chapter in the late Lord Arthur Ponsonby's book, "Falsehood in Wartime," about "Germany's sole responsibility for the war." In this chapter "Germany's repellent record" is refuted by such leading statesmen as the late Lord Lloyd George, the former Prime Minister of Italy, Francesco Nitti, President Wilson, M. Raymond Poincaré, and others. Unquestionably, Germany's record is in fact repellent for those who hold all Germans responsible for Hitler's and his gang's misdeeds, but those who make a difference between the genuine Nazis and the great majority of the German people—and I think that the great majority of the world's public opinion now makes that difference—would, I believe, not speak of "Germany's repellent record" during this period. Unquestionably a very large percentage of the German people was responsible for Hitler's coming to power by voting for him in the year 1933. But for those—about 17,265,000 out of 37,669,000—I can plead extenuating circumstances by quoting from Lord Keynes's book "The Consequences of the Treaty" (1919) as follows:

The clock cannot be set back. You cannot restore Central Europe to 1870 without setting up such strains in the European structure and letting loose such human and spiritual forces as, pushing beyond frontiers and races, will overwhelm not only you and your guarantees, but your institutions and the existing order of society.

Whilst I agree with you that most people in Germany—but the same is true of most people all over the world—have a very short memory and whilst you are undoubtedly right when you

Books and Publications

Agriculture in Perspective

"An Introduction to Agricultural Economics." By Edgar Thomas. Nelson. 295 pages. 10s. 6d.

Few text books deal specifically with the agricultural economy of Britain and some of those previously published have been mainly concerned with historical developments or with rather academic attempts to explain and analyse agricultural problems in terms of simple economic theory. This book is intended primarily for agricultural students: "Its object is to give an interpretation of the economic structure of the agricultural industry in this country which, while being fairly simple, is nevertheless sufficiently systematic to give the student an introduction to the economist's technique of thinking."

In the introduction care is taken to put agriculture in perspective and to make clear, from the economic point of view, that the contrast implied in the phrase "agriculture and industry" is misleading. Nevertheless, much of the book is concerned with essential differences existing between farming and other industries. Following the general introduction, attention is given to the gross and net output of the industry. This is followed by four chapters individually covering the three factors of production and their combination. The size of farms; land tenure; agriculture and the general price level; prices, demand and supply in agriculture; agricultural marketing; and imperfect competition in agriculture are the titles of the remaining chapters. Some of the implications of the very important agricultural legislation of 1947 are discussed under land tenure.

One merit of the "Introduction to Agricultural Economics" is that it systematically provides references to agricultural economics, literature and data. Most of the chapters have

say that for many vote-catching speakers during this electoral campaign "history began in 1945 and everything was the fault of the occupying powers," I do not think that one can justly accuse all the Germans of really having forgotten everything that happened before 1945, including Germany's share in the guilt of the last 70 or 80 years.—Yours faithfully,
Frankfurt Am Main, Reuterweg 14 RICHARD MERTON.

The Communist Programme

SIR,—In your note on the Communist Party Programme, "The Socialist Road for Britain," you refer to our statement that "the rise in production and profits, while wages are kept down, is speeding up the growth of unemployment in Britain," and triumphantly call attention to the fact that "current unemployment"—presumably the last official return of 243,041 in July—shows a slight decrease on the preceding month. This is an excellent example of the fallacy of taking a very short-term total figure as a correct measure of a trend. Even on the basis of the narrow measure of the June and July returns, the significant fact for any intelligent observer of trends to note was the growth of unemployment in the basic industries, engineering and shipbuilding and textiles, and the net decline of employment in the manufacturing industries as a whole by 5,000. It is also worth noting that the inflated figure of the armed forces, at 769,000, or close on double prewar, is equivalent to a considerable figure of concealed unemployment which would more than double the present official figures. Our statement, however, was concerned with the serious long-term factors in present policies making for a "growth of unemployment in Britain." We would ask your readers to make a note of your statement and ours for reference in twelve months' time, to see whether our warning or your complacency was the better justified.—Yours faithfully,

R. PALME DUFF

19 Whitehall Lodge, N.10

bibliographies which, while very far from exhaustive or fully representative, are useful as introductions within the scope set by the author. Agriculture provides very many problems for economic study, and within a book of this size it would be easy to discover omissions or "patchiness" of treatment. In the chapter on the combination of the factors of production, for instance, much more could reasonably be expected on the importance of organisation and the function of the *entrepreneur*. In the discussion on land tenure, the economic history affecting the landowner's functions would have been useful for many purposes. Indeed, the main criticism of the book is perhaps that it does not give a little more of the historical background which is necessary for true appreciation of the existing structure and problems of agriculture. The course of wages and other costs, rents and income of farms; the changes in food consumption habits; the effect of international and overseas developments are all pertinent aspects which might have been included, however briefly, for historical review. Little attention has been given to problems of taxation, although here again, agriculture has had specific treatments both on the national and on the local plane. What historical treatment exists is largely confined to the past quarter century or so, as in the final chapter on imperfect competition. This chapter is a most useful study of agricultural policy, particularly of marketing and of the schemes derived from the Agricultural Marketing Acts of 1931 and 1933 and later of the price support policy. Some reference to overseas developments and situations in the corresponding period would have been instructive as indicating how far the specific arrangements in Britain were or were not unique.

Professor Thomas' book will be most useful for those who seek to be well-informed about the economic problems of

British agriculture, including those who are concerned with the teaching of this applied subject. The Professor of Agricultural Economics at Reading University is singularly well-fitted to write this book. He has also been Honorary Secretary of the Agricultural Economic Society since its foundation. It is clear that the text has benefited directly from these activities and associations.

A Superficial Observer

"Journey Under the Crescent Moon." By Nina Epton. Gollancz. 286 pages. 18s.

FRENCH North Africa is, as Miss Epton says in her preface, strangely little known for a place so near to London and Paris. A book on it, therefore, fills a gap on most shelves. Miss Epton sets out to write on its nationalists—"not so much about its nationalism as about its nationalists as human beings." But she speaks no Arabic; she is therefore confined to the company of townsmen and of the few among their wives who are Frenchwomen or else French-educated. And none of these can talk of anything but politics. She has therefore written, willy nilly, not a social but a political book. She writes readably, and having done the greater part of her journey, from Morocco to Cairo and back via Tunis and Algiers, at the height of summer, is a cheerful and indefatigable traveller. But she has one grave drawback as a political observer. She sees only what she wants to see. Having started out, perhaps mistakenly, by accepting the hospitality of die-hard French army circles in Morocco, she writes off all Frenchmen as tyrants. She makes no attempt to see the French inhabitants—they are few in Tunisia and Morocco, but easy to find in Algeria—who sympathise with the local nationalists but see their weaknesses. It is difficult upon short acquaintance to assess the character of an Arab or a Berber. Miss Epton makes the mistake of accepting them at their own valuation, that is as virile, determined, united people, on the point of revolt. A little probing among their foreign sympathisers would have shown them for what they are: talkative, dreamy, idealistic, but divided among themselves and, at bottom, full of a love for French culture despite their dislike of French tutelage. Nowhere does her story explain, for instance, why, despite all its grumbling, North Africa was loyal to France in 1939-40; why even nationalists like Ferhat Abbas immediately volunteered for service in the French army; why crowds turned out to cheer M. Vincent Auriol when he toured Algeria this year.

The chief value of her book is that it shows the nationalists as they see themselves. Otherwise it presents a distorted picture of the scene. A measure of the author's judgment can be had from her illustrations. She refers frequently to taking photographs of appalling conditions. Why illustrate a flaming indictment of France with photographs of minarets, smiling Berbers and plump babies: suitable for postcards or lids for chocolate boxes?

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Wooden Ships of Maine

"The Maritime History of Maine." By William Hutchinson Rowe. New York: W.W. Norton. London: Allen and Unwin. 333 pages. 56.00; 30s.

THE State of Maine, with 2,500 miles of indented coastline and over 1,000 harbours, is the oldest maritime community in the New World, and Mr Rowe gives a vivid account of its ship-building and seafaring history from the launching of a "pretty pinnace" in 1607 to the last gasp of the wooden shipyards in the First World War. But the maritime story of Maine began, long before the seventeenth century, with the discovery of its winter fisheries by European fishermen, and European fishermen are today amongst those who, by their orders for fishing craft, keep the art of wooden shipbuilding alive.

This book draws a detailed picture of the ships themselves, of their building and their crews, of their voyages and their trade. It contains a mass of technical information, which is nevertheless comprehensible, and will therefore be fascinating even to those with no prospects of joining the summer visitors who are now thronging Kennebunkport and Wiscasset and the other charmingly-named places which appear in the book. The timber of Maine, both as the material for the ships and as the cargo they carried, was the basis of the state's maritime industry, but in the middle of the nineteenth century one of the most profitable cargoes was ice, cut from Maine's rivers during the winter and shipped not only to New York, where it embellished the banquets of the era, but as far as Calcutta and Batavia.

Mr Rowe's story begins with the early settlers who supplied Spain and Italy with dried cod and England with tall pines for the masts of the Royal Navy. It was upon that same Royal Navy that Maine waged war during the Revolution and later in 1812, only itself to be preyed upon by the Confederate raiders in the American Civil War. Maine supplied more ships than all the Southern states to carry raw cotton to the mills of Lancashire, and, after the Gold Rush in 1849, the state joined the roaring trade to carry the necessities of life to California. Some of the fastest of the clippers were built to win the race for these markets. But as California became more staid, speed was no longer so important, and Maine concentrated again on slower ships like the square-rigged "down-easters" which carried Californian wheat to Europe and handled the China trade. Then came schooners for the coastwise traffic, until at last the tall wooden ships were ousted by the steamships and ended up dismasted and crippled as barges towed behind tugs.

An American View of Sweden

"Sweden: Champion of Peace." By David Hinshaw. G. P. Putnam, New York. 309 pages and plates. 54.00.

THIS book is an excellent illustration of the dangers of arguing by analogy. Its thesis is that Charles XIV, Sweden's first

Bernadotte King, decided that Sweden would not fight again. This decision having been taken, the Swedes refrained from participation in the two World Wars. *O si sic omnes!* The author's idealism prompts him to over-simplify almost to the point of injustice—injustice to the decent, industrious, ordinary people of the Balkans or of Britain—or America. They desire peace no less than the Swedes, nor do they reckon its victories less dearly.

The long neutrality which has benefited Sweden so greatly is a product of geographical and political factors largely outside Sweden's control. It is true that in that limited sector where the course of events could be influenced, Swedish policy has been extremely adroit. It is also true—and greatly to the credit of the Swedes—that they have used so wisely the opportunities afforded by generations of peace. But they would be the last to accept the author's argument that, because certain institutions have been developed in Sweden in the long years of peace, all that is required to ensure universal peace is to transplant Swedish institutions to other countries. A study of Tibetan customs and organisations would yield the same conclusions.

In its main aim of serving—in the words of the publishers' blurb—"as a useful guide to men and women throughout the world in these fear-ridden, cataclysmic times" the book must be considered a failure. But it has considerable value in that it devotes seven out of its twenty chapters to a factual examination of Swedish foreign policy from about 1914 to 1948. A survey in English of Swedish policy during and after World War II is rare. The author draws at length on the various Scandinavian White Books which bring out in a way that will surprise many readers, whose recollections of the events related are based on partial wartime reports, how much Sweden refused to Germany. The description of the Swedish social and political structure, though a more normal ingredient of books on Sweden, is useful and more up to date than usual. The illustrations are first-rate.

A Swedish View of Russia

Ryssland och var Politik. By Arthur Montgomery. Skoglund's Bokförlag, Stockholm. 211 pages. 8.50 kr.

THIS book is a reprint of selected articles on Russia which Professor Montgomery has contributed to the main Swedish newspapers in the past three years. As one of Sweden's leading economists who is a lifelong student of Russian affairs and who has lived for a considerable time in Finland, the author is particularly well placed to interpret to his countrymen the aims and organisation of the enigmatic Soviet Czars. The ground covered by the work is accordingly very varied. The Russian currency reform, the economy of the Eastern bloc, Marxist music, Bolshevik biology and many similar topics are discussed in a lucid, intelligent and well-informed manner. But the particular interest of the book for non-Swedes, who, after all, have access to many other equally authoritative interpretations of these manifestations of Soviet activity, lies in its discussion of the role of Russia in Scandinavia and, in particular, in the effect on Sweden of Russian policy in Finland.

On this crucial problem of Swedish policy Professor Montgomery is in the main content with exposition. He is too sensible to concoct startling new theories—and too shrewd to accept at its face value the orthodox Swedish view that Russia's comparatively good behaviour in Finland is due mainly to the Kremlin's desire to avoid driving Sweden westwards. He rightly says that not only does "the Soviet Union in the last analysis determine its Finnish policy without regard to us [Swedes]," but also that, in Communist eyes, Sweden is already lined up with the West. The brutal truth is that, at bottom, the international position of Finland—and of Sweden—is what the rivalries of the Great Powers permit it to be.

Flat Geography

"Geography behind Politics." By A. E. Moodie. Hutchinson's University Library. 178 pages. 7s. 6d.

THERE is no doubt that the geographer has, or should have, something of value to contribute to political debate. An objective weighing-up of the material factors which affect the life of states, and some pointers at least to the evaluation of the less material factors. These are the points which Dr Moodie stresses in this little book, which is a concise and clear, but not very stimulating, account of the main content of the subject. There is, however, one glaring omission. It can hardly be denied, even by those who are sceptical of the federal panacea, that consideration of this matter should lie at the very core of any discussion of political geography which is to claim much relevance today. On a lower plane, it is surely a geographical fact of great interest, and worthy of geographical analysis, that, with the exception of Switzerland and some federations forced since World War II, the norm of the federal state is a large area, a relatively or absolutely small population, and generally at least an emergence from colonial status within the last 150 years. Yet there is but one reference to federal states in the index, and the unindexed references are inadequate. However, Dr Moodie errs in good company, for much larger and more authoritative works are equally dumb oracles.

On the whole, Dr Moodie steers a reasonable course in analysing the inter-relations of peoples, territories and organisations. There are a few confusions and *non-sequiturs*, and as a whole the book fails to grip. There are too few maps and concrete examples (apart from passing references), though exception must be made in favour of the very clear summary of Dr Moodie's much larger work on the Italy-Yugoslav boundary.

Altogether this is a sound if uninspiring guide to the layman, the student of geography may find it useful as his first introduction to a specialism. Probably no more would be claimed, and Dr Moodie obviously does not intend to break new ground, which might indeed be considered inappropriate. The general effect is that the old ground has been covered in a manner flat, but faithful.

An Educationist's Biography

"Philip Hartog." A Memoir by Mabel Hartog. Constable. 178 pages, with six half-tone plates. 10s.

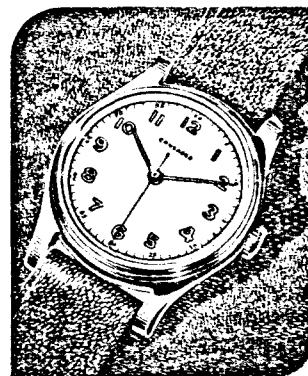
SIR PHILIP HARTOG, who had received his education in this country, France and Germany, died in 1947 in his eighty-fourth year, in which year his last book, "Words in Action," was published. This typifies the intellectual ardour which inspired him to the very end of his long life. In this modest volume Lady Hartog has given a concise and intimate account, admirably arranged, of Sir Philip's varied activities. Her book gives a striking portrait of a man, passionately pursuing to successful achievement the purposes to which he was devoted. The narrative is flavoured with much lively reminiscence of people and places, which imparts a vivid personal content to the story.

Sir Philip Hartog's main work was centred in Universities—in Manchester, London and Dacca, where he was the first Vice-Chancellor. He was trained to be a scientist and the list of his many publications shows that his interest in science never deserted him. But the main stream of his life carried him to the field of education, to the theory and practice of which his writings made a powerful contribution. In this context, mention must be made of "The writing of English" of which the theme was developed in "Words in Action" and various works on the examination system, demonstrating their haphazard character. The establishment of the School of Oriental and African Studies, on the governing body of which he served for thirty years as Crown representative, is a permanent symbol of Sir Philip's vision and persistence in bringing to fruition, despite all obstacles, a project from which the Commonwealth will reap lasting benefit.

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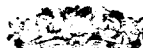
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Mandrils or Mechanical Brain?



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LITERARY SUPPLEMENT

AMERICAN SURVEY

Washington Background

(From an American Correspondent)

THE attitude of the average American to the Washington talks is almost completely negative. There is doubt whether the crisis is as black as it is painted; disbelief in, and irritation at, those British observers who hold that its immediate cause and cure lie in the United States; and fear that the approach of an election will paralyse Britain. Few hopes are therefore entertained for the conference. In their place is concern that the solidarity of the Atlantic community may be shaken by the recriminations which are already being exchanged and which President Truman last Monday relegated to their comparatively unimportant position, when he restated the basic principles of America's foreign economic policy.

The sterling problem since the end of the war has been regarded only from extreme positions of optimism and pessimism. Hopes raised at the time of the Anglo-American loan in 1946 gave way to despair during the 1947 convertibility crisis. The good start of the Marshall Plan then generated a new wave of over-optimism which has been followed once more by an excess of gloom. A sober appraisal of the true sterling position is, in American eyes, one of the essential tasks of the conference.

If the crisis has been exaggerated, a real problem nevertheless exists. The levelling-off of business activity in the United States destroyed any faint hope that the sterling area deficit would be cured by mounting American imports as supplies abroad became available. Similarly, the tapering off of the rise in British productivity suggests that higher output can no longer be relied upon as a short term cure. Increased consumption in the United States and increased production in Britain are still the basic ingredients of a long term solution. The "dollar shortage" has its ultimate roots in over-saving in the United States as well as in over-consumption (and over-investment) in the rest of the world.

If the United States is unwilling to agree that the check to its postwar boom makes it responsible for the crisis, it is equally impatient with some of the remedies which it is asked to apply. There is, for example, no chance that the American Treasury will increase the price of gold. The country has lost its simple faith in the value of gold without having gained enough cynicism to see merit in raising the high price already being paid for something worthless. Nor is it very likely that an economy-minded Congress, which has just slashed ten per cent off the appropriations for European economic assistance and even more off the authority to make purchases for the strategic stockpile, will vote new money for the latter in order to aid one of the recipients of the former. Far from increasing United States imports in the near future, it seems to many Americans that the immediate problem is how to avoid new limitations being put on them. Demands for further restrictions on imports (and for shifting stockpile funds from imports to domestic supplies) are being openly put forward by copper, oil, textiles and knit-gloves interests, and are likely to occur for many other

commodities. Aided by the basic strength of American business, the Administration is successfully resisting these pressures. Its capacity to do so indefinitely, however, is uncertain, as the 1946 Swiss-watch episode revealed.

It seems, therefore, that in the short run, reliance must be placed chiefly on two broad lines of action: a reduction in British consumption and an expansion in British exports on the one hand, and lending by the United States on the other. The first is a question not of the abandonment of nationalisation and social security in Britain, as some opinion in the United States holds, but of a more effective solution of the problem of blocked balances and capital flight, and of the familiar three D's—disinflation, devaluation and discrimination. The second covers the President's Fourth Point for the development of backward areas, the International Bank, and possibly the revival of private American lending in the bond market.

★

To take lending first. If the United States insists on producing more than it consumes, and investing less at home than it saves, then it should lend abroad until a higher level of consumption is attained at home. Investments through the Export-Import Bank and the World Bank, and by other American enterprises, assist foreign development; but these tied loans do not promote multilateral trade. What is needed are untied dollars which, ideally, would be borrowed by the rest of the world and spent in Europe. Changing the law of the Export-Import Bank or the practice of the World Bank, to permit this, would be complex and roundabout, and the most direct means might be to revive the New York market for foreign bond issues. Here is a possible answer for the conference to explore, but it is a long-term solution. A stabilisation loan—or Mr Bevin's variant, involving the redistribution of the gold of Fort Knox by loan—is premature. This device must be kept to provide reserves after the dollar gap has been closed, rather than used to close it. In retrospect, the Marshall Plan and the Anglo-American loan were undertaken in the wrong order. This mistake, and the ineffectiveness of the International Monetary Fund, may have made ultimate Congressional approval of stabilisation loans impossible. Certainly it appears futile to recommend them now.

The only immediate hope of adjustment seems, therefore, to depend on reduced consumption in the United Kingdom

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of foreign goods, which must be kept off the market by trade restrictions or higher prices, and of British goods, which must then be sold abroad. This requires either competitive pricing or barter, and in this connection the United States continues to favour disinflation and devaluation and to oppose discrimination.

The American Treasury has not distinguished itself on devaluation. Official advice in these matters is normally given to other nations in secret, which the Treasury did not do. Yet, when the subject cropped up in Congressional hearings on European recovery, the Treasury obligingly offered the opinion that devaluation was an ultimate necessity. As a result the holding of sterling was discouraged and its sale encouraged. The American government is believed to have lost some of its early confidence in the efficacy of devaluation, since it was asked to share responsibility for it in the event of failure. In the absence of inflation in the United States, however, Britain must devalue or carry disinflation to great lengths if convertibility, multilateral trade and freedom of consumer choice between domestic and foreign goods are to be achieved. Taking this end for granted, devaluation is probably the less disturbing of the two courses.

To many Americans, Sir Stafford Cripps's refusal to devalue is evidence not so much of a difference in judgment, for which there is room, as of a possible disagreement in principle. This refusal would appear to be based on the view that British consumption and investment can be raised by means of discrimination above the levels which would prevail under multilateralism. This may be the case. Experience with bulk buying, however, shows certain drawbacks and much of the gain would accrue from exploiting countries poorer than Britain. In other cases—oil, for example—a British attempt to capture foreign markets through barter agreements would produce difficulties for the United States which would be certain to lead to retaliation. It is understood that temporary import restrictions and barter agreements may be necessary to reduce consumption and to dispose of exports, but the Argentine Agreement, which carried discrimination beyond the terminal date of the Marshall Plan and beyond the Bretton Woods transition period, made people wonder whether Sir Stafford's alternative to devaluation was discrimination in perpetuity.

Power in the West

[FROM A CORRESPONDENT IN COLORADO]

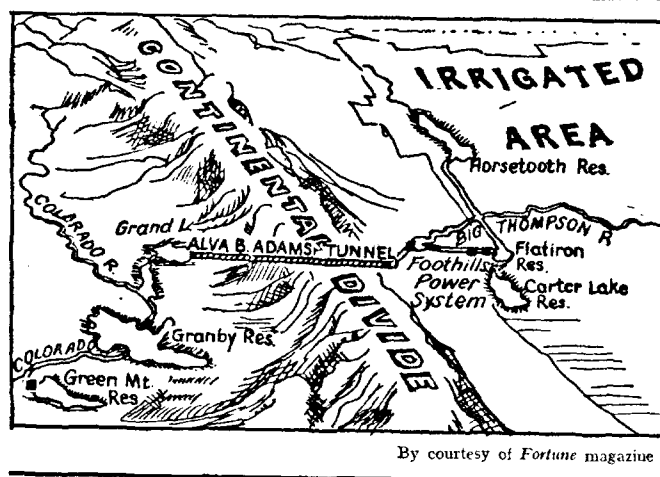
THE US Government may have opened up a Pandora's box of electric power disputes in the west. It has filed suit against an estimated 3,000 defendants, asserting its right to water that will be needed to operate its new \$144 million Grand Lake-Big Thompson project in Colorado. The private power companies, however, have seized this opportunity to challenge once more the government's plans to distribute power from its western dams over its own lines direct to wholesale customers.

If the companies should be sustained by the courts, the building of government transmission lines in the west, which within a decade may be carrying some six million kilowatts to consumers' organisations, would be halted. Private utilities could buy the power at the generators, or buy the falling water and generate their own power. For this reason the suit is attracting national attention.

Water-rights in the semi-arid west are subject to an exact and complex code, which the government now seeks to

clarify to its own advantage. The Big Thompson or "Big T" project centres around a 13-mile tunnel driven through the Continental Divide in Colorado at an altitude of about 8,200 feet. Through this tunnel would be transported annually some 310,000 acre-feet of water from the Colorado River Basin on the west to the Missouri River Basin on the east (an acre-foot of water is the amount needed to cover one acre a foot deep). This water would generate approximately 170,000 kilowatts of electricity as it tumbled 3,000 feet down the mountain-sides to the Great Plains; and then would be used to irrigate approximately 1,000 square miles of farms. These already have access to some water, but it is alleged to be insufficient. The government would be recompensed in part by revenue from electric power, and by payments from the farmers benefited.

The enterprise does not appear to have been very carefully planned when launched as a semi-relief project in the dry 'thirties. For one thing, the estimated costs have mounted



from \$45 million to \$144 million. Furthermore, it is only now, with the project so near completion that some water is run through the tunnel each spring to supplement existing supplies, that the government is taking formal and final steps to ensure that someone else does not have a prior legal claim to the water.

The new federal suit supersedes a similar suit which has been accumulating briefs and exhibits in a Colorado state court for 12 years. The volume of the evidence testifies to the fact that the issues reach far beyond the bounds of any single state. Colorado, other states, and the federal government are already parties to dozens of agreements. People as far away as the southernmost tip of California and Mexico claim an interest in whatever is done anywhere on the Colorado River. Even as it is said that throwing a stone may alter the balance of the solar system, so the most shadowy of these claims might upset the delicate balance of the Colorado Basin. Its economy is built upon water, and the high hopes which hundreds of its communities share for a great and prosperous future are limited by the available water supply.

The estimate of 3,000 defendants involved in the government's suit include the whole number of claimants that might conceivably have any shadow of right over the water. Actually, the government filed suit against eight defendants, choosing each as representing a class of claimant. Among them is the Public Service Company of Colorado, the private utility company which supplies much of the power used in the region, and views with alarm the government's plans to build transmission lines to transport electricity from the dams to the consumer, ignoring the private utility's grid.

The private power industry as a whole has always fought plans of the government to transport power away from its big western dams, particularly as the law directs the government to serve "public users" first. However, the general right of the government to market electricity developed as a by-product of great water projects seems to have been settled in the Tennessee Valley Authority cases. The new feature of these western projects is that the government would transport power right across territory served by the private utilities, with parallel transmission lines. It would carry electricity in some cases to "public users," such as farmers' rural electrification co-operatives, or cities with municipally-owned power-plants, that are now customers of the private utilities, but are eager for federal power, because it will cost them less.

In scores of instances throughout the west, large private power enterprises are thus confronted with the spectre of government competition on a scale and under conditions that they fear may force them out of business and convert the whole west into a public power province. The most recent Congressional battle has gone against the companies. The Senate last week voted to overrule its Appropriations Committee, which had cut the funds for new government transmission lines out of the appropriation for the Department of the Interior, already approved by the House.

The companies, unable to sue the government in the courts or show anything but prospective damage, welcome the present suit as an opportunity to carry the battle to the courts and challenge the government's right to build competitive transmission lines. The answer filed by the Public Service Company argues that the original Congressional authorisation for the Big Thompson project contemplated only two transmission lines, whose sole function would have been to channel power into the company's system; that the generation, transmission, and commercial distribution of electric power within the company's service area has no reasonable relation to any lawful governmental function and is unconstitutional; and that it would deprive the company of its property without due process of law and without compensation. This case, vitally affecting the future of the whole private power industry, is virtually certain to reach the Supreme Court.

American Notes

Congress on Holiday

The Anglo-American economic talks will, it appears, coincide with the Senate's debate on the Reciprocal Trade Agreements Act which expired two months ago. It is not simply a case of renewing the Act, but of removing the restrictions on the Administration's freedom to negotiate tariff reductions which were added last year by the Republican Congress and which, in the present uncertain state of the national economy, seem very desirable safeguards to many Senators, Democrats as well as Republicans. The week's vacation which they are now taking over a Labour Day holiday, which was once going to end the present session, will give Senators strength for a sharp fight without soothing their resentment at being held in Washington for what, it is now suggested, may be another three months. This resentment has already united both parties in a refusal to allow the House to go officially on the holiday which so many of its members were taking, slipping away from Washington unofficially, that it became difficult to find a quorum. The House, already indignant at being forced to suffer for the Senate's tardiness, then defiantly departed on 26-days' French leave.

Before going the House extended, for the fourth time, until October 1st, the temporary spending authority under which

many government agencies have already been operating for two months. The Senate, at last goaded into activity by the House's jibes, has now passed all the Appropriations Bills, but final action will apparently have to wait until the representatives of the House on the joint conference committee feel refreshed enough to negotiate on the differences between the two versions. Even funds for the Economic Co-operation Administration, which have been in conference for weeks, remain unsettled; it is reported that the House representatives are willing to agree to the Senate's 10 per cent cut in the total, but are still balking at the watch-dog committee.

"One To Squeeze Junction"



Herblock in the Washington Post

Otherwise, however, there is plenty for the Senate to get on with while its lower half is away. The House has been far from a model follower of the Fair Deal; it has, for example, rejected the Administration's farm price support scheme and has not been at all generous to the Military Assistance Programme, with both of which the Senate has still to cope. But months ago it renewed, and amended satisfactorily, the Trade Agreements Act and it has passed the Bill for raising the minimum wage to 75 cents an hour, which the Senate has been debating this week and which is supposed to be a sop to labour for the failure to repeal the Taft-Hartley Act. Finally, the House long since approved an adequate Bill for the admission of displaced persons, which has been blocked in the Senate Judiciary Committee by the chairman's obstinate preference for such matters as spies in the United Nations and the need for Basque immigrants to herd sheep in his own state of Nevada. In a final desperate attempt to force this Bill on to the Senate floor, the Administration leaders have just turned to the Republicans for help.

* * *

Billions for Defence

The rider which Senator McClellan hoped to attach to the defence Appropriation Bill, and which would have required President Truman to wield the economy axe from which

Congress itself recoiled, has failed to secure the necessary two-thirds vote. But the Senate, stung, perhaps, by the cynical reception of this ingenious notion, has cut the billions for defence—by far the largest money Bill—not only below the inflated figure voted by the House, but below the President's request.

Mr Truman's budget estimate, accepted with some heart-burning by the Services, was \$15.3 billion, of which \$2.1 billion was to be in authority to place contracts, rather than cash. The House, dazzled by Air Force manœuvres, not only voted to authorise a 70-group Air Force, a statement of intent to which the Administration did not object, but offered the cash and contract authority needed to begin the expansion. In all, it approved a figure of \$15.9 billion, \$2.6 billion being in contract authority.

The Senate does not lag behind the House in air-mindedness. Only last week it passed a similar authorisation. But by refusing to commit additional funds now, it has classed the 70-group Air Force as a luxury beyond the means even of the United States in a year when the budget gap is widening. The total approved by the Senate is \$14.8 billion.

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This includes a cut of approximately \$500 million in the cash requested by the President. By a coincidence this is almost exactly the size of the saving which Mr Johnson, the Secretary of Defence, announced last week will result, eventually, from his order dismissing 135,000 civilian workers with the military, releasing 12,073 reserve officers from duty, and shutting down 51 installations at home and abroad. The saving this year would amount to \$200 million. Consequently a sharp debate is going on as to whether the credit for retrenchment should go to Mr Johnson and the President, or to the strong hint given by the Senate Appropriations Committee. The Senate may be counting chickens before they are hatched; the House has yet to consent to the appropriation cuts.

The Hoover report on the Services insisted that about \$1 billion of waste could be squeezed out of the defence establishment without impairing, indeed while increasing, its efficiency. But even Mr Johnson's modest beginning has shaken the theoretical attachment of many Congressmen to government economy. It will throw nearly 150,000 men on a labour market already burdened with 4,000,000 unemployed, and narrow the patronage enjoyed by Congressmen. The over-enthusiastic friends of the Navy, who suffered such a humiliating collapse during the investigation of the contracts for the B-36, are hinting that the cuts carry one stage further. Mr Johnson's cold war against the Navy. But if the Secretary is to achieve his aim of cutting the defence budget next year to just over \$13 billion, he cannot afford to be put off either by Service hotheads or Congressional cold feet.

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Eating the White Paper?

If the State Department hoped its White Paper on China would stun the Congressional friends of the Nationalist Government, it under-estimated the obstinate faith of Mr Judd, Senator Knowland, and their circle of "Sinecogues." They are still determined to secure at least a token gesture of aid and support for China. Because their votes may vitally affect the sum the Senate approves for military aid for Europe, the State Department may be forced into an appearance of eating its own White Paper almost before the ink is dry on it.

The conclusion of the White Paper was that further aid to the Generalissimo would be utterly indefensible. Mr Acheson has rather sharply refused to admit the justice of any of the charges of distortion, omission, and glossing over levelled at the White Paper by Mr Judd and his friends. But Administration supporters in the Senate have been forced to give ground before Senator Knowland's insistence that the military aid programme should allocate \$175 million to China. Mr Dulles

is among the Republican leaders who believe that some concessions should be given on China to ensure that only a small cut is made in the Administration's requests for arms for Europe. This would give the Senate conferees an important bargaining point when they meet with representatives of the House, who voted to cut in half the programme for the Atlantic Pact signatories, and, incidentally, turned down a \$75 million grant to China.

What the State Department is believed willing, if not precisely enthusiastic, to accept is a provision of \$100 million for economic and military aid to China, provided that it be added to, rather than subtracted from, aid to Europe, and that its spending be left entirely at the President's discretion. Thus it might never be spent at all, and at least would await the report on Far Eastern policy now being drawn up by three experts who have no former connection with official policy.

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The final vote of the two Senate committees considering military assistance has been held up, not only by considerations of the Far East, and will not be taken until next week. One of the stumbling-blocks has been the amount of arms surplus to the American mobilisation reserve which could be sent abroad—primarily to France. This \$450 million of arms will be charged to the programme only at rehabilitation cost, \$77 million, and some Senators were anxious to ensure that book-keeping juggling did not deprive Korea, the Philippines, and perhaps China of their fair shares. It has also been decided that weapons taken from the reserve to start the programme off will be charged at replacement or original cost. One Administration victory has been the committee's decision, after it had heard General Bradley's testimony, to approve \$155 million to encourage arms production, though not the building of new arms plants, in Europe. Senators Vandenberg and Dulles had hoped to save \$161 million, reducing the total to a nice round billion, by eliminating this encouragement to self-help, which they argued should await the formation of an Atlantic Defence Council, and might antagonise the Germans.

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Stockpiling Problems

One possible plank in an emergency bridge across Britain's dollar gap has just lost some of its solidity. The Senate has cut by more than half, to \$245 million, the Munitions Board's authority to make advance contracts for future purchases of strategic materials for the US stockpile. Furthermore, the Senate Appropriations Committee has directed the Board to exhaust every possibility of obtaining minerals and materials in the United States before making foreign purchases, and to enter into only short-term contracts abroad. Such a directive does not have the force of law, but it is advisable to treat it with respect, even though it seems completely at variance with the purpose of a stockpile programme, designed to build up reserves of vital materials which would be unobtainable if overseas communications were interrupted in time of war. In the last fiscal year only 20 per cent of stockpile purchases came from domestic sources.

The reduction in contract authority is in effect a reduction in next year's appropriation for stockpiling. The Federal Bureau of Supply has already for some time been busily spending the \$525 million which has been appropriated for the current fiscal year. During the first two years of the stockpiling programme contracts amounted to only about \$275 million, but since last summer the monthly rate of expenditure has been running at \$65 million, and by the end of this year only about one-third of the total stockpile will remain to be bought.

This acceleration is explained partly by the international situation, but chiefly by the falling demand for metals. They can now be bought for stockpiling without interfering with

normal civilian consumption and at reasonable prices. The drop in prices has reduced the estimated cost of the five years' programme from \$3.7 billion to \$3.2 billion. But the decline in demand for metals has also forced many marginal mines to close down, and this accounts for the pressure that is now being put on the Munitions Board to make its purchases in America and on Congress to take special steps to assist the small mining companies. If Congress is not strong enough to resist the demand for direct subsidies, the President has let it be known that he will be, but the prospects are good for a substitute Bill, acceptable to the Administration, which would provide government incentives for increased exploration and conservation of America's mineral resources.

If, as one Congressional witness said, the backbone of the American economy is metal, the sinews are rubber. The Rubber Act of 1948, intended to ensure that America should never again be sinewless, expires next year, and already its replacement is being discussed. The present Act provides that at least one-third of American synthetic capacity—665,000 tons a year—must be kept in operation. There is talk of allowing consumption of synthetic rubber to find its own level. But, if the new "cold" synthetic lives up to its promise of wearing better than natural rubber in tyres, that level will probably be high, even though natural rubber is now selling at a lower price than synthetic.

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Restitution for the Nisei

Three American-born Japanese women who renounced their American citizenship during the war have had its restoration sustained on the ground that the renunciations were made under duress. This will be welcome news for 4,000 others who similarly regret having sold their birthright, either under threats from other Japanese in the relocation centres into which they were herded in 1942, or from a fear that, as citizens, they might be deprived of the protection of internment and sent back into communities obsessed by the "yellow peril." Judge Denman, in upholding a lower court, wrote a withering decision directed at the racial hatred shown by the officer in charge of removing Japanese from the West Coast and denounced the whole shameful record of relocation—the five days given innocent families to leave their homes and the prison atmosphere of Tule Lake and other centres to which they were taken.

About two-thirds of the 127,000 Japanese in the United States are Americans by birth and known as Nisei. But whether they were aliens or citizens, all were sent inland *en masse* out of a fear, after Pearl Harbour, that none could be trusted. These suspicions die hard, even though no Japanese living in the United States or Hawaii was convicted of spying or espionage during the war, and many Japanese distinguished themselves for bravery in the Army. It is this record, in the main, which persuaded the House last June to pass a Bill which would make foreign-born Japanese and certain other Asiatics eligible for citizenship, and admit Japanese immigrants (185 a year) for the first time since the Exclusion Act of 1924. The exclusion of the Chinese was abandoned in 1943. The most immediate effect of the Bill, however, would be on the 45,000 Japanese residents who today may not become citizens although they may have lived in the United States for thirty or forty years and their children are Americans by birth.

If it can slip through the eye of Senator McCarran's needle, the Bill may also affect the laws which in eleven states forbid aliens "ineligible to citizenship" to hold land and elsewhere to engage in certain professions and trades. About 60,000 of the 112,000 Japanese forcibly removed from the Pacific coast have now returned, but many have been unable to regain their leased lands and have had to abandon the fruit and vegetable businesses in which many whites considered them to have

enjoyed an unfair monopoly before the war. Most observers agree, however, that despite certain sporadic outbursts of prejudice, their reception has been friendly.

Shorter Notes

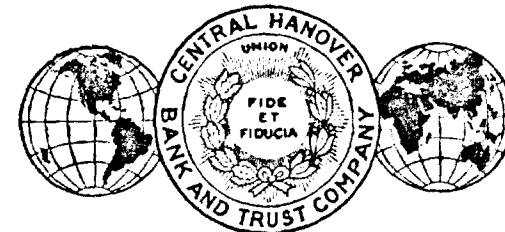
Colonel McCormick, of the *Chicago Tribune*, has ventured into what, to him, is a foreign country, inhabited by "pantie-waists" and "cookie-pushers." He has bought the *Washington Times-Herald* and has established "an outpost of American principles" in the nation's capital. Until her death a year ago, the *Times-Herald* was owned by Colonel McCormick's cousin and it has always followed the *Tribune's* isolationist line, as does the *New York Daily News*, once owned by another cousin, but now also controlled by the Colonel. He thus becomes responsible for a leading newspaper in each of America's three most influential cities. He has handed over to his niece the duty of presenting "the American point of view" to the "parasite community" of Washington.

★

New York and the East of the United States have for over three months been suffering from the worst heat-wave since 1871—and in New York 80 degrees is a comfortable temperature—which even a hurricane does not seem to have broken. The high temperature of the ocean and the presence of tropical fish has given rise to rumours that the Gulf Stream has moved closer to the New Jersey coast, but this explanation of the summer's inferno is officially labelled "highly improbable."

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The average individual in 1948 received an income from all sources of \$1,410, nearly 7 per cent more than in 1947. The total of individual incomes for the year was \$206 billion, an all-time record.



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THE WORLD OVERSEAS

Politics in the Soviet Zone

MOSCOW chastens its followers for failure, but never admits defeat. The elections in west Germany, which should never have taken place if Russian efforts had succeeded, have been followed by an intensified campaign to form a "National Front" which will undermine the new Federal Government at Bonn. Two events reveal the way in which the campaign will develop. In Berlin, the so-called "democratic bloc," consisting of the dominant Socialist Unity Party (SED) and the rump bourgeois parties of the Soviet zone has been ordered to tighten up its organisation. Hitherto, the *bloc*—formed in 1945—has existed in name only; now it is to groom itself for presentation to the west German people as a genuine coalition. The purpose of this move is clearly to prepare for the formation of a "Government" which will claim to be more representative of the whole German nation than the Bonn "gathering of Quislings." In particular, the Soviet zone section of the Christian Democratic Party (CDU)—despite the fact that its real leader, Jakob Kaiser, is to join the Bonn Government—will be induced to take up links with its sister party, the victor of the elections in the west.

The second pointer to the renewed Soviet zone campaign for "unity, a just peace and the withdrawal of troops" is the meeting held last Sunday at Bad Godesberg by the aged ex-ambassador to Moscow, Rudolf Nadolny. Herr Nadolny is used, wittingly or unwittingly, as propagandist for Moscow policy, and has already held a similar gathering of Christian Democrats at the home of Andreas Hermes, another veteran of Weimar. Hermes was turned out of his party office in Berlin by the Russians, and should be aware of the use to which Nadolny's work is put. After a public warning from Dr Adenauer, most of Nadolny's invitations to Bad Godesberg were refused on this occasion. The most important figure present was another aged Christian Democrat colleague from the Wilhelmstrasse—Freiherr von Prittwitz, a former envoy in Washington, and one of the aspirants to the post of Federal Germany's first Foreign Minister. The chief result of the meeting was Nadolny's announcement that he intended to form a standing Committee of National Unity to rally supporters for the cause.

Change of Tactics

The National Front is an example of the way in which the Moscow Central Committee of the Communist Party, which rules eastern Germany, can adapt its tactics to meet failure. In 1945, and the following year, Moscow's prospects of capturing all Germany by means of the German Communist Party seemed bright. The Potsdam agreement had opened the way; the Social-Democrat party in the eastern zone had been swallowed by a tricked fusion carried out under the noses of the western political representatives; economic conditions, despite dismantlement carried to crazy limits, were temporarily better than in the west; "Anti-Fascism" was the slogan of the day; and the Socialist Unity Party proclaimed its intention to establish the dictatorship of the proletariat.

After June, 1948, however, the Soviet zone's advantage over the east vanished. With currency reform and the flow of American relief imports into the west, the contrast between the eastern and western zones made it still harder to win the Germans for Communism. Moscow thereupon changed its tactics. It had recourse to the nationalist appeal. An organised effort was begun to win the ex-Nazis and the peasants. The National Democratic Party and the Democratic Peasants Party were formed to rope in the small Nazis and the land-

workers, under Communist guidance. Lieutenant-General Vinzenz Mueller, a member of the "Union of German Officers" that was formed in Moscow during the war, is head of the National Democratic Party (NDP). Special favours were introduced for technicians and intellectual workers. An ex-Luftwaffe officer was found to conduct propaganda to former officers on behalf of the NDP. Rudolf Nadolny held his first talks with west German politicians. Professor Hans Meyer of Leipzig University, has been appealing to the intelligentsia in the west to support the idea of a "neutral" Germany, united and "freed" from western defence (and, of course, from Marshall aid). Professor Noack, leader of the Nauheim Circle, propagates the same idea from the western side of the green frontier. Communist agents work among the thousands of refugees who still live in squalid camps in the west. Gerhart Eisler, escaped from the United States, is actively lending his experience to the work of winning all classes in the west.

A parent body to act as a central point for this propaganda, the People's Congress, and its executive "Cabinet," the People's Council—ostensibly all-party organisations—were formed in December, 1947. These were established when it became clear that the British and Americans intended to go ahead with a western German Government, in face of Soviet demands for a centralised, Communist-dominated united Germany.

Pressure on the West

Last May, the People's Council was given a special task within the framework of the "peace" campaign which Moscow organised through all the Communist Parties of western Europe. The Council was to organise a pressure group to influence the Foreign Ministers in Paris. At a meeting of the *præsidium* of the Council on May 9th, Grotewohl announced that an all-German National Front must be formed; it would have the immediate, imperative object of securing an all-German conference which would send a joint memorandum to the forthcoming meeting of Foreign Ministers in Paris. An invitation was sent to the western German parties, the trade unions and youth associations, the Peace Society, the Nauheim Circle, and all the Bonn delegates who had voted against the west German constitution.

This effort was a fiasco. The invitation was refused by all the responsible leaders in the west, who spied the Russian cloven hoof. British Military Government prevented a fake meeting from being held in Hanover, and, in the end, no joint memorandum could be sent to Paris.

In the meantime, the People's Congress also suffered a blow in its home territory. "Elections" of delegates in the Soviet zone in May ended in a big adverse vote, although they were framed as a plebiscite for or against "unity and a just peace." How many Germans actually voted "No" is uncertain, but one-third of the total was admitted by the People's Council. Consternation was evident, although Ulbricht brazenly declared that "the People's Congress has emerged from the elections as the only representative body of the German people. The Council to be elected by the Congress will thus be authorised to speak for the German people at the Foreign Ministers' Conference." The western Foreign Ministers, naturally, refused to recognise this claim.

Something of the true situation was admitted by the Berlin executive of the SED in a resolution published by the party organ *Vorwaerts* after the elections. "We have not yet succeeded in creating even the beginnings of a National Front in

western Berlin," it stated. The reasons were revealing—Communist inability to work with the *bourgeoisie* and anti-Soviet feeling. The SED was told: "To pay lip-service to the role of the USSR is not enough; every reservation and every form of national arrogance is in reality a disavowal of the Soviet Union's position." Insistence on open declaration of friendship for Russia and enmity towards America runs through the slogans issued for peace demonstrations on September 1st. These include: "National Front against the US warmongers, the principal enemies of German independence." "Let us live in peace—not die in the interests of the dollar." "Friendship and peace with the peoples of the USSR." "Friendship with the New Poland." "No Occupation Statute, but withdrawal of occupation troops." "The Ruhr must be the backbone of the German peace industry and not an American arsenal."

New hope for the Front appeared when large-scale unemployment developed in western Germany, and manufacturers became nervous about a possible slump in America. Ulbricht laid down the lines for exploiting this new position in May:

The democratic front must be broadened into a National Front which would include the most diverse social classes. The conditions for such a development are favourable. For the workers, German unity is a natural political aim. But the *entrepreneurs* in western Germany, too, have come to realise that a unified Germany which would conclude trade agreements especially with eastern Europe is in their own immediate interests. It would be quite wrong to ask every German primarily whether he is a convinced democrat or whether he ever held a membership card of the Nazi Party. All that matters today is his attitude to the question of unity, a just peace and the withdrawal of occupation forces.

At the moment, however, the Oder-Neisse frontier stands as a barrier to the success of the National Front. The German Communists have been accepted as probationary members into the Cominform fold, but the price they have to pay is open support for the hated frontier. It is a price that leaves them almost bankrupt.

The Mood of Europe

[FROM OUR CORRESPONDENT AT STRASBOURG]

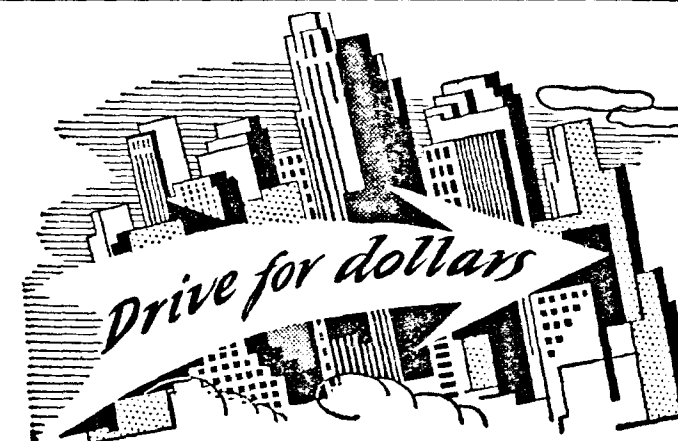
AFTER three weeks of debate, it is presumed by almost all the members of the Council of Europe that at long last Europe is, in some manner, really going to live in fellowship. This sense of expectancy distinguishes the meeting at Strasbourg from every other international gathering since the war.

There nevertheless seems to be an unconscious antagonism between the "continental" (or French) habit of thought, which states exuberant principles before getting down to brass tacks, and the Anglo-Saxon (plus Scandinavian) method which is prosaically to examine the implementation of principles without first giving a classic exposition of them. As Mr Aidan Crawley remarked:

I think perhaps that there is a difference of technique. In England, when we want to get something done, we begin trying to understand the difficulties, and we are rather too apt to take for granted the goal and the ideal if we know that we are agreed upon them.

This is certainly true of Mr Morrison and Dr Dalton whose temperatures have remained steady at 98.4 and 97.6 respectively. On the other hand, Mr Churchill, Mr Macmillan and Mr Eccles, without abandoning the firm earth, seem rather more to enjoy life upon it and are, as a result, livelier companions in a creative enterprise. (Inter-party baiting among the British, which at first mystified even M. Spaak, is now accepted as an animating feature of the Assembly.)

The debate on "the role of the Council of Europe in the economic field, taking account of existing international organisations" has proved the focal point of this year's Assembly. Mr Mackay, who opened the debate, recommended that the Council of Europe should take over the Organisation for European Economic Co-operation and should be given limited powers so that it could put into effect those economic measures which the experts of OEEC had long known to be necessary



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but which, as servants of individual governments, they had been powerless to execute. This was a flying start. Subsequent speakers did not echo the need for immediate executive authority, but most agreed that the OEEC was a body of excellent officials which could be used more creatively under the aegis of the Council of Europe. M. Gaillard and M. Buron of France as well as Mr Eccles all proposed that OEEC officials should be given the opportunity of talking as Europeans in front of a permanent committee of the Council, which should not, however, have executive powers.

Need for Popular Support

M. Reynaud rebutted any form of constitutional approach to the problem of European unity. "We cannot build a Europe *a priori*," he said, "we must give to Europe, on the political plane, the means of facing its economic needs." His main emphasis was on the necessity for a redistribution of work among European countries in order to bring about greater efficiency and a single European market. Such a transition, which was essential to the survival of Europe as an economic competitor in the world, would cause suffering. The problem was how to persuade the European masses that suffering was necessary. "The only issue before us is to go to the people and speak to the people. Nothing can replace discussion between the representatives here in this Assembly and the electors in Europe." (An interesting statement in view of the current rumour that the French are planning to elect their European representatives by universal suffrage next year.) M. Reynaud referred to the understandable dislike of those nations, such as Britain and Sweden, which had already achieved a high standard of living for their working people, of relinquishing this boon in the interests of European prosperity as a whole. The choice, however, was not between the *status quo* and the painful renewal of Europe, for the *status quo* was going to end in any event in 1952. Mr Eccles agreed, and pointed out that economic difficulties work not for but against closer union between countries: "The more a man is frightened of being hungry and unemployed, the less willing is he to share with others what he can still call his own."

M. Longchambon, in a more technical speech on the complexities of economic organisation, said that there was no question of a sudden unification of the European market—if Europe wished to remain Europe. For many years to come, statesmen would have somehow to maintain full employment and constant technical progress, and to this end they would always have to work according to local conditions. He envisaged, therefore, not so much an international solution as a co-ordination of the activities of responsible individuals and groups.

Alternatives to a Super-State

This anti-central note, which discorded so strikingly with M. André Philip's plea for publicly owned European key industries, was taken up in another context by Professor Ohlin of Sweden. "I hope that I shall not be misunderstood," he said, "if I suggest that the idea that only the formation of a large European state can solve our problems has, to my mind, a tinge of 19th century thinking." The future might produce other forms of international organisations than the creation of a super-state. There were, indeed, already in existence, several unions which were for different purposes, which were not co-extensive and some of which included countries across the ocean.

The conception of the development of international authorities by treaty and with different purposes and different memberships is perhaps the most likely outcome of Strasbourg. For whatever the formal aspect of a federal election, there is little reason to suppose that individual European communities would accept hardships from a Federal Government which they would not accept from their local, national governments. A state of general famine or other emergency might gain effective support for such a government, but in the present state of affairs, in which disaster is only impending, it seems prob-

able that a federal authority would have less—or at least no more—authority than national governments.

Europe's problem is not the problem of winning consent from a majority of Europeans for a specific, contentious programme which, theoretically, might be against the wishes of a substantial minority. The practical issue would rather seem to be: can a group of statesmen, each, in a general manner at least, representing one nation, meet together and agree on the right questions in the right order? If they can agree, their lack of collective mandate will not cause people to lose much sleep. If they cannot agree as intelligent individuals, no amount of federal elections and parochial tickets will find other representatives better able to do so.

The success of this year's Assembly depends on the extent to which delegates themselves reach agreement on European priorities. Such agreement and the illustrations and arguments that accompany it will serve to stiffen the European purpose and to illumine the understanding of the co-operating ministers. The prospects of common action seem remarkably good, and the record to date of the Council of Europe has been a reproach to those disbelievers who considered that power, not thought, was what was needed.

Uno's Staff Troubles

[FROM OUR SPECIAL CORRESPONDENT AT LAKE SUCCESS]

THE problems which surrounded the creation of an international staff equipped to handle international affairs ably, efficiently and loyally have by no means been solved in the three years that Uno has been functioning. How contented is the personnel? How far does the international stalemate of today cause it merely to go through the motions of doing hard work? How is it weathering the climate, physical and mental, of New York?

A key point in its make-up was lately outlined in a PEP study of international staffing problems:—

An International Secretariat . . . is bound to deal with recommendations rather than legally binding decisions. These recommendations . . . are addressed to sovereign States, who reserve to themselves the decision whether to implement them or not. An International Secretariat consequently has little executive authority, and such executive powers as it does possess will extend to a small area only of its field of action.

Graduates of the League of Nations Secretariat insist that these things were much better in the old days in Geneva, and apart from the factor of nostalgia there are reasons for believing that this is true. Certainly that staff was small, compact, experienced, and extremely busy. Not until after the rise of Hitler did frustration begin to quell their enthusiasm, and even then the momentum of the past held their morale steady. More than one expert has noted that while the League failed politically, its technical committees laid the foundation for work which still continues. But it is not Uno which is empowered to carry on this side of the League's work. The technical jobs have been parcelled out among specialised agencies situated not at Lake Success but in faraway Copenhagen, or Geneva or Paris. This division of labour accounts in no small part for the complaints of frustration, idle hands, and consequent mischief.

Inside its building at Geneva members of the League's staff handled vaccines, refugees and things that could be touched and seen. The work done at Uno—the end-product of the factory at Lake Success—is to a great extent intangible and hard to evaluate. The staff is made up of clerical workers who pound typewriters and run mimeograph machines, of translators who hear one set of words and speak another which means the same thing, of junior and senior officers whose time is spent in talking, studying, persuading or being persuaded, making decisions and writing reports. Their labours have little visible result aside from piles of printed paper, a large portion of which is devoted to recommendations that may never be carried out. Were these people actively governing the world, or even policing it, the coefficient of individual frustra-

tion which obtains, and which in turn affects the quality of work done, would be far less than it is.

There is little that could be done by the staff managers, as opposed to the states members, to avoid this state of affairs. A second important criticism is one that could be met by better organisation. It is that of "empire building" within the organisation itself—a charge which was made last year and which is repeated in the 1949 report of the Advisory Committee on Administrative and Budgetary Questions which has just been issued. The Committee feared in 1948 that "a system of self-contained Departments had developed, contrary to the spirit of the Preparatory Commission's recommendations on the organisation of the Secretariat as a single entity"; this year it finds that despite some mitigation, "expansionist tendencies still persist". Large private offices have developed "around several of the Assistant Secretaries and in many cases even around the Directors," and the situation is so serious that the Committee recommends that the Secretary-General undertakes to review it in the hope of cutting staff, improving the quality of work done, and setting up a better structure within the Secretariat. All this should, in the opinion of the Committee, be done before moving to the new (and as yet unfinished) headquarters in Manhattan, which means before 1950.

This new review by Secretary Lie will by no means be the first he has made of the problem. The existence of the Advisory Committee is in itself an attempt to answer criticism which has been repeated since 1946 when the Uno staff first mushroomed into being. A Committee of Experts on Salary Allowances and Leave Systems is now at work on the financial end. Studies have been made by Mr. Lie's office, by specially appointed committees and outside experts, until officers complain openly that if less time were spent in filling questionnaires the actual work of the organisation itself would proceed more speedily and more smoothly.

To a certain extent similar criticisms may be made of any civil service—state, national, or local—but Uno has charac-

teristics which render it peculiarly subject to charges of administrative malingering. In the first place its staff was built from nothing to about three thousand between May and September, 1946 (it is now nearing four thousand) and the greatest expansion occurred in a period when experienced persons were hard to come by in any country. The Preparatory Commission asked that officers and staff members should be selected on a basis of the highest competence, integrity and efficiency, and with due regard for geographical distribution. Each of those requirements set up its own difficulties. Because the favoured administrative techniques were those practised in Britain, Western Europe and the United States it was natural that a larger proportion of the nationals in those areas should be trained and ready, but it was also true that the best of their people were already occupied. While other regions complained (and still complain) that the Secretariat was too heavily staffed with English, Canadians, and Americans (the criticism now extends to French, Poles and Chinese) it was noted in those countries that the most frequent applicants for Uno jobs were the newly graduated young, furnished better with dreams than with experience. All this has made for a high rate of turnover among those who found that the job did not measure up to their illusions, and a bout of empire-building among those who stayed.

These difficulties have been increased by the contract system, the New York climate, the housing problem, and the difficulty of adjusting national habits to the conditions prevailing in the United States. The contract offered Uno employees is for five years at the longest, and then renewal may be discussed. (The League's "permanent" contracts turned its employees into international civil servants for life.) To the young the UN offer may look ample, but older men with families regard it as something less than the security they need. If they take their families to a foreign land for five years, what will happen at the end of that time? The uncertainty about renewal makes it difficult to hold to the ideal of international service

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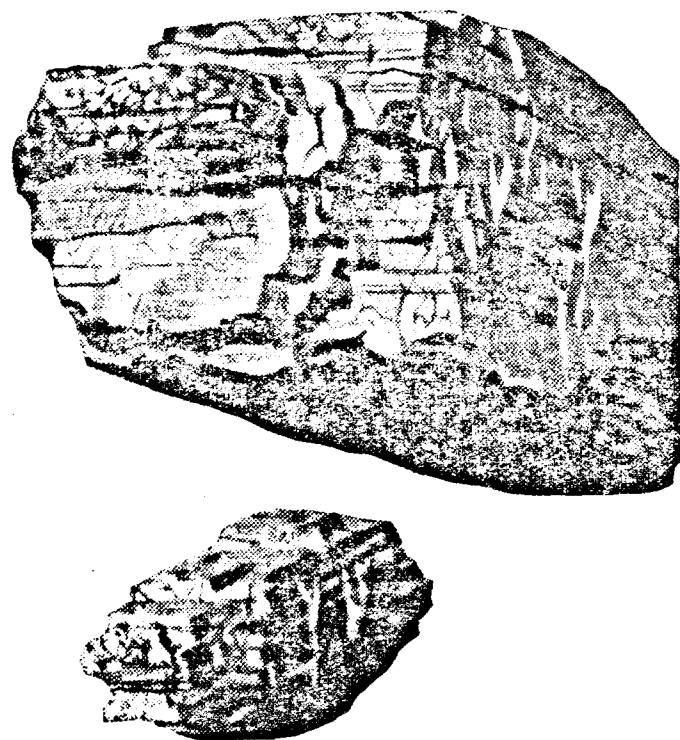
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for life, and so one keeps the way open to a job back home. Insecurity of tenure means that the best men may not apply for Uno posts. Nor is this factor offset by the large salaries offered, with the tax-free provisions and the additional allowances, for those salaries which look so large in Ruritania or even in London have a way of shrinking in the New York shops.

The business of living in and around New York City continues to be for most non-American staff members an upsetting experience which takes its toll of staff morale. Costs of living are high, quarters crowded, the pace much faster and the leisure less satisfying than men remember back home. On the other hand, it is only fair to say that the fact of residence in or near a great city has its compensations. Not only is there theatre, music and art of high quality available for those who want it, but the city absorbs the Secretariat into its own life and forestalls much of the hot-house atmosphere which arises in smaller places. Even those who loved Geneva best will admit that the Swiss city had a certain parochial quality which did not help League work.

Uno is not the first government organism to discover that the less there is to do, the more people are needed to do it, but at least it has the distinction of trying to stop this trend. The extra two hundred staff members requested for 1950 (which, if allowed, will bring the total to 3,912) will do work that the General Assembly authorised, but there seems little doubt in the minds of the Advisory Committee that given proper organisation the work could be done by people already employed. The gross cost of staff salaries is now estimated at \$23 million a year, with an additional \$4,796,000 for "common staff costs." Sixty-three per cent of Uno's budget goes for labour. Cuts are recommended by the Advisory Committee for several divisions, notably the Department of Economic Affairs, the Department of Social Affairs (both of which are reprehended for the pattern of large private offices for the respective Assistant Secretary-General and many of the Directors) and the section which has charge of Conferences and General Services.

But there is little hope that cuts will do all that is needed. The ailments from which the Uno staff still suffers are many. The PEP recommendations, made after careful study, include a clearer definition of qualifications for employment, a co-ordinated plan for recruitment to be used jointly by several international agencies and which is now being studied, a decision on length of tenure for all jobs so that the staff member may have a sense of greater security, and a certain interchangeability between agencies of personnel on upper levels as a way of satisfying good men who have reached the possible top but who do not wish to stagnate there.

These are technical suggestions. They will help to smooth present rubs, but they will not create the competent and forceful international officer who is to guide world affairs in the ways of peace. As in 1930, when Sir Arthur Salter first wrote of him, he is "something new in the world's history," and the best of his kind can only flourish when he knows that his work may bear fruit.

Prospects in China

[FROM OUR SPECIAL CORRESPONDENT]

Hongkong, August 20th

THE operations by Communist armies which were resumed in the middle of June were not preceded by the usual exhortatory orders of the day issued by Mao Tze-tung and Chu Teh such as preceded other major Communist drives, but they have resulted in the occupation of enormous tracts of territory both south of the Yangtse and in north-west China. At the moment of writing Communist armies are closing in on Lanchow, the main trading and administrative centre of north-west China, and nobody expects Canton to last much more than a month. The tempo of these operations

has been slower than in some of the previous Communist offensives. This has been due primarily, not to any opposition put up by the Nationalist forces, but to administrative difficulties on the Communist side and to natural obstacles like the extensive floods in central China.

There has in fact been no major clash of arms. General Pai Chung-hsi, who commands most of the Nationalist forces in south China, is generally believed to be more interested in falling back on, and trying to hold, his native province of Kwangsi rather than in putting up any determined resistance for Canton. Even much of Kwangsi province is out of the control of the provincial government and in the hands of pro-Communist guerillas. Equally disappointing has been the performance of General Ma Pu-fang's forces in the north-west which included several divisions of much-vaunted Mohammedan cavalry. There has been some hard fighting in the north-west, in which the Nationalists have been worsted, but it looks as if the two Mohammedan warlords, Generals Ma Pu-fang and Ma Hung-wei, are preserving the bulk of their forces with a view to falling back into their native provinces of Chinghai and Ninghsia. The Chinese Mohammedans are brave fighters but they are seriously short of arms and ammunition and lack any armament industry, even of a rudimentary kind, to enable them to keep up a prolonged resistance. Nowhere else on the mainland is there any prospect of successful or even resolute opposition to the Communists. At least half of Yunnan, like Kwangsi, is out of the hands of the provincial government. And Szechwan, where agrarian abuses are probably worse than in any other province in China, is a ripe plum waiting to be picked.

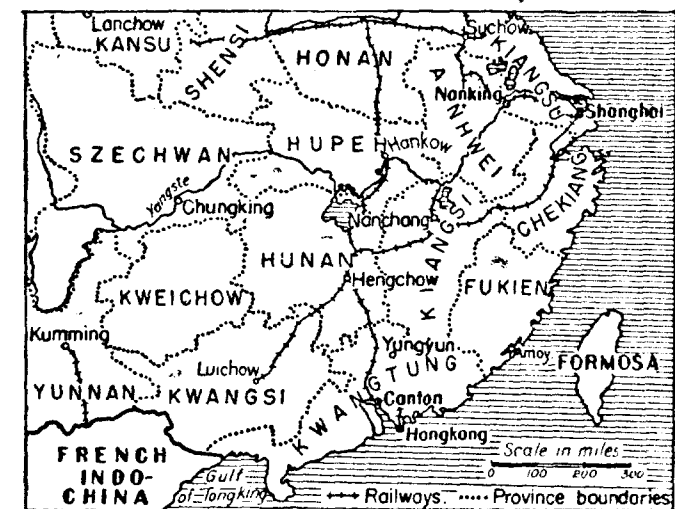
Formosan Dislike of Chinese

The only base which the nationalists can count on with any degree of assurance is the island of Formosa. Not that it can be considered a firm base; the Formosans have come to hate what they regard as rule by Mainlanders and their economic position has declined steadily since the efficient if ruthless Japanese were succeeded by an inefficient and hopelessly corrupt Chinese administration. Nevertheless it is difficult to foresee any spontaneous popular rising or any successful infiltration by Communists from the mainland as long as the Nationalists retain the loyalty of the 400,000 troops on the island. These troops are being well looked after and are much smarter in appearance than the usual run of Nationalist troops. But few expect even Formosa to last very long.

In the meantime, however, Formosa enables the Nationalists to blockade the coast, less with their navy than with their air force and less with aircraft than with the threat of them. The blockade is becoming steadily less effective in the north and it will be practically impossible to enforce it in south China, long famous for its smugglers. But it is almost completely effective as far as Shanghai and central China is concerned. It is undoubtedly hurting the Communists at Shanghai, although less perhaps than was expected by some foreign observers when it was first imposed two months ago. The Shanghai Power Company seems to have switched from oil to coal quite successfully and few factories have closed down, although all are running at greatly reduced output. The blockade, or rather its effects, is one of the factors behind the decision of the Military Control Commission to move two million people out of Shanghai before next spring. The chief sufferers are probably the Chinese and foreign merchants who are being squeezed out of business. The British merchant community, whose interests in China are greater than those of any other foreign country, is having a most difficult time as a result of the blockade, and there are many merchants who would like to see the British government intervene actively to enable British ships to break the blockade. British firms are currently having to remit nearly £500,000 monthly to their branches in Communist China to enable them to keep going. They cannot do this for very much longer, and some of the smaller firms are already at the end of their reserves.

Most foreign observers out here believe that the Nationalists are finished once and for all, and that their fortunate possession of Formosa is merely prolonging the agony. They have failed to produce any new ideas, any fresh appeal, or to attract any of the youthful and dynamic elements in the country to their side. The regime is still led by the same men who have been in power for twenty years. The fall of Canton seems to be only a question of time, and morale is again as low among the politicians as it is among the troops opposed to the Communists.

The Communists have made several references recently to peasant uprisings in various provinces of central China and have put the blame for them on "feudal elements" and "Kuomintang remnants," the latter inevitably receiving moral and material help from "American imperialists." It is difficult to gauge the exact extent and seriousness of these uprisings as information from independent sources is difficult to obtain. It is probable that if they were really serious the Communists would suppress all mention of them. They confirm what is known from many other sources, namely, that



the Communists are running into many difficulties, in the countryside and, even more, in the big cities. However, it would be unfortunate if these references to peasant unrest produced the impression in the west that a widespread popular opposition to the Communists is building up in China. Such would not appear to be the case at present. There is dislike, anxiety and fear among some of the classes who are losing their privileges, and disappointment and disillusion among many people, even among peasants and workers, who hoped for more from the change in regime than it has brought them so far. But the regime seems to be establishing itself firmly, and the opposition it is meeting is coming less from any spontaneous resistance than from the nature and scale of the task it is attempting.

It is generally expected that a central government for the whole of Communist China will be proclaimed on October 10th, the festival of the "Double-Tenth," which commemorates the outbreak of the revolution against the Manchus. The question of international recognition will then become a practical issue, and the Communists will undoubtedly insist that, before they exchange diplomatic missions with any foreign power, that power must withdraw recognition from the Nationalists. Once the Nationalists become a sort of government-in-exile in Formosa, as they themselves well realise, their claim to a retention of foreign recognition will become weaker and most British residents in China feel that, in view of the complete bankruptcy of the Nationalists, the sooner formal relations are established with the Communists the better for everyone concerned.

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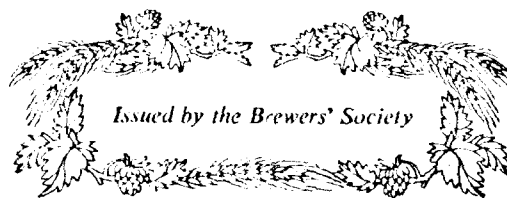
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THE BUSINESS WORLD

The Sterling Balances

ONE subject which may take a high place in the Washington negotiations—or certainly ought to do so—is the vexed question of the large accumulation of sterling owned by countries overseas, and especially by members of the sterling area. In Britain the whole problem of unrequited exports, with which the existence of these balances is so closely linked, has long been a matter of controversy. But it has lately assumed a new importance as people have come to recognise the extent of the strain imposed upon Britain's economy, both directly and indirectly, by the mechanism of the sterling area. Only recently has it been perceived that "easy" exports to the sterling area—easy because the buying countries, instead of providing an equivalent return flow of goods to Britain, pay for them merely by surrendering a paper claim against London—are becoming a critical impediment to the drive for dollar equilibrium. This system does more than pre-empt goods and productive resources which might have been directed towards dollar markets; it also sets up a cumulative tendency which increases the range of pre-emption and actually attracts additional resources away from the dollar drive. The greater the scarcity of dollar purchasing power abroad, the greater becomes the pressure for unrequited sterling goods and the higher the premium, in terms of sterling prices, they will command.

For this reason, the continuing ability of the sterling area countries to command a surplus of sterling available for current expenditure in Britain has become not only one of the main props of the excessive level of British prices and costs, but also a lever which is constantly widening the gap between that level and the level of dollar prices. More disquieting still is the evidence, which plainly emerged from the recent agreement on releases of sterling balances for expenditure by India, that the British Government is actually anxious to sustain this dangerously swollen flow of spending power. It can hardly be doubted that this anxiety to bolster up the existing disequilibrium springs principally from a fear that a diminution of easy exporting would cause unemployment in the supplying industries, would unmask the pretence that the balance of payments is virtually in "overall" equilibrium, and would bring the Government face to face with the necessity for taking strong and unpalatable measures to strip British costs to the point at which British exporters can gain ground in dollar markets.

If these suspicions about government policy are well-founded, one may further presume that Britain's negotiators in Washington may not be anxious to see this problem fully ventilated there—not, at least, in such terms as these. The Americans, however, not only evidently harbour these same suspicions, but also acquired an abhorrence for the sterling balances, and the system they were believed to represent, even before any of these undesirable consequences began to show themselves. To understand the background against which the coming talks will take place in such matters as this, it is necessary to recall the evolution of this American attitude. To the Americans, the existence of the accumulated sterling balances, and Britain's policy in relation to

them, explain a large part of the peculiar difficulties from which Britain is suffering and is repeatedly being rescued by dollar assistance. United States opinion views the greater part of these sterling liabilities as being in the same category of credits as the \$30 billion which the United States Government cancelled when it wiped the Lend-Lease slate clean. It has never fully understood why Britain's sterling creditors could not clean their slates similarly. The existence of these abnormal liabilities is seen in many American eyes as the main reason why sterling cannot now be a convertible currency. In American post-mortems of the short-lived 1947 convertibility of sterling, the failure to immobilise the bulk of these balances still tends to be advanced as the main reason for that fiasco. These liabilities are therefore regarded as an integral part of a sterling area mechanism which is discriminatory in its effects and within which trade will for ever be conducted with a bias against the dollar world. The sterling balances, in short, are anathema to the Americans, and the more friendly and sympathetic they are to Britain, the more inclined are they to "see red" on this subject.

This attitude was very much in evidence during the Anglo-American loan negotiations in 1945. To the British participants in those discussions, it may have appeared somewhat irrelevant and even interfering. But in retrospect the American insistence upon enlightenment about the probable future of these balances acquires some logical justification. The world of convertibility and non-discriminatory trade towards which the United States was seeking to guide Britain through the loan agreement may not have been attainable in any conceivable circumstances, at least within the time-limits set in the agreement; but any lingering doubts or hopes were removed as soon as it became evident that the sterling balances were not to receive the treatment that had been envisaged for them in another clause of the agreement. It will be recalled that the balances—amounting in mid-1945 to £3,052 million—were to be divided into three parts in the contemplated negotiations between Britain and its creditors. The first part, it was hoped, would be cancelled as a contribution by the creditors to a redistribution of the wartime financial sacrifices largely shouldered by Britain; the second part (the intention was that it should be small) was to be immediately made available for expenditure in any part of the world; and the third part was to be funded on a long-term basis and gradually liberated, the sums so freed being made available for expenditure anywhere in the world. The intended scale of releases was embodied by implication in the clause of the agreement which provided that in calculating the UK balance of payments for the purpose of invoking the "waiver" of interest on the loan, a sum of £43½ million per annum in repayment of these balances might be regarded as a "current" item; any excess over that figure was to be deemed a capital transaction.

Only to a very slight extent have these intentions been translated into practice. There has been no cancellation, save that effected by the Australian and New Zealand gifts totalling £38 million. The releases, except in

the brief convertibility interlude of 1947, have not been freely expendable anywhere; but this particular deviation from the intentions of the agreement is part of the wider problem of the return to and subsequent retreat from convertibility. The repayment of the balances has, moreover, considerably outstripped the rate anticipated in 1945. In the immediate postwar period of reconversion and demobilisation the factors primarily responsible for the growth of these balances—overseas government expenditure and the virtual extinction of normal British exports—continued to operate, though with diminishing force. Thus the sterling balances held on overseas account continued to grow. From the figure of £3,052 million on June 30, 1945, they rose to £3,715 million at the end of 1946. But from that point, which must have been near the peak, the sparse officially published figures, reproduced in Table I, show a large decline.

The reduction in the total of these balances in each of the last two years is many times the amount contemplated at the time of the 1945 loan negotiations. The totals, which are the only figures the Government has been prepared to divulge, are not a trustworthy guide to the decisions of the Government in allowing releases; for some overseas holders of sterling have continued to increase their balances during this period—Australia's London funds, for example, have risen from £120 million in mid-1945 to £310 million in May of this year—while for other countries, notably India, the releases have far exceeded the average.

The reluctance of the Government to give more detailed information on the changes in these British liabilities is usually justified on the ground that the relation between a banker and his customer is a matter in which the strictest secrecy is enjoined, at least on the former. This explanation does not carry much conviction. In almost every case the "national" total, which is the relevant figure, is itself the product of many individual holdings to which the vows of secrecy would justifiably apply but which, when merged with others in their national group, could be made public without arousing any serious objections. These arguments of secrecy will not avail the British negotiators in Washington. It may be assumed that the information is being provided in all its details to the Americans. And it is to be hoped that thereafter it will be officially released—otherwise it is sure to leak out somehow or other, just as it did through a Congressional committee in 1946.

The figures which appeared then, relating to mid-1945, have provided the starting point for many of the attempts subsequently made to estimate the distribution of these sterling balances. With the help of such details of releases and use of sterling balances as has been published in connection with the agreements negotiated with these countries, and using as crosschecks the figures of sterling assets regularly published—though sometimes with much delay—by the several central banks and monetary authorities, it is possible to hazard fairly accurate guesses about their distribution. The accompanying Table II, reproduced from a recent report of the National Foreign Trade Council of the United States, and presumably compiled in this fashion, shows the distribution at mid-1948. Table III sets out the releases agreed subsequently, so far as they are known.

One glance at these tables will reveal a few outstanding examples of extravagance in British releases—and still greater extravagance in the creditor's actual expenditure. India is the most striking case. Over the year to July 30, 1949, the sterling assets of the Reserve Bank of India—the largest item in the total of Indian balances—have fallen from Rs. 13,907 million to Rs. 8,046 million, i.e., from £1,050 million to £600 million. Part of this fall arises from

special capital transactions, notably the amount paid under the Pension Annuities Scheme of July, 1948. But even allowing for the £220 million thus involved in the arrangements made with India and Pakistan, the extent and rate of decline plainly lend substance to the fears which the Americans have always harboured about the British treat-

TABLE I.—BRITAIN'S STERLING LIABILITIES
Official Estimates
(£ Million)

	Dec. 31, 1945	Dec. 31, 1946	Dec. 31, 1947	June 30, 1948	Dec. 31, 1948
Non-sterling area countries	1,224	1,300	1,303	1,165	1,057
Sterling area countries	2,452	2,415	2,270	2,389	2,505
TOTAL	3,676	3,715	3,573	3,554	3,362

Source: United Kingdom Balance of Payments, 1946-48 (Cmd. 7548).
NOTE.—Egypt, Sudan, Palestine and Trans-Jordan are included in the non-sterling area throughout the period.

TABLE II.—ESTIMATED STERLING BALANCES, MID-1948
(£ Million)

Sterling Countries		Other Countries	
Australia	215	Argentina	152
Ceylon	53	Brazil	50
East Africa	20	Italy	35
Eire	285	Norway	28
India	1,169*	Portugal	85
Pakistan	100	Sweden	25
Taipei	85	Switzerland	15
Malaya	77	Undertined	400
New Zealand	88	Total	790
South Africa	40		
West Africa	320	Total sterling and other countries	3,328
Egypt	95		
Palestine	95		
Total	2,538		

Source: Survey by International Finance Committee of the US Foreign Trade Council.
* More detailed figures after the division of Pakistan and India put the joint balances at £925 million, of which £780 million is attributed to India and £165 million to Pakistan, after some £220 million had been deducted for various pensions payments, stores, etc.

TABLE III.—RELEASES FROM BLOCKED STERLING BALANCES
(£ Million)

	1948-49				1949-50	
	Hard Currencies		Sterling		Hard Currencies	Sterling
	Agreed	Actual	Agreed	Actual (b)		
Ceylon	Nil	Nil	3.5	7.5(e)	(f)	7.0(g)
Egypt	6.3	32.0	32.0	30.0(f)	5.0	30.0(f)
India	15.0	36.0	(a)	130.0	35.0(c)	100.0
Pakistan	5.0	6.0	12.0	27.0	...	17.0(d)
Taipei	5.75	...	14.0(h)	...	5.5(i)	3.0
Israel	Nil	Nil	...	...	...	7.0(h)

(a) The 1948 agreement did not provide for any specific release from India's blocked balance in 1948-49 since it was considered that the Indian working balances, 12 months ago over £60 million, should be run down by some £50 million to meet the Indian deficit in the period. (b) Actual drawings include estimated decreases in working balances. (c) According to forecast made by Indian Finance Minister. (d) Provision made for additional releases if needed. (e) Including £4 million released specifically to raise working balances. (f) Ceylon—a net dollar earner—will be retaining \$1 million to start a hard currency reserve for its new central bank. (g) An additional £1 million may be released to cover cost of food imports. (h) Including releases to raise working balances. (i) First 6 months of 1949. (j) £12 million of firm releases and up to a further £18 million to maintain level of working balances. (k) May 1 to Oct. 31, 1949.

ment of these balances. India, it is contended in defence of the British Government's leniency, is a "special case"—but virtually every applicant for release can advance "special" claims. After the end of the war India was put in that section of sterling area members whose recourse both to accumulated sterling balances and to the sterling area dollar pool was defined by specific agreement with Britain. The successive agreements, however, have been broken—no doubt for seemingly convincing reasons—and the breach has subsequently been condoned by new agreements accepting the *fait accompli* of excessive drafts on the balances and providing for yet larger releases in the future. Under the latest financial agreement, moreover, India has prevailed upon the British Government to include it among

those countries whose access to the gold and dollar reserve of the sterling area is left to their own discretion. Had a firm limit been put upon the sterling releases to India, that would have acted also as a brake upon the direct demands for dollars. As it is, the releases of sterling are to some extent a licence for future demands for gold and dollars—quite apart from the strain upon the dollar account which comes indirectly from the flow of unrequired exports paid for by drafts on the balances.

It is important to recognise, too, that the rate at which these liabilities to other members of the sterling group are being repaid—repaid by the sweat of British labour and by the sacrifices of British consumers—measures only a part of the burden which Britain is shouldering for the rest of the sterling area. No official estimate of the size of the whole burden has ever been published—though this, again, is a subject on which the Americans are likely to show a lively curiosity. On this wider aspect of the problem, some unofficial estimates, made by Dr E. H. Stern in a timely article in the current issue of *The Banker*, merit attention. Some of these figures are presumably no more than intelligent guesses, but they suffice to show the broad magnitude of the problem. Dr Stern calculates that the balance of payments deficit of the overseas sterling area, i.e., the sterling area exclusive of the United Kingdom, amounted to £510 million in 1948 and about £300 million in the first half of 1949; he roughly confirms these estimates to some extent by cross-checks through official figures taken from a large variety of official publications. It can be presumed, and indeed the form of the estimates shows, that the main burden of financing these deficits fell upon the United Kingdom.

Television in a World Market

TELEVISION equipment will play a larger part in the radio exhibition at Olympia at the end of this month than in any previous British show. But not one of the 30 manufacturers who will, between them, show more than 50 different television receivers is satisfied with the progress made in television transmission since the end of the war. The BBC started the first regular television service in the world as long ago as 1936. Transmission in the United States did not begin until ten years later. Since then some 66 stations of varying performance have been opened in America, and there may be 100 by the end of the year. Progress in the world outside the United States has been extremely slow, though Britain has completed at Birmingham the most powerful transmitter yet built, which has a range, officially, of 50 miles and, unofficially, of 100. France has had some rather sporadic transmissions. Authorities in many countries have watched transmission demonstrations, congratulated the demonstrators and sent them home.

For two years or more it has seemed that television must be on the brink of great expansion. Manufacturers are convinced a large audience is waiting if only the broadcasting authorities could decide what service to give. But television is almost exclusively a form of entertainment. Industrial applications, except for certain demonstrations and the monitoring of some dangerous processes such as nuclear reactions, are few; and the times have not encouraged the public sponsoring of "luxury" investments.

Confusion about the different technical methods of transmission is still acute. Of several methods of picture transmission, the Marconi system has replaced the Baird system for regular services. Within the Marconi system there are

Britain's share has been reflected partly in the release of sterling balances for expenditure in Britain, partly in new investment in the territories concerned, and partly in demands upon the dollar pool.

The old banker of the sterling area is certainly playing his traditional role; but today he is playing it on a scale beyond all prewar precedent and doing so without the substance which in the past enabled him both to play the part and thrive on it. This whole problem, as has been shown, far transcends the question—difficult and pressing though it is—of the inadequacy of the financial reserves, which are puny beside such demands. The intolerable strain has to be measured by its impact upon the production and real resources of Britain's whole economy and upon its standard of living. The policy which permits it to continue is rash and doomed to failure.

It is equally foolish when judged in terms of the banking analogy by which its advocates so often try to defend it. Britain is portrayed as the courageous and wise banker who pays out freely in a crisis to allay panic among his depositors. But such a course depends for its validity upon the assumption that the customers, perceiving that they can after all get their money, quickly decide that they do not need it. Britain's experience has been the very reverse of this. Its most importunate customers demand an ell as soon as they are offered an inch, and thus secure for themselves a disproportionate share of the exiguous reserve which has to serve for all. If the whole clientele does not soon get together to work out a voluntary and equitable restraint involving a partial standstill, the banker will surely have to impose a moratorium to avoid closing his doors altogether.

variations of detail; the most notable of these is between the "positive modulation" adopted in Britain and the "negative modulation" used in the United States. Opposition between the sponsors of positive and negative modulation is the keener because sets to receive differently modulated signals cannot be made on the same assembly line; economies in production depend largely on the volume of uninterrupted output, and firms tend to specialise on one type.

Another important technical variation is in the number of lines which compose the transmitted picture. Britain started transmission with a 405-line system and has adhered to it. The Americans use 525 lines. France, which for a time used 445 lines, now appears to have settled on 405, but is still interested in the possibility of 819 lines. The manufacturer himself is less concerned by the number of lines (which requires relatively minor adjustments in the construction of the sets) than by the differences in modulation. But the cost of the receiver increases with the number of lines.

British and American television firms are competing in European and South American countries for contracts to erect transmitting stations, and are aware that the country which gets these contracts can expect the lion's share of the receiver market on which the profits are made. Indeed, the Americans have shown some disposition to offer transmitters as gifts, or at least at less than their cost, in order to secure the receiver market for their system; but British makers cannot afford to cast bread upon the waters on such a scale as this. Eighteen months ago, the Radio Industry Council, which represents the British manufacturers, demonstrated the 405-line positive modulation system of Alexandra Palace in Copenhagen. An American party travelled through Europe

about the same time (but beginning in Spain, and arriving in Scandinavia some months later) demonstrating the 525-line negative modulation. The view of British makers—that their improved transmission equipment gives them a better 405-line picture than the Americans can at present get with their greater number of lines—may well be correct. But it is hard to explain to viewers unless they can see the two systems demonstrated side by side. What is unfortunate, in the view of some firms at least, is that the different line systems have tended to acquire national labels. There are psychological drawbacks to a strict association of the British industry with the older system and the smaller number of lines. The association is, in any case, likely to last only until the change-over to colour television becomes possible. British firms which make it clear that they are able and willing to build transmitters for any type of service are, therefore, well advised.

To say this is not to question the considerable merits of the 405-line system in the form which it has attained. Improvements in transmission techniques and equipment have invalidated many of the criticisms which were current and have almost silenced the advocacy of 1,000-line systems heard only a few years ago. It is also becoming clear that the high price of receivers for a television service with a high number of lines must limit the potential audience. Unless it provides mass entertainment, television misses its purpose.

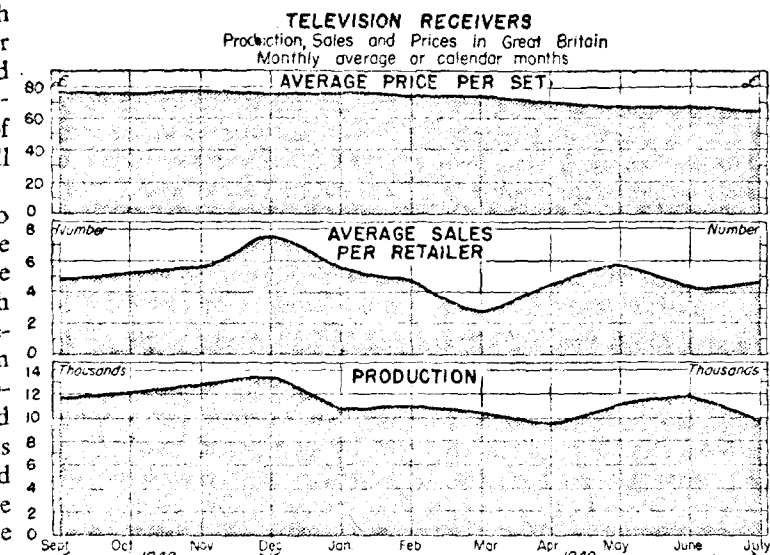
Technical problems are also involved in the wider wave-band which is needed for the transmission of a greater number of lines. International recognition of a right to so large a share of the already overcrowded ether might be hard to obtain. Some manufacturers and technicians have tacitly agreed to promote a 625-line picture as a compromise between the present British and American systems and a technical ideal of 800 or 1,000 lines. The Australian Government has invited tenders for transmitters in each of the six capital cities and has stated that they are to be for 625-line transmission. The modulation required has not been

officially announced, but seems likely to be negative. The contract for some of these will be announced this month; an impression is current in London that it will be given to Britain. A share in developing Australian television would mean a good deal to the British television industry.

No one knows on what type of transmission the European countries will decide. Hopes that there would at least be the single system of positive modulation in Europe were killed when the Radio Corporation of America began to build a transmitter at Turin. This transmitter cannot be intended to serve Italy alone, or it would have been sited in Milan or Rome. Programmes from Turin will be received in some districts of France and Switzerland. The Radio Corporation

of America has said that it is prepared to lend transmitters for a trial period, and the Turin transmitter was believed to be supplied under an arrangement of this kind. But recent press reports have suggested that the transmitter may now be paid for by ECA funds. Dollars have been allocated for the purchase of electrical equipment by Italy, and the transmitter might conceivably be included under this heading. The British television industry, and indeed the British Government, would not welcome such an unexpected application of Marshall Aid.

Elsewhere in Europe, Luxemburg, Holland and Denmark are likely to start a television service fairly soon. Experimental transmitters have been tested, but have not proved satisfactory. Norway, Sweden and Denmark may enter the field as a unit. These countries have shown interest in the 625-line positive modulation system, but are in no hurry to commit themselves, having recently become aware of the annual cost (which might be £3,000,000) of a programme service. These expenses can be reduced by using films or by sharing programmes with other countries. Such programme-sharing is technically simple, provided that both countries use the same modulations and the same line system. Radio relay links can take the form of either a tower sited on high ground, or an aeroplane carrying the neces-



Figures of prices and sales are prepared by the Radio and Television Retailers' Association. Production figures: Board of Trade.

sary equipment. These devices, and coaxial cables, will carry sound and vision signals to areas beyond their normal range. Pictures up to 405 lines can be transmitted on the type of coaxial telephone cable now being laid on British and European trunk lines. Differences of language impose some limit on the programmes suitable for interchange, and the costs of interchange are substantial. Radio relay link towers (to take one example) are not very large or complicated, but they must be built at intervals of 20 to 50 miles according to the contours of the ground. Airborne relay, though made difficult by the need to keep an aeroplane circling in a small and sharply defined orbit, should not be prohibitive in cost. The coaxial cable costs £1,000 a mile to lay; once laid, it can carry 400 telephone calls every three minutes, and postal authorities are not easily persuaded to surrender so useful an asset. One such cable was laid between London and Manchester before the war expressly for the purpose of relaying television programmes. It now appears that the Post Office is prepared to deny the existence of this cable rather than lose the use of it. In spite of the difficulties in the way, the European countries have given a good deal of thought to programme-sharing, and this has done much to incline them towards a standardised method of transmission.

The dollar shortage may work in the British favour, but its effects can be overrated. It is true that South American countries which showed leanings towards the United States system have become more receptive to British manufacturers now that dollars are scarce. But the news from Italy has shaken faith in the argument that television is too much of a luxury to deserve dollar expenditure on transmitters and receivers.

Postal authorities can rarely be induced to authorise television transmission until they are persuaded that there is a large audience; but until a programme service has been started, the existence of an audience is impossible to demonstrate. Experience in the three countries which have had a television service shows how difficult it is to predict the market for receivers. The American market receives novelties readily; sales expand at the outset, and the market is quickly saturated unless prices are reduced. The British market, more cautious, tends to postpone purchases until the new service appears to have settled down. Sales are spread more evenly over the years, and the market, though steady, may seem to some manufacturers unattractively small.

In Britain more than 155,000 sets have been sold. This figure represents 5 per cent or less of the families living within receiving range of Alexandra Palace. But in certain ways that district is not representative of the country; Londoners tend to stay at home less than families in the North and Midlands. When the Birmingham transmitter starts this winter, sales of receivers are expected to increase rapidly. By the winter it may also have been possible to overcome the fear of potential buyers that developments in transmission will soon render out-of-date a set which is bought today. Both the manufacturers and the BBC have given an assurance that any changes made within the next decade will be of a kind to which existing sets can be adapted.

Receiver sales in the United States have exceeded two million; this is said to represent about 12 per cent of the families within range of television stations. The American sales figures are the more impressive because until recently, receiver prices were higher than in Britain. American viewers expect to be able to tune in to programmes from different stations, and this adds considerably to the cost of production. There have been signs of a temporary satura-

tion of the American market. A sudden drop in sales in the spring, after two years of unbroken rise, led American manufacturers to reduce production from 182,361 sets in March to 160,736 in June, and even fewer were produced in July. Dealers, in accordance with American custom, have cut their prices severely in order to get rid of stocks, and American sales are now beginning to recover; the recession may still prove to have been mainly seasonal.

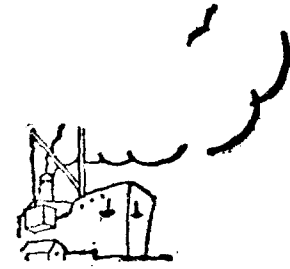
The fall in American prices has been sharp; to take one example, sets with a ten-inch tube have come down from \$375 to \$199.50. British prices for television sets have fallen by about 13 per cent in the past year. The cheapest British receiver (also with a ten-inch tube) now sells at a retail price of 36 guineas, though purchase tax brings the price to the home consumer to more than £46. In any comparison of British and American prices it needs to be remembered that the American set is tuneable and takes a 525-line picture. But one British firm about to make 525-line negative modulation receivers for the Canadian market finds that it can do so at a competitive price. Demand for a larger screen, a greater number of lines, or refinements such as colour, is reflected in higher manufacturing costs. Production of the most expensive component, the cathode ray tube, is particularly subject to economies of scale. A market for 250,000 cathode ray tubes a year would make possible a fully automatic production line. In the United States the price of a 12-inch tube has fallen for this reason from \$38 to \$25. The British market has not yet seemed large enough to justify fully automatic production; the tube bulbs are still blown by hand, but the remainder of the operation is automatic.

Manufacturers in both countries are seeking a mass market. Sales have so far been made not to what are generally classed as the "upper income groups," but to buyers with incomes between £700 and £1,000 a year, together with some of the better-paid industrial craftsmen. Some people in the trade hold that if the cost of the receiver and its installation is £50, a family needs a minimum combined income of £500 to be able to afford one. What the term "afford" means in this connection is not very clear, but the calculation may be valid from the salesman's point of view. If it is, there are, perhaps, 561,000 families in the London area, and 296,000 within the official range of the Birmingham transmitter, which can "afford" a television set. This would give the industry an immediate potential market of about 700,000.

By the same calculation, if the BBC were to extend transmission to Huddersfield, Glasgow, Bristol and North Wales as it has planned to do, and if British prices (including tax and including installation) were to come down to £35 (thus increasing the number of families within the income range) the British industry could expect a potential home market of 4.7 million families, rising to 5.9 millions if services are relayed to other areas. Yet real expansion in the British television industry turns on the size of the export market. Few firms now make television receivers continuously; a batch is made, and production is then turned to other equipment. The opening of overseas markets may make possible more regular and, therefore, cheaper production, a larger home market, and eventually, if all goes well, the full economies of large-scale manufacture. But this programme will depend on the acceptance over a sufficient area of the world of the British system or something close enough to it to be served by the same manufacturing plant. This may still happen; if it does not, the British industry will be faced with fresh exercises in adaptability before the promise of its early start can be realised.



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Business Notes

Markets and the Talks

Sir Stafford Cripps and Mr Bevin left for Washington on Wednesday armed with the comprehensive brief duly approved at Monday's Cabinet meeting—but without giving any worthwhile hint of the contents of that document. Nor has there been any official disclosure, by either British or American sources, of the agenda which will confront the assembled Ministers next Wednesday. Meanwhile, the daily press on both sides of the Atlantic has devoted a formidable acreage of newsprint to industrious, but exasperatingly repetitive, speculations. At the end of it all, no more is precisely known about the intended course of the talks than was understood ten days ago. Since the reliable information is so vague, the probable outcome of the discussions remains even more unpredictable. In the City, the inevitability of continuing uncertainty has reduced still further the turnover in stock markets. It has not, however, involved any return to the hypersensitive condition of a few weeks ago, when people were talking wildly but vaguely about the possibility that the coming talks would have rapid and dramatic repercussions. Now it is more generally recognised that the only quick and spectacular consequence which is even conceivable would be an early devaluation of sterling—but the most responsible City opinion now regards any such speedy decision as improbable. In the majority view, the most likely result is that any projects or plans which may be set in motion in Washington will require many weeks of close study and behind-the-scenes negotiation before reaching the point at which they could exert any important tangible effects.

Against this background, high-grade industrials have remained firm, with a slightly rising tendency—the industrial ordinary share index of the *Financial Times* gained a full point between Thursday of last week and the early days of this week. Despite the more recent doubts among those who had been confidently predicting an early devaluation, there has been no perceptible setback in the prices of those securities—chiefly gold shares and commodity shares, especially rubbers—which have been bought as devaluation hedges. The mood of depression in the gilt-edged market, however, still continues. On Thursday of last week it had made its second major attempt to shake itself free from this despondency—on that day prices showed gains of up to a full point, carrying Old Consols to 74, or virtually the level at which they stood before the slump of end-July. Once again, the recovery proved short-lived. Despite a further minor advance on Friday, the whole gain—as measured by the movement of Consols—has since been lost. This weakness perhaps owes something to the competitive attractions of the £6,500,000 offer-for-sale on behalf of W. H. Smith and Son, and especially to the feeling that, if this issue could survive the chilly waters of present markets, others might be encouraged to take the plunge. To the extent that this argument has validity, the short-run prospect for gilt-edged has not been improved by this week's experience: the lists for the Smith offer were closed within a few minutes on Thursday morning.

* * *

Fall in Bank Deposits

Bank deposits last month showed a welcome, and quite abrupt, reversal of the rising trend of the previous few months. "Net" deposits of the clearing banks dropped during the four weeks to August 17th by £54 million, a movement which contrasts with a fractional increase in the corresponding period last year, and reduces the growth of bank credit, on an annual comparison, to less than £7,000,000. This is a somewhat unexpected movement, first because it had been thought that the difficulties of the new issue market might be throwing additional demands on to the banks and, secondly, because the

Treasury's borrowings from the money market and the banks, considered as a whole, seemed to have been rising. In fact, bank advances have risen, but only by £3,600,000, while the banks' investment portfolio was fractionally reduced. The whole of the counterpart of the fall in deposits is therefore to be found in the banks' money market assets and their holdings of Treasury deposit receipts. The latter have fallen by £72 million, reflecting the latest phase of the Treasury's policy of switching its floating debt borrowings from TDRs to tender Treasury bills. As, however, the total repayments of TDRs have fallen short of the expansion in the total supply of tender bills, it might have been expected that the direct repayments to the banks would have been mainly, if not wholly, offset by an expansion in their bill portfolios and in loans at call in the money market. Actually, these two items have risen by only £15 million so that the Treasury's effective demands for bank credit have been reduced during the month by some £57 million.

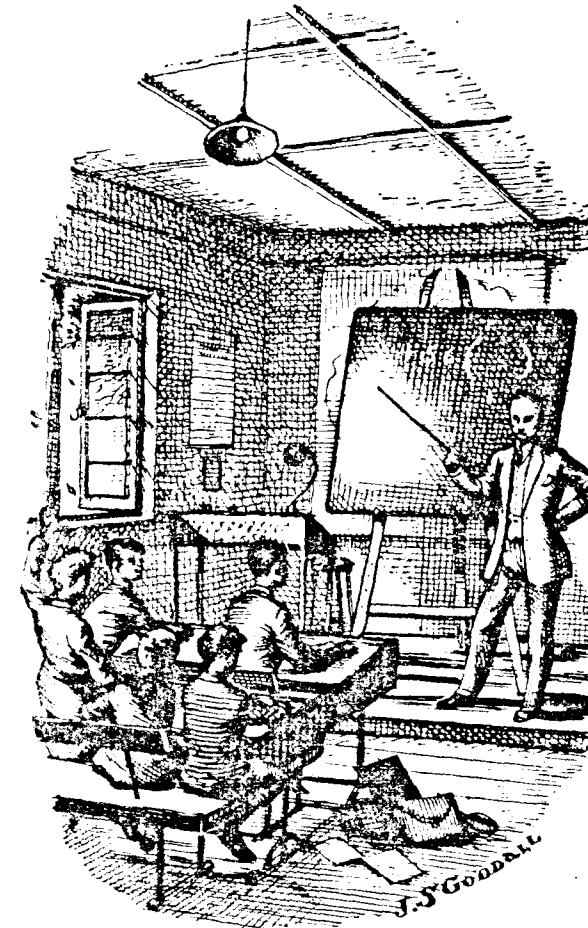
It seems evident, therefore, that a substantial proportion of the increase in the supply of tender Treasury bills must have been in effect financed by quarters outside the money market—including official quarters. An examination of the actual Treasury bill tenders suggests, in fact, that during the four weeks most nearly approximating to the period covered by the bank figures, the discount market's take-up of bills was about £44 million bigger than in the previous four weeks, whereas the total supply of bills was increased during this period by £90 million. It should be noted that, owing to the frequent interventions of the authorities in the market—both as buyers and sellers of bills—the results of the bill tenders are a poor guide to the different sources of finance and, in this instance, it seems likely that the official share in the financing was even larger than the above figures suggest.

At all events, it is evident that the Treasury during this period must have been benefiting from a significant flow of funds in addition to that provided by its disclosed surplus. The revenue returns for the four weeks showed an "overall" surplus of only about £20 million, after crediting net receipts from tax reserve certificates and providing for net encashments and withdrawals of small savings. Allowing for the effects of a net decline in the active note circulation during the period, the funds ostensibly available for repayment of indebtedness to the banks were almost £40 million short of the repayments actually made in the nearest comparable period. A fair proportion of this difference is probably fortuitous, and may be presumed to have arisen from the fact that important mid-monthly disbursements by the Exchequer, though charged in the Exchequer returns for the period, did not exert their full effect on the banks' figures at the moment of the make-up. For the rest, it seems evident that the Treasury's receipts from sales of gold and dollars must in this period have substantially exceeded the amounts it had to provide to permit overseas holders of sterling to run down their sterling balances. If this is so—and it is the only explanation which seems to fit the banking figures—it also implies that the short position in sterling, so far from being further extended, must have begun to contract during this period.

* * *

Ending the Wool Control

The Board of Trade, after discussions with the wool textile industry which have lasted for two years, has announced that it is "satisfied that the remaining controls on the wool textile industry can safely be lifted at the end of the current rationing period"—that is, on October 31st. Statutory instruments giving effect to the decision will be published shortly; these will permit manufacturers to apply the utility mark to their cloth without specific authority from the Board of Trade, and



September

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BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

STATEMENT BY THE PRIOR LIEN BONDHOLDERS' COMMITTEE.

Prior Lien Bondholders will have seen the notice in the Press convening a General Meeting of creditors of Barcelona Traction for 19th September, 1949, in Spain to appoint Sindicos and a Press statement published by the Receiver and Manager appointed by the Canadian Court expressing his view of the consequences of the appointment of Sindicos. The Prior Lien Bondholders' Committee has the following comments to make.

1. The Committee has been advised by its Spanish lawyer that, because Spanish law requires the presence of creditors in person or by their specially authorised proxies and the strict proof of debt by means of documents, neither the Committee nor the Trustee (the National Trust Company Limited) can vote as representing the Bondholders at the meeting convened for the appointment of Sindicos. The Committee accordingly will not do so. Individual Bondholders are therefore free to vote as creditors in accordance with Spanish law. In the opinion of the Committee they should in their own interests do so and for such purpose should consult their bankers.

2. The Committee has further been advised by its Spanish lawyer (a) that there is no objection in Spanish law to the appointment of Sindicos at this stage; (b) that the Prior Lien Bondholders cannot be forced to accept payment otherwise than in sterling in accordance with their rights under the Trust Deed, and (c) that it will be the duty of the Sindicos to sell the assets only in such a way as will ensure the payment of sterling to such Bondholders.

3. The Committee does not therefore agree with the view expressed by the Canadian Receiver that "the ultimate danger of the bankruptcy proceedings in Spain continue is that the point will be reached where the assets of the subsidiary companies will be sold for non-convertible pesetas," nor with his statement that the appointment of Sindicos may have serious consequences for the Prior Lien Bondholders.

4. The Canadian Receiver refers to the Company's repeated contention that the failure to service the Prior Lien Bonds has been due to exchange restrictions imposed by the Spanish Government. So far as the Committee is aware the case of Barcelona Traction is the only one in which a major foreign creditor has not been able to reach agreement with the Spanish Government. For the reasons explained in its Third Report published on 19th February, 1949, the Committee does not agree that the Spanish exchange restrictions are the full explanation of the Company's failure to service the Prior Lien Bonds; in particular it would appear that the Company or its Spanish subsidiaries have failed as yet to provide explanations which were required in connection with their applications for foreign exchange.

August 31, 1949.



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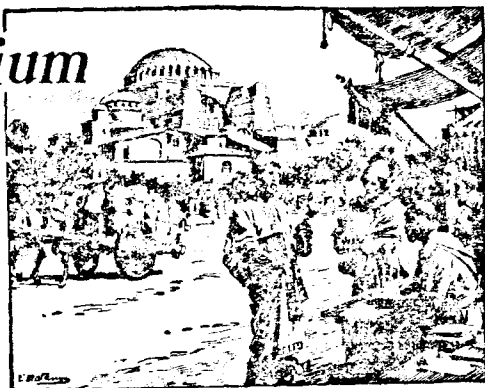
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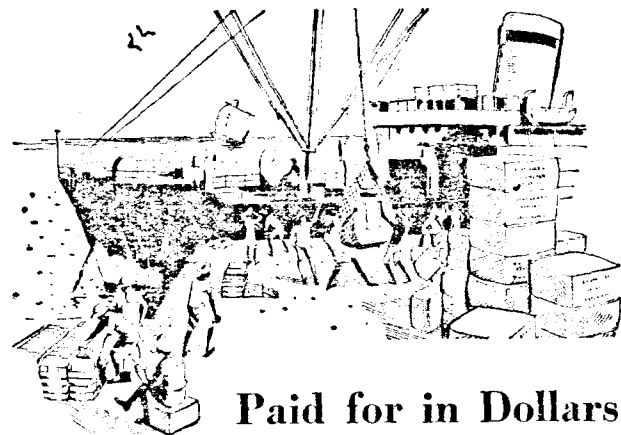
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will thus formally endorse what is substantially the existing practice. The Wool Control, which under Sir Harry Shackleton has maintained a successful co-operation with the wool textile industry on a more flexible basis than the system of control in the textile industries at large, will be wound up, though for the time being it will continue to collect statistics of wool textile production and allied matters. The industry has given assurances that exports, "particularly to North America," will continue to be pressed and that output of utility cloth will be maintained.

The terms of the Board of Trade announcement leave the industry in some uncertainty as to the degree of official supervision to which it will, in fact, be exposed; and this is unlikely to be fully cleared up until the precise status and mode of operation of the proposed Development Council for the industry are known.

Industry

Wages Structure in Coal Mining

Both the Coal Board and the National Union of Mine-workers are agreed that an overhaul of the existing wages structure of the mining industry is overdue. But the issues which will arise when the overhaul comes to be made are difficult and controversial; and they arise not only between the union and the board, but also between the constituent parts of the NUM itself. The decision, which the executive of the NUM has now made, to open negotiations within a few weeks for a new wages structure, was preceded by many months of internal discussion, and the negotiations which are to follow will be prolonged.

The Porter Tribunal, when it awarded national minimum rates of pay for the mining industry in 1944, emphasised the need for a general and radical revision. The National Coal Board discussed the subject in its annual report for 1948, pointing out that the existing wages structure "is not conducive to economy and efficiency," and particularly that it "does not provide the fullest incentive for men to go and work in those places where their effort would be most productive." The Board, though it has accepted the equalisation of minimum wages, is not anxious to see standard national wages established; these would oblige the profitable coalfields permanently to carry the labour costs of the unprofitable coalfields (as they do to a certain extent already), and would be "a strange way of encouraging the workers" to make themselves more efficient. Clearly, therefore, the Board is thinking of a system of differential wages between districts which would express not only the miner's effort but the economic return which his effort yielded. Only by such a method could it hope to get the redistribution of mining manpower which its development plan for the coalfields will require. It will also seek a formula which will enable the results gained through more efficient mining—through reorganised and better-equipped pits—to be reflected not only in higher earnings or easier conditions of work, but in lower costs as well.

The Mineworkers' Proposals

It is clear that the questions of principle which will arise in negotiating a new wages structure for the coalfields will themselves be enough to preclude any swift settlement, and both sides appear to recognise this. But difficult practical questions will also have to be resolved. These will include the cost-of-living allowances, the free or concessionary coal, and other allowances which the National Coal Board inherited from the private owners. They will also include the wage relationships between the various grades. The union, in its initial proposals, has suggested six main categories of mine-workers—three grades underground and three for surface workers. It is worth noting that the winding enginemen have

been placed in the highest category, and would therefore recover their losses in status over the past ten years; the NUM, it appears, is aware of the need to conciliate the winders—though its reported preparations for the training of alternative winders in the collieries can hardly be regarded as a friendly act. The union's proposals would aim at reducing and gradually eliminating the existing differentials between the various grades of craftsmen; in this they run counter to the tendency in (among others) the engineering unions, which have lately shown some anxiety that the differentials should be maintained or even increased.

Any new system will have to replace a confusion of local rates and practices, made workable in the districts by a system of conciliation for which, as the National Coal Board has complained, no guiding principles exist. The negotiations will offer to the NUM a new opportunity to show that it can think in national terms, can overcome the entrenched strength of district arrangements, and can take into account the economic needs of the industry as a whole.

* * *

Story of the Utility Cuts

New that the utility price cuts have been translated into Orders, the Retail Apparel Margins Joint Committee (which represents the retail traders' organisations concerned) has published its record of the history of the price cuts. This is in some ways illuminating. It explains more clearly than has previously been done the period of hesitation in which the proposed cuts were known to be under review, but the nature of the review was obscure. The programme at first contemplated by the President of the Board of Trade was to comprise (the committee states) the present cuts in retail margins together with a cut of 2½ per cent in the clothing manufacturers' ceiling prices, and cuts of one "conventional step" (e.g., from 17½ to 16½ or from 15 to 12½) in the wholesalers' margins. The basic assumption was, apparently, that a reduction of 2½ per cent in retail margins together with a cut of 2½ per cent in the manufacturers' price would produce a total cut of 5 per cent in the retail price. At some stage it was pointed out that these two cuts together, ignoring the wholesalers' part, would have reduced retail prices not by 1s. but by 1s. 8d. in the pound, and the proposals were revised in order to avoid a larger cut than had been intended. The impression current at the time—that Mr Wilson was engaged in transferring some of the retailers' cut to the clothing manufacturers and the wholesalers—was proved wrong in the event; as the committee points out, the only changes which Mr Wilson made were to halve the wholesalers' and manufacturers' cuts.

The point of arithmetic which arises is made in a letter on page 498, correcting the Note which appeared in these columns last week. It is that a reduction of the retailer's margin from (say) 27½ to 25 per cent of the selling price produces a cut of not 2½ per cent but 3½ per cent of the retail price (since the margin after the cut is a reduced percentage of a smaller total). In view of the confusion that has occurred, the retailers' contention that the proper way of cutting prices is to start at the manufacturing end may be difficult to rebut.

The committee states (and the statement, if accurate, is astonishing) that the President of the Board of Trade told the retailers that his scheme was "a dramatic move to help bridge the dollar gap," and was intended to meet a situation in which "a psychological hunch must take precedence over scientific data." He did not, apparently, press in the discussions the point which he had made in Parliament—that retailers could offset their losses by reducing their staffs. The retailers pointed out that, while the number of their employees had risen by only 10½ per cent since 1946, the quantity of clothing and textiles which they handled had risen by 30 per cent. They also pointed out that a cut of a quarter of their entire wages costs would be needed to offset the full amount of the price reductions.

How far economies in labour costs really are from the Government's thoughts is underlined by the news this week that the Cabinet—yielding to open pressure from the TUC—has decided in favour of three of the new wages awards for shop assistants, which the Minister of Labour had been reluctant to approve.

* * *

Labour Dispute in the Tobacco Industry

Fears of unemployment in the tobacco industry because of the restriction of tobacco consumption have rarely proved to have any substance, but they recur persistently; and a dispute which has now arisen appears to reflect these fears. The Imperial Tobacco Company has lately been engaged on a scheme of rationalisation of production which, by its own statement, is merely "part of the normal process of making ourselves more efficient." The scheme requires negotiation with a number of unions, and one of these, the Tobacco Workers' Union, has replied with a request for a forty-hour week, which it appears to intend as a device to avoid redundancy in the factories.

The company refused this request, and the union has notified the Minister of Labour of the existence of a dispute. The union does not seem to have sought or obtained any support from the other unions (some of them, such as the Transport and General Workers' and the Municipal and General Workers' Union, far more powerful bodies than itself) for its proposal. Indeed, these unions have accepted in principle the scheme of reorganisation of work, and are at present engaged in the detailed negotiations of new rates through the National Joint Council for the industry. If the request for a forty-hour week is designed to keep a constant labour force employed in the industry whatever the consumption of tobacco and whatever the improvement in productive efficiency, it deserves no sympathy.

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British Shipping Earnings in 1947

The fact that the net foreign exchange earnings of the British shipping industry in 1947 amounted to some £60 million deserves wider currency and fuller explanation than it has received. This figure is reached by the General Council of British Shipping after an investigation conducted at the request of the Minister of Transport. The General Council was not obliged to publish its findings and has not published them in detail; but it might have taken the opportunity of producing fuller evidence of the value of the shipping industry than is furnished by the bare statement which has appeared. It may have feared misinterpretation; some people might jump to the conclusion that the total of £60 million bore some relation to shipowners' profits. But this idea would not bear a moment's scrutiny. It is more necessary, perhaps, to make clear that the shipowners' figure is not comparable with that given in the White Paper on the United Kingdom Balance of Payments.

The White Paper showed that payments on account of shipping in 1947 amounted to £181 million, whereas receipts of foreign exchange totalled £205 million; this gave a credit balance of only £24 million. This sum excludes payments and receipts in respect of the tanker section of the industry, which were embodied in the oil account; the General Council's figure covers tankers as well as dry-cargo and passenger vessels. But this alone does not account for the difference of £36 million. The General Council is concerned merely with comparing the receipts of foreign exchange in payment for services rendered by British ships in foreign trades with the disbursements made by those ships in foreign ports. The Government's figures, on the other hand, take into the debit side of the balance freight charges paid to foreign ships by British importers or exporters and fares paid by British nationals travelling in foreign vessels. On the credit side the disbursements of foreign ships in United Kingdom ports are taken into account, and by these means a net figure of £24 million on the credit side of the balance of payments account is reached in respect of dry-cargo shipping only. The provisional calculation for 1948 gives a figure of £60 million. The improvement from £17 million in 1946 to £60 million in 1948 is due to the progressive return of British ships into commercial service after reconversion from wartime rig (a long and expensive process which is at last nearing completion) and to the entry of new ships into commission. The calculation made by the General Council of Shipping has a different purpose and follows a different method; when it is repeated for 1948 it will probably produce a figure on the credit side exceeding £100 million, and this would be something like the average of 1937 and 1938.

* * *

American Film Agreement at Work

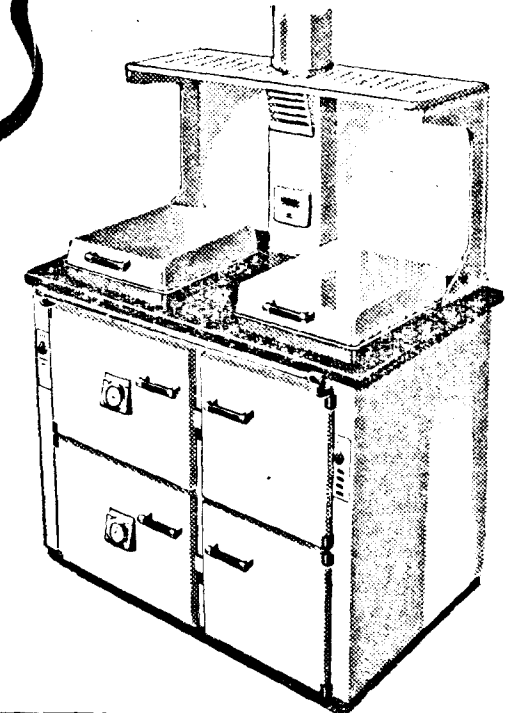
The film industry, conscious of its position as one of the most controversial sectors of sterling-dollar trade, will observe the Washington talks with some attention. The industry is in certain ways insulated by the Anglo-American film agreement from the impact of the dollar deficiency. Remittances in dollars from the earnings of American films in this country are restricted, in the first place, to \$17 million a year; and even the devaluation of sterling would not change this arrangement. As a source of dollar earnings for Britain, the film trade can be disregarded completely, since the permitted level of dollar remittances from London is augmented by the amount of British film earnings in the United States.

Yet the first review of the working of the agreement will begin towards the end of this year, and the conditions in which the review will take place may be determined by the Washington talks. Neither side is satisfied with the way the film agreement is working. From the British point of view, its effectiveness as a stimulant to the circulation of British films in the United States has been (to put the matter mildly) disappointing. *Kinematograph Weekly*, in a review this week of the current state of Anglo-American film relations, reported that the British Government had recently authorised the remittance of an extra



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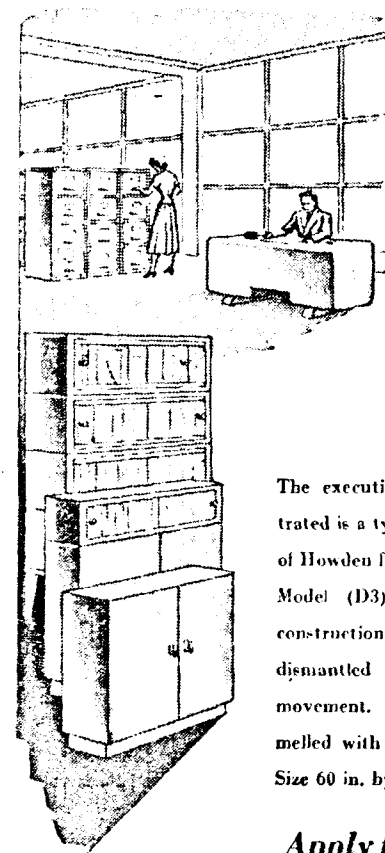


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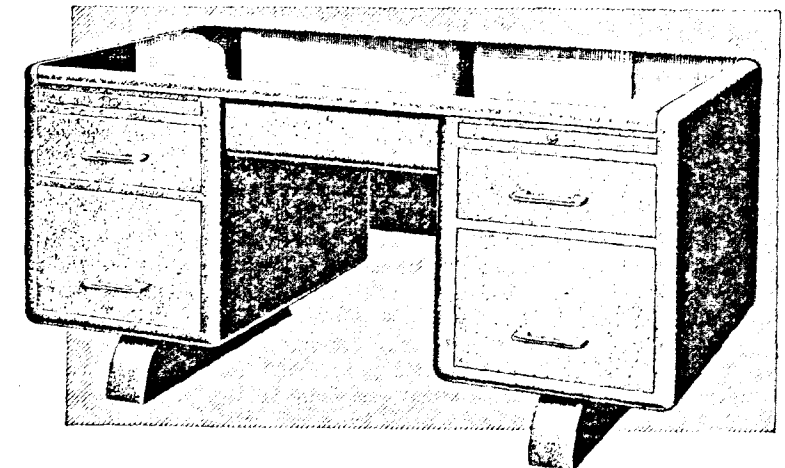


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\$500,000 as a first counterpart for the earnings of British films in the United States in the second half of 1948. This sum does not represent the total British earnings for the six months, which may possibly approach £1,000,000; but earnings in the first half of 1949 are known to have been very much less, and the same source estimates that they may fall to nothing in the second half of this year. Its suggestion that the Board of Trade will want a more specific agreement, with some guarantee of a wider showing for British films and the investment of more "frozen" sterling in British film production, is entirely credible.

The agreement has not tended to encourage British film earnings in the United States, though it might have worked differently if the atmosphere had not been poisoned by bitterness over the high British quota. As things are, the American companies are tending towards joint production arrangements (though these are not on a large scale) and towards the use of their sterling for the outright purchase of the dollar rights in British negatives. Apart from such arrangements, the incentive to American companies to encourage the showing of British films in the United States is strong only on paper. In practice, the extra remittances which are allowed in respect of the dollar earnings of British films are paid into a pool, which is then divided among the American companies in proportion to their earnings in Britain. One company (Universal) which has been more active than the majority in distributing British films in the United States, has expressed discontent with this arrangement, which deprives it of any proportionate return for its efforts.

Finance and Investment

Battle of Barcelona

Events are moving to a new climax in the protracted Barcelona Traction bankruptcy proceedings. The company, which is registered in Canada, was declared bankrupt and the seizure of its assets was ordered by a judge in the Spanish provincial town of Reus in February, 1948, on the ground that it could not meet the service and arrears on its sterling debt. This debt consists of prior lien bonds and first mortgage bonds mainly held, it is understood, by nominees of Señor Juan March. Subsequent representations by the Belgian Government—which is interested in view of the important interest of Sofina in the Barcelona Traction Group—and the Canadian Government succeeded in securing the transfer of the case to the jurisdiction of a special judge appointed by the Spanish Government. Before this move, certain small holders of the first mortgage bonds of the company obtained a stay of proceedings for eight months while the competence of the Spanish Courts to deal with the case was investigated. This period has now elapsed; during it a receiver acting for the trustees of the prior lien and first mortgage bondholders was appointed in Canada as a result of an enforcement action brought by the trustees, though his right to appear at the bankruptcy proceedings in Spain has not been recognised by the Spanish courts.

The Spanish courts have now ordered a creditors' meeting to be called. This will take place on September 19th, and apparently it is the intention then to proceed one stage farther in sequestrating the assets of the company by appointing "sindicors," who under Spanish law have wide powers of disposal of assets. As might be expected, the legality of the appointment of sindicors is being hotly disputed by the company, especially as the bankruptcy proceedings have not yet been completed. But counsel for the prior lien bondholders' committee, according to a statement elsewhere in this issue, has advised that their appointment is legal and that in any case under Spanish law neither the trustee for the prior lien bonds nor the representatives of the committee are legally entitled to vote at the creditors' meeting. There is no fear on their part that the sale of assets by sindicors will result in an accumulation of non-convertible pesetas. Moreover, from the outset the Committee has maintained, and now

repeats, that the service on the sterling bonds has not been altogether precluded by Spanish exchange restrictions.

It is a tangled story in which only the main issue seems clear—that is, the desire of Spanish interests to assume control of the assets of the company. The tactics employed would not be out of company among the roughest struggles for control in the United States at the beginning of the century. So far, the British Government has not associated itself with representations to the Spanish Government on the subject, though the United States Government, which is not directly involved, appears to have done so. It is possible that a firm approach from the British side would have some influence on the outcome of the present tussle.

* * *

Delays over Potash Loan

After three years of negotiations to obtain some partial release of funds, German Potash bondholders had expected that the trustees would be able to obtain early court sanction to pay out dollar and guilder funds freed before the Courts rose in July. In a cautious statement issued this week, the trustees now "hope" to make the necessary application to the Court during the next legal term. Bondholders should not be too impatient. Their interests may be best served by careful preparatory work, even though it may seem protracted. It should be possible to obtain Court sanction for the release agreement concluded with the Dutch bankers. But the Court will also have to decide whether these funds are to be paid out as accumulated arrears, and therefore subject to tax, or can be disbursed as a tax-free repayment of capital. The trust deed, which gives capital redemption priority over repayment of interest arrears, suggests the possibility of obtaining sanction for the second course.

So far the trustees have obtained the release in Holland of some £2,280,000 in Dutch guilders and £275,000 in US dollars. These are the funds on which Court ruling is to be obtained. There remain to be recovered for bondholders \$5,700,000 held in the United States and Sw. Fr. 5,500,000 held in Switzerland. Negotiations for the release of these further sums are proceeding, but legal title, in particular to the American funds, may not prove easy to establish.

As a German loan in default, the two issues of the Potash Syndicate would scarcely be valued at their present level—59 for the 7½ per cent issue and 56 for the 6½ per cent issue—but for the various wartime accumulations of foreign exchange assets. Yet even when these assets have been recovered and distributed, the Potash loans may still be a more interesting proposition than any other German loan, since both capital and interest are formally secured on something tangible—the proceeds of potash exports. But their eventual status, and their ranking compared with other German loans, will have to await the settlement of the entire question of the prewar German debt.

* * *

World Bank Loans for the Colonies?

Mr Eugene Black, the President of the World Bank, took advantage of his recent visit to London to meet the chairman of the Colonial Development Corporation to discuss the Corporation's application for a \$10 million loan. Mr Black said afterwards that he saw no reason why a loan for the purchase of machinery and equipment from the dollar area should not be granted—provided that certain technical points could be worked out. Although the projected loan is a small one, it is apparently regarded as the first of a possible series to be made by the Bank to the Corporation over a period of years. Some of the broad issues involved in borrowing of this sort therefore deserve examination at this stage. In the first place, it would be interesting to know how much of the loan is earmarked for the purchase of expensive agricultural machinery—heavy caterpillar tractors, disc harrows and rice combines have been

among the items mentioned. The wisdom of the present British policy of relying on heavily capitalised plantation agriculture in the Colonies, at a time when the utilisation of the old system of indentured plantation labour is becoming increasingly difficult, has been seriously questioned of late—most recently by Professor W. A. Lewis in a thought-provoking article in the second issue of the *Three Banks' Review*.

Secondly, the interest charge (including the special commission charge) on current World Bank loans amounts to 4 per cent per annum—payable in dollars. The failure of any project with hard currency overheads of this magnitude would be a much more serious burden for the sterling area to bear than an equivalent failure in, say, the sterling-financed groundnuts scheme. Finally, as far as can be seen, the loan would be made for various projects in the widely separated areas covered by the Colonial Development Corporation. There is apparently no question of interesting the Bank in the development plan of any one Colonial territory taken as a whole. Great care will have to be exercised if the planning mechanism whereby a Colony puts up a development proposal to the Corporation, and the Corporation borrows for it from the World Bank, is not to lose some of the advantages which might be gained by a more integrated approach. These reservations do not mean that a loan of this sort should not be welcomed; but any project which involves a dollar commitment at the present time must obviously be dragged through a critical tooth comb.

* * *

Fisons' New Issue Plans

One big new issue does not make a new issue revival. But close on last week's announcement of the W. H. Smith offer for sale (which was oversubscribed on Thursday) Fisons have given details of a plan to raise new capital which may mark a new phase in the capital market, after the recent lean period and the hard experience of underwriters of the Babcock and Wilcox and Guest Keen Nettlefolds issues. Fisons intend to raise £6,000,000 of new money in two operations. First, shareholders are shortly to be asked to sanction an increase in the share capital to £8,500,000 by the creation of 1,500,000 new £1 ordinary shares. Subject to the consent of the Treasury an issue would then be made of 2,219,278 £1 ordinary shares (out of a total of 2,780,722 unissued) in the first instance to ordinary shareholders at par or at a small premium by way of renounceable rights on a one for one basis. Since the present price of the ordinary shares is around 39s. a substantial rights element will be involved, and this alone should be a strong factor making up success.

The second stage of the plan envisages an issue of £3,000,000 unsecured loan stock, a method of approaching the market increasingly adopted if not yet popular. This issue will be delayed until the winter months, when the precise terms and method of issue will be framed according to market conditions at the time. The plan of the company to spend £5,500,000 on increasing production of phosphatic fertilisers to meet the needs

of the agricultural drive was conceived in 1944 in the first instance at the request of the Coalition Government. A further £500,000 was then needed to develop Fisons' interests in North Africa and Rhodesia. In 1947 some £1,750,000 of new money was raised by preference and ordinary capital issues, but the growing requirements of working capital place the group in need of an additional £1,750,000. Big strides have already been made in implementing the expansion of productive capacity since output further increased by 100,000 tons in the year to June 30, 1949. The board state that profit for the past year will not be less than in 1947-48, while the results of the groups principal subsidiary, British Chemicals and Biologicals—which had a poor trading experience last year—have shown some improvement in the current period. It is intended to recommend a final dividend of 9½ per cent, making a total of 12 per cent for the past year on the old shares and a 2½ per cent final dividend on the new shares. It is expected that a dividend of no more than 9 per cent will be warranted on the capital as increased for the full year to June 30, 1950.

* * *

Scottish Motor Traction Reorganisation Scheme

The capital reorganisation scheme of Scottish Motor Traction to be submitted for approval of ordinary shareholders on September 16th has not had a good reception. The scheme follows the agreement reached on January 25th between the company and the British Transport Commission for the payment of £20,498,000, plus adjustments for the assets of the company vested in the Commission and of approximately £3,000,000 for the minority interests in its subsidiaries. The holders of the £1,000,000 6½ per cent cumulative preference stock are not unnaturally disgruntled that under the scheme they are to receive only par (20s.) as a capital repayment, together with dividends accrued to the date of repayment.

Their hopes had been supported by the hint given by the chairman last January that they might do better than that. The expectation had been generally pitched at 22s. 6d. as a minimum. But since that time the decision in two colliery preference shareholders' appeals—Wilsons Clyde Coal and Chatterley Whitfield—in the House of Lords have had a withering effect on such optimism. These judgments left no doubt that in law preference shareholders are entitled to no more than is provided for in the Memorandum and Articles of Association either in the case of liquidation or in a repayment of capital. Where no special provision is made there for repayment above par, then the legal entitlement is par. That much is clear. But in the case of Scottish Motor Traction preference stockholders may well point to the generous treatment afforded by the Transport Commission to the minority preference shareholders of the Thomas Tilling group when those interests were taken over in some cases at substantial premiums. It will therefore be surprising if the SMT scheme goes through without strong representations being made for a higher payment. As much as 32s. 6d. was paid by buyers of

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the preference shares in 1945. The implications of the scheme for preference shareholders as a class are most unpalatable.

The scheme also provides for the cancellation and extinction of £502,989 ordinary stock held by the British Transport Commission. This, together with the repayment of the preference stock, would entail a reduction of the capital of the company to £1,247,011 divided into £502,939 ordinary stock and 2,976,085 in unissued 5s. shares with no defined rights. The present capital is £2,750,000 and it is intended, after making this reduction, to restore the capital to this figure by the creation of 6,011,956 5s. shares with no defined rights. It is further proposed to alter the Articles of Association to provide for the distribution of £8,047,836 of 3 per cent British Transport Wagon Stock 1968-73 among the remaining holders of the £502,989 ordinary stock in proportion to the amounts held. The absence of any indication of the value of residual assets after the distribution of Transport Stock has given the market little to work on in arriving at a revised valuation of SMT ordinary. The latest quotation is 86s. 3d. which, ex the current value of the portion of Transport Stock calculated at 75s., leaves 11s. 3d. as the present market valuation placed on the residual assets.

Northern Area Road Passenger Scheme

The scheme which the Transport Commission has proposed for road transport in the northern area must be regarded, at this stage, as provisional. It affects six local authorities, one joint board and one hundred and thirty other undertakings providing road transport in Northumberland, Durham, and the greater part of the North Riding of Yorkshire. Each of these operators has received a précis of the scheme, and they have a clear two months in which to make representations about it to the Road Passenger Executive. These are necessary preliminary steps, for the Commission is under the obligation to consult all interested parties who may be affected by an area road passenger transport scheme before it submits any draft proposals to the Minister. Then a further chain of processes is involved. First, the Minister if satisfied with the proposed scheme (if he is not satisfied, he may return it to the Commission for reconsideration), may prepare a draft order to implement it; the draft must then be open to inspection for at least forty days; and if objections are made to it he must order a public enquiry.

Since this is the first area passenger scheme to be proposed, and will presumably set the pattern for later schemes, these procedural points are important. Co-ordination of local passenger transport is going to be a protracted job. It will not, indeed, be completed until the Commission has made real progress with road and rail charges schemes, in the preparation of which the Commission has lately been granted two further years' grace by the Minister. Meanwhile, the constitution, powers and duties of the Area Board will be examined with care. The précis lays stress on the intention of the Commission to leave the Area Board as free as possible to discharge its functions and to decentralise as much authority as the Transport Act allows. That itself is a welcome assurance. The Area Board will consist of a full time chairman, with not less than seven or more than eleven part time members. The aim here is to evolve an administrative unit working effectively as agent of the Commission, and leaving responsibility for day to day transport operations in the three separate districts proposed under the scheme in the care of area and district managers.

The scheme allows for the continued operation, on certain conditions, of road services which are within or partly within the area, and of services which traverse the area. The main controversy is still likely to arise from the taking over of municipal transport undertakings on the basis of their net debt—a procedure which works particularly harshly in the case of Newcastle. No amount of consultative machinery to enable local opinion to find expression will redeem this initial injustice. And that is what the Act requires, and it will affect other cities

as well as Newcastle. There will be consultation between the Area Board and the Railway Executive to co-ordinate services, to provide through booking, inter-available tickets and connecting services. These are useful steps, and given common ownership, there would be no excuse for failing to provide them; but indeed they touch only the fringe of real transport co-ordination. That is a question rather of costs and charges. Until a charges scheme is introduced, the Commission will not be able to increase road fare without the Minister's approval.

Trade and Commodities Stockpiling through Barter?

Britain's hopes of increasing its dollar earnings through larger American purchases of strategic materials are rapidly diminishing. The British delegation will no doubt raise this matter again in Washington despite the fact that an official British request in favour of such purchases received no response when it was made early in July. Judging from recent events in the United States, the amount of help Britain is likely to get from stockpile purchases will be small. In the first place, Congress has reduced quite drastically this year's authority to make advance contracts—this topic is discussed at greater length on page 506. Secondly, the Munitions Board is still concerned with a "balanced acquisition," and it has again stressed this point in its latest six-monthly Report. Although all materials being accumulated are essential, a plentiful supply of one may be rendered useless by the lack of another. The stockpile already holds sizeable quantities of rubber, jute, and industrial diamonds—the main strategic materials available in the sterling area—so that this year's appropriations are more likely to be spent in acquiring those goods which until recently were in short supply.

The use of the sterling counterpart fund to purchase critical materials may give support to the individual commodity markets, but it does not increase the sterling area's dollar earnings. The Economic Co-operation Administration has recently been empowered to act as agent for the Bureau of Federal Supply in acquiring goods for the stockpile, and such purchases would be paid in dollars from the Bureau's annual appropriation. This, however, is only an administrative change; it will not increase the total amount of dollars available for stockpiling.

Perhaps the greatest blow to Britain's hopes is the Congress authorisation to the Commodity Credit Corporation empowering it to exchange agricultural products in its possession against strategic materials produced abroad. In 1939, America concluded a similar barter transaction with Britain when it exchanged 600,000 bales of cotton against 80,000 tons of rubber. This method certainly has possibilities, but its value for the sterling area, at any rate, is limited. The Commodity Credit Corporation holds large quantities of cotton, tobacco, cereals and other farm products. With the exception of cotton, Britain can either do without these goods or purchase them from other sources without incurring a dollar expenditure.

Cocoa Problems and Prices

The trend in cocoa prices in the New York market over the past nine months has probably created more anxiety for the Treasury than for cocoa producers. The production of cocoa beans cannot be expanded or reduced very rapidly, but demand is almost a direct function of the level of national incomes—and particularly of the level of national income in the United States. When prosperity prevails, demand is high and so, too, is the price of cocoa. Last year, exports of cocoa beans from the Gold Coast and Nigeria together earned nearly \$110 million, but during the present year dollar earnings have fallen to less than half this sum. Cocoa reached its peak price in New York of 51 cents a lb. (monthly average) in November, 1947. After an initial decline it recovered to 44½ cents in July, 1948, but thereafter prices fell steadily to 18½ cents last March. Since then there has been a slight recovery to 24 cents in August but the present price stands at 20½ cents a lb. The



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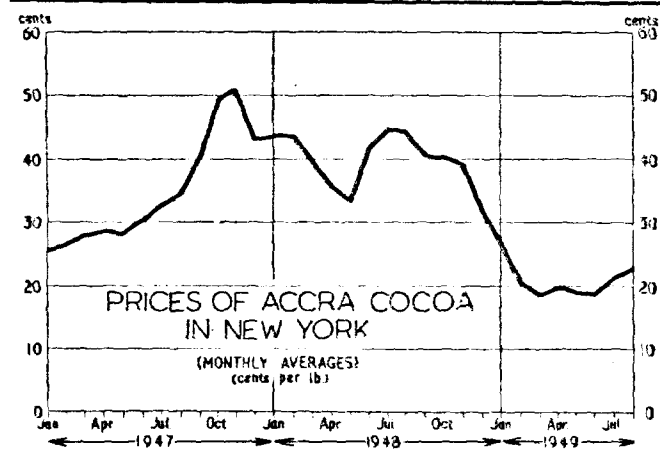
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producers' price is fixed by the Gold Coast and Nigerian Cocoa Boards. As these Boards are believed to possess ample funds, the price paid to producers may not fall so sharply as the market price in New York. Some reduction on last season's price, however, will probably have to be made, especially if cocoa in New York falls still farther.

Swollen shoot remains the serious menace to West African cocoa producers, though the excellent growing conditions of the recent season did much to mitigate its effect on output. Lord Rennell in his address this week to the Cocoa, Chocolate and Confectionery Alliance, advocated urgent action in combating this disease and added that the only known remedy was cutting out the affected trees. Since 1939 the number of trees on the Gold Coast infected with swollen shoot is estimated to have risen from 1,000,000 to 50 million—a colossal figure



which represents one-eighth of the total number of trees. At this rate of infection Lord Rennell estimated that the cocoa industry in the Gold Coast would be extinguished within five to seven years. Yet during the riots in Accra at the end of 1947, the Gold Coast Government surrendered to "political agitation" and suspended its cutting-out policy, thus virtually allowing the disease to spread unchecked.

When prices received by producers are high, any policy which involves cutting-out of infected stock (which can still bear sound fruit) is bound to be unpopular, unless the rate of compensation is sufficiently attractive. As the price paid to producers is likely to be lowered, it may be possible to repair some of the damage done in the past year and a-half. A new and much more vigorous cutting-out scheme seems the only remedy. Unless that is done, the prosperity of the Gold Coast will be at stake and the sterling area would also lose a valuable source of dollars.

What Price Tin?

The future of tin marketing must remain in abeyance until the end of the month, when the working party set up by the Tin Study Group submits its report on the prospects of an international agreement. At the meeting of the Study Group last June, British representatives were anxious to secure a marketing scheme for tin, and subsequently Sir Stafford Cripps suggested that this could be explored at the forthcoming Washington talks. The United States delegates were opposed to an international agreement unless it allowed for an expanding world production. At that time the United States was also opposed to a free world market; it wanted to maintain the international allocation scheme. Since then, however, the American Government has decided to lift immediately the ban on the domestic use of tin for such items as jewellery, novelties and ornaments, and to abolish by December 1st the restrictions on tin used in tin cans and closures for food containers. Private import of tin metal is also to be permitted, though import licences will still be required.

The effect of these relaxations on the tin market is uncertain. The maintenance of import licences is only necessary so long

as tin is allocated to the various consuming countries by the Combined Tin Committee. In the past twelve months, however, it has been price rather than international allocation which has restricted consumption in most countries. In the United States it is generally believed that the price of tin will fall; if so, the profits of Malayan producers and the dollar earnings of the sterling area will fall. The Ministry of Supply has temporarily suspended the sale of Straits tin through London to American dealers—presumably to see what will happen in New York.

American commercial consumption of tin is still not back to its prewar level, and in the first six months of 1949 it has been estimated at 27,000 tons against 32,000 tons in the first half of 1948. If, through the lifting of restrictions on the use of tin, American consumption increases by 10,000 tons, world production will still be well in excess of consumption. World output of tin in June reached a postwar peak of 15,000 tons owing to larger production in Malaya, Bolivia and the Belgian Congo. Tin metal production, however, declined by 700 tons to 14,000 tons. In the first half of this year, tin production totalled 77,900 tons, tin metal production 83,800 tons, whereas apparent tin consumption amounted to only 62,000 tons, a decline of over 10,000 tons on the first half of 1948. If American stockpile purchases are not increased, it seems evident that the price of tin will tend to fall.

New Trade Pact with Germany

In the new trade agreement between western Germany and the sterling area, which is to run for twelve months as from July 1, 1949, a substantial trading surplus is foreseen for the sterling countries. In the agreement British and sterling area exports are put at \$278 million plus \$12.9 million for non-essentials, while imports from Germany are put at \$205 million and \$12.9 million for non-essentials. Of the \$205 million, \$40 million is to go to the Dominions and a similar amount to the colonies. Germany will be exporting fewer raw materials and more manufactured goods. Ever since the war the Germans had been complaining—with some justification—that they were being pressed into the unnatural position of exporter of raw materials and importer of manufactures. The new schedule of German exports has a decidedly new look. True, steel scrap at \$43 million is still the largest item. But timber exports—which have always been a sore point with the Germans—have been entirely dropped, and textiles worth \$30 million are to be exported to Britain alone. Potash exports, which have a special interest in view of British and Continental interest in the German Potash Loan (a topic discussed in more detail in a note on page 526) will amount to \$2,300,000. The working-up of foreign-owned raw materials into finished products is to earn \$6,000,000 in commissions, and machinery exports to the Colonies alone are put at \$15 million. The German import list is dominated by three items: food products worth \$44 million, wool, jute, cotton and similar materials worth \$93 million, and rubber imports of \$36 million.

In all, the agreement represents a step in the right direction notwithstanding a good deal of impatience displayed by some exporters on either side who claim potential markets are still being needlessly obstructed. The sterling area's trading surplus does not, however, hold out hopes of substantial dollar settlements by Germany. At the moment Germany is still receiving assistance in kind under the bizonal fusion agreement at the rate of £17.5 million a year. These gift goods are included in the \$278 million, and when \$70 million, the dollar equivalent of the £17.5 million subsidy, is subtracted, the payments balance all too neatly. It is, in fact, unlikely that the subsidy will continue much longer in its present form. Negotiations are proceeding to substitute drawing rights of a similar amount for the existing arrangements. Such a change would suit both sides well. The Germans, instead of being presented with a rigid list of predetermined free imports, would be able to choose freely, and this country would receive dollars for the drawing rights granted. But such a change will require American approval.

COMPANY MEETING

TELEPHONE RENTALS, LIMITED

ANOTHER SUCCESSFUL YEAR

LONG-TERM DEVELOPMENTS

MR FRED T. JACKSON'S SURVEY OF ACTIVITIES

The twentieth annual general meeting of Telephone Rentals, Limited, was held on August 29th at the Central Hall, Westminster, S.W., Mr. Fred T. Jackson, O.B.E., Comp.I.E.E., chairman and joint managing director, presiding.

The Secretary, Mr. G. H. Field, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1948:

It is with pleasure that I am able once again to review another successful year of your company. The accounts are the first submitted since the Companies Act of 1948 came into force. This has necessitated very few changes in the form of accounts submitted previously. I should, however, like to make a few observations with regard to certain of the items in the accounts.

PROFIT AND LOSS ACCOUNT

The profit of Telephone Rentals, Limited, for the year, before providing for taxation, is £322,034, as compared with £264,381 for the year 1947. The various appropriations made from this profit are shown in the profit and loss account.

With regard to income tax, you will remember that last year a higher charge fell to be made by reason of the fact that we were able to set aside for the first time the sum necessary to cover the estimated liability based on the profits for that year. The income tax charged for this year, £91,418, includes a reserve based on the profits for the year now under review.

CONTINGENCIES RESERVE

You will observe that we have made an appropriation of £50,000, being a transfer to a contingencies reserve. This is a large sum, therefore it requires some explanation. Although we cannot foresee what the future holds, your directors feel there is no doubt that there are difficult times ahead for industry. A very large number of industrial companies came into being during the war and made great progress, but, owing to the extremely high taxation it has not been possible for them to put on one side and build up substantial reserves from profits earned. These remarks also apply to private incomes. In these circumstances we feel that a large number of concerns will have difficulty in surmounting an economic crisis through lack of reserves. This state of affairs is bound to have its repercussions on companies which have been established many years, such as your company, and which have been able to build up a sound financial structure during the years prior to this excessive national taxation. It is felt, therefore, that while not prophesying a large number of bankruptcies, it is only wise for us to make a substantial appropriation for possible losses from individual contracts in the next two or three years, thereby leaving our profit-earning capacity and our rate of dividend unimpaired.

It would seem appropriate to state here that it is your directors' opinion that industry in this country cannot forge ahead when the

Government takes more than half of the profits earned to finance Socialistic schemes which the country cannot afford, however desirable these schemes may be.

PENSIONS

You will also note we have transferred £10,000 to a reserve for supplemental pensions to our staff, which also requires some explanation. You are aware of the fact that we have a contributory pension scheme, which has been in existence since 1928. The purchasing power of the £ forces on your directors the fact that they have a moral responsibility to older employees to establish a fund which will enable them to supplement existing pensions in cases of hardship. We have also to recognise that we have a certain number of older employees who have spent the best part of their lives in working for your company but who were too old at the inauguration of the pension scheme to join it. In these cases, too, we feel again we have a moral obligation to come to their assistance when they retire.

We have transferred a further £20,000 to the general reserve, bringing this up to a total of £300,000. After making these appropriations, providing for the dividend in respect of the year, and setting aside £32,927 for distribution to employees under the company's participating scheme, there is left the substantial balance of £73,649 unappropriated and carried forward to the current year.

BALANCE SHEET

Will you now please turn to the company's balance sheet. Our revenue-producing installations have been increased throughout the year and the value at which these installations now stand in our books is £1,573,494, as compared with £1,218,672 last year. This value is a very conservative figure and represents a sum of approximately one and a half times our annual revenue.

During this year we have added to our freehold and leasehold properties, the main acquisition being a central stores in which our equipments and accessories are stored and distributed to all our branches throughout the country.

Under the heading of subsidiary companies the increase in our investments of £1,000 over last year represents our holding in our South African subsidiary formed during the year. This South African company has two subsidiary undertakings, one of which operates on similar lines to your company, and I am glad to be able to report that the business obtained has been quite phenomenal and it should, in due course, contribute substantially to the profits of the group.

There is an item under this heading appearing for the first time—namely, "Loan to subsidiary company (S. Africa)," amounting to £73,343. This sum represents the balance (after deducting the above-mentioned investment and the preliminary expenses of formation) of the £75,000 which appeared in last year's balance sheet under the heading of "Cash at bank in South Africa."

Referring now to the other side of the balance sheet, our issued capital and capital

reserves remain at substantially the same figure as last year. Under our revenue reserves, the general reserve increases by the appropriation to which I have already referred. Your interest in the company's capital, reserves and surplus is £1,906,484 as against £1,816,012 at the corresponding date last year.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The consolidated balance sheet and consolidated profit and loss account follow a similar form to the accounts of the holding company, but certain changes have been made by reason of the acquisition of the South African businesses. In view of the changes made this year and owing to the fact that the accounts of the South African subsidiaries, although made up to December 31, 1948, do not cover a full year, the 1947 figures have not been printed, but comparative figures will, of course, appear in future years.

It is not necessary for me to comment in detail on the consolidated accounts as the items are quite straightforward and can be followed quite readily.

Finally the profit of the group before taxation is £333,269 and, after making the various appropriations of the group, the balance of unappropriated profits carried forward applicable to the holding company's shareholders amounts to £81,953.

CAPITAL

You will remember that at our last annual general meeting I mentioned the necessity for further capital; during the current year we issued 400,000 4s. per cent. Cumulative Preference shares at 21s. 6d. per share. This issue was over-subscribed and the total amount applied for was £1,419,348.

A considerable proportion of the amount accrued from this issue was absorbed in clearing the current liabilities which appear in the balance sheet now under review.

During the year we have added a further item of equipment to our industrial services known as "Centralograph." This we believe has a very great future in textile industries and will in due course make a very valuable contribution to our revenue.

THE YEAR IN REVIEW

Last year I gave you a description of our organisation and I think it would be of interest if I now amplified this with a description of what we have been doing during the last twelve months.

We firmly adhere to our policy of allocating priority in manpower and materials to our existing subscribers, for once we add a new subscriber to our ever-growing list we expect that he will be a permanent subscriber as long as we do all in our power to give satisfaction and service.

During the past year we have reorganised our experienced commercial staff and the whole of the British Isles has been divided into districts, each with an experienced representative responsible directly to his own branch manager. The representative's job is to keep in touch with all subscribers in his district and to assist and advise them on the application of all sections of T.R. Service adapted to their particular requirements.

As an organisation we are being called upon more and more to act as consultants to industrial concerns in all trades with particular reference to preventing loss of time and helping in costing.

THE OUTLOOK

In connection with plans for the expansion of our business we have commenced a long-

term plan for development by the recruitment and special training of new representatives. Most of these representatives we take on are young and very keen to become fully qualified T.R. Service representatives; to enable them to achieve this they are trained under experienced salesmen for a period of two to three years, provided they obtain the necessary standards at each stage of their training. This training consists of a graduated series of sales schools, held at intervals over a period, with special assistance from experienced T.R. representatives.

We firmly believe that by the methods now in operation, in spite of the fact that we are face to face with a buyers' market, we shall more than hold our own in the difficult months that undoubtedly lie ahead.

I feel that a special word of thanks should be extended to the high level officials of the Board of Trade and the Ministry of Supply, both of whom have been so helpful to us. It has to be borne in mind that the civil servants are those who have to carry out the instructions of the Government of the day and, however much industrialists may disagree with the instructions given the high level civil servants cannot be blamed for them.

In conclusion, on behalf of the management, I should like to express our thanks to all our employees throughout the whole organisation for their loyalty and keenness. I can assure you that the spirit of comradeship and goodwill between our employees at all levels, is something which has to be experienced to be appreciated.

The report and accounts were unanimously adopted, the proposed dividends were approved, the retiring director, Mr Charles H. Jackson, A.C.A., was re-elected; the remuneration of the auditors, Messrs. Chris. W. Rooke Lane and Company, was fixed and a resolution was passed adopting new articles of association.

T. R. ROBERTS, LIMITED

DIVIDEND OF 15 PER CENT.

The fifty-fourth annual general meeting of T. R. Roberts, Limited, was held on August 31st in London, Mr L. P. Jackson, chairman of the company, presiding.

The following is an extract from his circulated statement:

The accounts now presented may be viewed as relating to the first normal year since the reconstruction of your company. This year we have the benefit of a full year's profits from all but the subsidiary which was acquired in September last, and your directors have accordingly recommended an ordinary dividend of 15 per cent. in the confident anticipation that, subject to normal trading conditions, they can look forward to a period of consolidation and stabilisation.

In this regard it will be noted that the unappropriated profit carried forward has increased by £6,474 to a sum of £14,090, which amount is equivalent to a dividend of approximately 30 per cent. on the ordinary stock.

In the report accompanying last year's accounts, your directors stated that the current excess value of the subsidiary companies' assets over the book values as shown in the accounts would more than cover the figure shown in the balance-sheet as excess cost of shares. Ample justification of this is provided in the case of the sale of a freehold at approximately three and a-half times its book value.

In spite of difficult trading conditions and the obscure economic future, I am pleased to report that current group trading to date compares favourably with last year's equivalent figures, and feel that we can anticipate another successful and profitable year's trading.

The report and accounts were unanimously adopted.

CROPPER AND COMPANY, LIMITED

SATISFACTORY RESULTS

The fifty-second annual general meeting of Cropper and Company, Limited, was held on August 30th, at the registered office, Thitcham, Berkshire, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's speech, which was circulated with the report and accounts: Gentlemen, in spite of the more competitive conditions that have prevailed during the greater part of the past year, I am pleased to be able again to submit very satisfactory accounts. In fact the results are better than for any other year in the long history of the company, with the solitary exception of last year, which in many respects was abnormal.

The profit for the year, £162,231, is subject to a provision of £87,891 for taxation, which includes adjustments for previous years. The total provision for taxation at the date of the balance-sheet is no less than £215,000. Against this we have tax reserve certificates amounting to £200,000, and in addition there is about £300,000 either in cash or in investments that can readily be turned into cash, so the company has ample liquid resources.

DISTRIBUTION MAINTAINED

The directors recommend the payment of a dividend upon the ordinary shares of 10 per cent. and a bonus of 10 per cent., which is the same distribution as last year. The directors do not think it advisable to increase this in view of the undertaking given to the Chancellor of the Exchequer at the request of the Federation of British Industries, notwithstanding that the earnings are more than four times the amount of the distribution. It is also proposed to transfer £25,000 to general reserve, £25,000 to reserve for replacements, and to carry forward the balance of £39,630. The general reserve will then stand at £150,000 and the reserve for replacements at £52,052. You will notice that the fixed assets, land, buildings and plant have been written down over a period to the low figure of £83,706. Their real value is considerably in excess of this amount.

Our associate company, Colthrop Board and Paper Mills, Limited, has not had a good year, for reasons fully set out in my speech to the shareholders of that company. Briefly the reason is that the purchase price of its raw materials and the selling prices of the finished product, both of which are strictly controlled, afford insufficient margin for a reasonable profit, notwithstanding the fact that production was higher than for any previous year. Our fully owned subsidiary company, Containers, Limited, has had a satisfactory year and is paying the same dividend and bonus as for the previous period.

It is difficult to forecast the future of our company in these unstable times, but new machinery has been installed during the year, more machinery is on order, the organisation works well, the order book is full and we can look forward with confidence in the knowledge that we are well equipped to face the future whatever it may bring. My thanks are due to my colleagues on the board and to the staff and employees, without whose loyal co-operation and energy these results would not have been possible.

The chairman, addressing the meeting, said: In my speech which was circulated with the report I fully explained the position and I do not think there is anything that I could usefully add. I might perhaps have emphasised the strength of the balance-sheet by pointing out that the current assets are nearly three times as much as the current liabilities, and that the general reserve, together with the balance carried forward in the profit and loss account, are more than

half the amount of the issued share capital, but after all the figures speak for themselves. The report and accounts were unanimously adopted.

COZENS AND SUTCLIFFE (HOLDINGS)

The eighth annual general meeting of Cozens and Sutcliffe (Holdings), Limited, was held on August 26th at Grosvenor House, London, W.1, Mr H. V. Cozens (chairman) presiding.

The following is his circulated statement: As in previous years, we are publishing the balance-sheet and accounts of Cozens and Sutcliffe (Holdings), Limited, together with the consolidated balance-sheet and profit and loss account of the company and its subsidiaries.

The accounts for the year under review disclose a net trading profit of £40,397 3s. 2d., which must be very satisfactory to shareholders when it is considered that the company is subject to the same difficulties which have beset industry as a whole during the past 12 months.

Your company's freehold site at Enfield continues to justify its existence, and in my opinion has to-day a value at least seven times as great as its cost. The plant and machinery of the company also continues to be maintained in a high state of efficiency, and here again I can assure shareholders that the market value of this asset is 10 times greater than the figure shown on our balance-sheet. The directors consider that the financial position of the company is very good.

As to the future, the order book is full and the export position is excellent. The directors have, despite these very stringent times, every reason to believe that profits are likely to be maintained during the current year. The report and accounts were adopted.

TEETGEN AND COMPANY, LIMITED

RECORD SALES

The fifty-fourth ordinary general meeting of Teetgen and Company, Limited, was held on August 25th in London.

Mr John Passmore, chairman and managing director, who presided, said: Ladies and gentlemen, from the report sent to you over three weeks ago you have probably discovered that the net profit for the year is less than in the previous year. The reason for this is the lower margins of profit allowed on controlled goods, smaller rations, increased expenses and also partly due to the year's trading account being only for 52 weeks as against 53 weeks in the previous accounting period.

The sales were the highest for any year since the formation of the company. In 1934 we had 14 branches; to-day we have 23. The larger bacon ration will materially help to increase turnover. The new branch at Croydon is proving satisfactory, and we have purchased another business at Cowfold, Sussex, which we take over on September 6th.

In the balance sheet of Teetgen and Company you have no doubt noticed the very considerable reserves and also that we have plenty of cash in the bank, while liabilities are less than at the close of the year before. Fixtures, plant, property and investments are worth more than the book values. All stocks have been valued and certified by Messrs. W. H. Cork and Company as usual. Although repairs are nearly up to date we have provided another £4,000 for this year. The carry-forward is up by £2,000.

I now propose that the accounts be adopted and that a dividend of 10 per cent. be paid on the ordinary shares and I will ask Mr Derry to second the resolution.

Mr E. W. Derry seconded the resolution and it was carried unanimously.

Company Notes

Watney Combe Reid.—Consolidated trading profit declined from £1,798,481 to £1,373,793 in the year to June 30, 1949. Transfers from provision for repairs and renewals in relief of deferred repairs charged against current profits amounted to £396,505 (£180,555) and other income to £662,432 (£631,712).

Wellman Smith Owen Engineering.—Group trading profit increased from £226,213 to £381,386 in the year ended March 31, 1949. Net profit amounted to £164,224 (£93,684). The dividend of 12½ per cent. for the year is repeated, plus a special tax free cash bonus of 5 per cent. (nil).

Richardsons, Westgarth.—Consolidated trading profit increased from £484,330 to £526,290 in the year ended March 31, 1949. Net profit amounted to £169,303 (£161,981). Net current assets at March 31, 1949, were £1,064,296 (£974,742).

Distillers.—The dividend of Distillers for the year to March 31, 1949, is 27½ per cent. (same) and not as incorrectly stated in last week's issue. A capital bonus of 50 per cent. in ordinary stock was announced in July.

Dufay-Chromex.—After writing back £3,321 from provisions, charging £15,000 for possible losses on realisation of some slow moving stocks and £5,000 for additional taxation. A loss of £101,223 was incurred in the year to September 30, 1948. The loss for the previous year was £14,222. This adverse result is attributed to loss of export markets. A reorganisation is in progress.

Scribbans-Kemp.—Profit, after taxation, for the 11 months to March 31, 1949, amounted to £298,642. Dividends on the ordinary and deferred shares of 7 per cent. and 19 5/6 per cent. respectively are recommended.

A. G. Cossor.—A net loss on group trading of £78,615 occurred in the year to March 31, 1949, compared with a profit of £59,405 in 1947-48. The net loss was £269,465 (loss £110,153).

Investment Statistics

Austin Crompton Parkinson Electric Vehicles.—Control has been acquired of LTD, Ltd., sole world distributors of "Stacatru" and "Aerolift"—a petrol-driven range of British industrial work lift trucks and ancillary materials.

British Clues and Chemicals.—Consolidated profit increased from £398,467 to £411,374 in the year to April 30, 1949. The dividend of 25 per cent. is unchanged.

Steel and Co.—Consolidated profit before taxation increased from £232,871 to £259,754 in the year ended March 31, 1949. A final dividend of 10 per cent. is recommended, making 17½ per cent. (same) for the year.

Furness Withy.—After providing for taxation, depreciation and deferred repairs, profit for year ended April 30, 1949, amounted to £506,726 compared with £497,054 in 1947-48. A first and final dividend of 8 per cent. is recommended (same).

Fisons.—Ordinary shareholders are to be offered 2,219,278 £1 ordinary shares in the proportion of one new share for each share held. The price remains to be announced but it will be at or just over par. At a later date it is proposed to issue £3,000,000 unsecured loan stock.

Murphy Radio.—£300,000 5 per cent. cumulative £1 preference shares have been placed privately at par.

Millets Stores (1928).—Preference shareholders are to receive one new preference share for each six per cent. 10s. cumulative participating 10s. share. Ordinary shareholders will have the value of each share written up from 5d. to 1s. The issue will capitalise £104,166 from general reserve.

Thomas Preston.—Subject to Treasury consent, ordinary shareholders are to receive a bonus of three new ordinary shares for each ordinary share held. Shareholders are also offered 220,000 1s. ordinary shares at 10s. 6d. per share in the proportion of two new shares for each five shares held on August 22nd. The company is raising £250,000 by the private placing of 4½ per cent. first mortgage debenture stock.

Capital Issues

W. H. Smith and Son (Holdings).—Lists opened and closed on September 1st for the sale of 2,500,000 4½ per cent. cumulative redeemable £1 preference shares at par, 1,650,000 "A" £1 ordinary shares at 40s. per share and 1,650,000 4s. "B" ordinary shares at 8s. per share. Group profit subject to taxation but after charging directors' emoluments, depreciation, etc., for years ended March 31st: 1940, £330,962; 1948, £1,561,418; 1949, £1,366,911. Assets as at April 2nd, 1949: Fixed assets, £3,412,682; trade investments, £63,171; Total current assets, £6,606,600; net current assets, £2,819,586; debentures outstanding of subsidiaries, £1,801,354.

Fairbairn Lawson Combe Barbour.—As soon as market conditions permit it is proposed to issue at par 1,997,132 1s. ordinary shares in the proportion of one new share for each share held, £400,000 cumulative £1 preference shares and in due course £500,000 first mortgage debenture stock.

New Issue Prices

Issue	Issue Price (a)	Price, Aug. 31, 1949
Ambler (1), Deb. (£50 paid)...	100½	51-52
Arthur, Pref.	21/0	20½-20/9
Assoc. Fisheries, Pref.	21/0	18/7½-19/11
Babcock & Wilcox	57/6	58-58½
Do. 4½ Pref.	20/0	18/10½-19/11
Barbados Elec., Pref.	20/6	19/9-20/3
Fattorini, Pref.	20/3	20/9-21/9
Coas. Zinc, Pref.	20/0	17/3-18/5
Goldthorpes, Ld.	2/3	2/5½-2/6
Gray's Carpets, Deb. (£50 paid)...	100	46-48
Guest, Keen (20/0 paid)	37/6	20/9-21/3
Hammer-Porter Paints, Pref.	21/6	21/0-22/0
Do. Ord., 5½-10s.	10/9½	10/3-11/3
Libbys, 4½ Pref.	20/0	20/9-21/0
London & W. (125 paid)	99	1-2 ds
N. Rhodesia (£50 paid)	97	8-8½ ds
Lister (R. A.)	65/0	3½-3½½
London Asiatic Rubber	2/1	1½d-1½pm
Rotary Hoos, 5½-10s.	16/0	12/9-13/6
Standard Fireworks, Pref.	21/9	19/6-20/6
Teleph. & Gen. Trust, 3½ Deb.	101½	96-100
Red (A. E.)	38/0	38-3-39/3
Do.	20/0	19/9-20/3
Whitbread, Deb. (£20 paid)	100	1½-17
Willmot-Bloodon, Pref.	20/6	19/3-20/3
Yorkshire Dyeware, Pref.	20/0	19/7½-20/1½

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Watney Combe Reid and Company; United Dairies; Thomas De La Rue; Richardsons, Westgarth.

Prices, Year 1949 Jan. 1 to Aug. 31	Name of Security	Price, Aug. 21, 1949	Price, Aug. 31, 1949	Net Yield, 1949	Gross Yield, Aug. 31, 1949	Prices, Year 1949 Jan. 1 to Aug. 31	Last Two Dividends	Name of Security	Price, Aug. 21, 1949	Price, Aug. 31, 1949	Yield, Aug. 31, 1949
High	Low			(a)	(b)	High	Low				
100½	100½	War Bonds 2½% Aug. 1, 1949-51	100½	100½	1 1 9	106½	54½	OTHER SECURITIES	96½	97½	3 8 d.
100½	99½	Exch. Bonds 1½% Feb. 15, 1950	100½	100½	0 6 4	106½	54½	Australia 3½% 1965-69....	96½	97½	3 8 d.
100½	99½	War Bonds 2½% Mar. 1, 1951-53	100½	100½	1 5 8	106½	54½	Birmingham 2½% 1955-57....	96½	97½	3 8 d.
100½	99½	War Bonds 2½% Mar. 1, 1952-54	100½	100½	1 7 6	106½	54½	Anglo-American Corp., 10%...	101½	102½	3 14 0
100½	99½	War Bonds 2½% Aug. 15, 1954-56	100½	100½	1 8 2	106½	54½	Anglo-Iranian Oil, £1....	7½	7½	4 2 0
100½	99½	Funding 2½% June 15, 1952-57...	100½	100½	1 8 5	106½	54½	Assoc. Electrical, Ord. £1....	71/6	71/6	4 5 11
100½	99½	Nat. Def. 3% July 15, 1954-58...	100½	100½	1 8 1	106½	54½	Assoc. Port. Con., Ord. Stk. £1	74/6	74/6	3 1 6
100½	99½	War Loan 3½% Oct. 15, 1955-59...	100½	100½	1 9 3	106½	54½	Austin Motor, A'Ord. Stk. 5s.	74/6	74/6	3 1 6
100½	99½	Sav. Bonds 3½% Aug. 15, 1955-59...	100½	100½	1 14 9	106½	54½	Barclays Bank, Ord. 'B' £1...	70/6	71/6	3 18 4
100½	99½	Funding 2½% April 15, 1956-61...	100½	100½	1 12 1	106½	54½	Bass Ratchitt, Ord. £1....	146/3	146/3	3 8 3½
100½	99½	Funding 3½% April 15, 1959-69....	100½	100½	1 16 10	106½	54½	British Oxygen, Ord. £1....	93/6	93/6	4 5 7
100½	99½	Funding 4½% May 1, 1960-90....	100½	100½	1 8 3	106½	54½	Brit. Tankers, Ord. £1....	34/6	35/6	4 5 9
100½	99½	Sav. Bonds 3½% Sept. 1, 1960-70...	100½	100½	1 17 11	106½	54½	Distillers Co., Ord. 4½....	29/9d	27/6d	4 0 0
100½	99½	Sav. Bonds 2½% May 1, 1964-67...	100½	100½	1 17 8	106½	54½	Domian Long, Ord. £1....	28/6	29/6	4 10 4
100½	99½	Vict. Bonds 4½% Sept. 1, 1920-76...	100½	100½	1 10 9	106½	54½	Empire Rubber, Ord. £1....	61/9	63/6	4 15 3
100½	99½	Sav. Bonds 3½% Aug. 15, 1965-75...	100½	100½	1 18 10	106½	54½	Imp. Chem. Ind., Ord. Stk. £1	42/6	43/9	4 11 5
100½	99½	Consols 4½% (after Feb. 1, 1957)...	100½	100½	1 11 7	106½	54½	Imperial Tobacco, £1....	54	54	6 6 6
100½	99½	Conv. 3½% (after Apr. 1, 1961)...	100½	100½	2 0 0	106½	54½	Lanes, Cotton, Ord. Stk. £1	33/1½	36/3	5 10 4
100½	99½	Treas. Stk. 2½% (after Apr. 1, 1975)...	100½	100½	1 18 7	106½	54½	Lever & Unilever, Ord. £1...	42/6	42/6	4 14 1
100½	99½	Treas. Stk. 3½% (after Apr. 5, 1966)...	100½	100½	1 18 4	106½	54½	London Brick, Ord. Stk. £1...	57/6	57/6	5 4 4
100½	99½	Redemp. Stk. 3½% Oct. 1, 1966-96...	100½	100½	1 18 11	106½	54½	Mich. J. & Son, Ord. Stk. 10s.	24/6	24/6	5 0 0
100½	99½	Consols 2½%	100½	100½	1 17 10	106½	54½	P. & O. Ind. Stk. £1....	45/6	46/6	5 4 4
100½	99½	Brit. El. 3½% Gd. Apr. 1, 1968-73...	100½	100½	1 18 7	106½	54½	Prudential, 'A' £1....	29	29	2 13 3½
100½	99½	Brit. El. 3½% Gd. Mar. 15, 1974-77...	100½	100½	1 19 0	106½	54½	Stewarts & Lloyds, Def. £1...	52/6	52/6	4 15 3
100½	99½	Brit. Tpt. 3½% Gd. July 1, 1978-88...	100½	100½	1 19 3	106½	54½	'Shell' Transp., Ord. Stk. £1	69/4½	69/4½	2 3 6½
100½	99½	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73...	100½	100½	1 18 8	106½	54½	Tube Invest., Ord. Stk. £1...	5½	5½	4 7 9
100½	99½	Brit. Gas Gd. 3½% May 1, 1950-95...	100½	100½	1 18 10	106½	54½	Turner & Newall, Ord. Stk. £1	74/6	76/6	3 18 5
100½	99½		100½	100½	1 18 10	106½	54½	Woolworth (F. W.), Ord. 5s.	79/6	82/3	4 5 0

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked "r". To this rule there are two exceptions (Funding 4 per cent. and Consols 4 per cent.) on which yields are taken to earliest date and marked "e". (a) Net yields are calculated after allowing for tax at 9s. in £. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To latest redemption date. (f) Free of tax. (g) Yield basis 12%. (h) Plus tax free bonus 2½%.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To latest redemption date. (f) Free of tax. (g) Yield basis 12%. (h) Plus tax free bonus 2½%.

Statistical Summary

THE ECONOMIST, September 3, 1949

EXCHEQUER RETURNS

For the week ended August 27, 1949, total ordinary revenue was £70,539,000, against ordinary expenditure of £46,069,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £4,604,000, the surplus accrued since April 1st is £65,132,000 against £285,625,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Aug. 27, 1948	April 1 to Aug. 27, 1949	Week ended Aug. 27, 1948	Week ended Aug. 27, 1949
Ordinary Revenue					
Income Tax	149,000	351,974	331,337	10,278	15,191
Stamp Duty	105,000	22,500	30,500	400	800
Excise	176,000	76,550	74,400	2,900	3,200
Stamps	48,500	23,585	20,500	500	1,300
Profits Tax	240,000	45,710	95,560	4,800	7,500
E.P.T.	1,000	49,400	19,500	1,000	800
Other Inland Rev.	1,000	90	80	...	...
Special Contributions	25,000	10,500	11,800	600	300
Total Inland Rev.	208,500	560,409	583,877	20,878	29,091
Customs	829,650	332,069	316,362	17,351	10,802
Excise	863,900	3,628,281	3,053,193	49,381	29,093
Total Customs & Excise	1,493,550	4,350,350	6,211,555	64,942	39,901
Motor Duties	54,000	9,143	9,016	220	...
Supplies-War Stores	44,000	22,297	46,743	1,407	10
Receipts from Trading	18,000	826	4,043	...	...
P.O. (Net Receipts)	12,000	260	1,250	2,700	700
Wireless Licences	1,000	3,300	3,043	670	...
Crown Lands	1,000	390	250	30	...
Receipts from Sundry Loans	20,000	9,035	7,560	...	...
Miscellaneous	50,000	73,360	22,502	1,673	838
Total Ord. Rev.	3,777,750	13,757,752	12,999,338	69,621	70,539
Self-Balancing Post Office	159,650	62,600	63,600	4,500	2,500
Income Tax on E.P.T. Refunds	5,700	3,262	3,706	116	274
Total	3,942,550	14,432,354	13,672,244	74,337	73,313

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Aug. 27, 1948	April 1 to Aug. 27, 1949	Week ended Aug. 27, 1948	Week ended Aug. 27, 1949
Ordinary Expenditure					
Int. & Man. of Nat. Debt	485,000	195,395	191,583	1,815	1,087
Payments to N. Ireland	30,000	7,854	13,033	1,047	1,453
Other Cons. Fund Services	12,000	3,200	5,017	5	4
Total	527,000	206,448	209,634	2,867	2,545
Supply Services	280,270	860,736	1,022,568	41,485	43,523
Total Ord. Expend.	532,970	1,067,184	1,232,202	44,352	46,069
Sinking Funds	...	4,563	4,604	200	...
Total (incl. Self-Bal. Expend.)	532,970	1,071,747	1,236,806	44,552	46,069
Self-Balancing Post Office	159,650	62,600	63,600	4,500	2,500
Income Tax on E.P.T. Refunds	5,700	3,262	3,706	116	274
Total	548,320	1,137,609	1,304,112	49,168	48,843

After decreasing Exchequer balances by £32,862 to £400,000, the other resources for the week decreased the gross National Debt by £13,468,138 to £25,315 million.

NET RECEIPTS (£ thousand)
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949 185

NET ISSUES (£ thousand)
Post Office and Telegraphs 400
E.P.T. Refunds 315
Local Authorities Finance Act, 1945, & S.I. 7,150
War Damages, War Damage Commission, 3,900
Finance Acts, 1946 and 1947, postwar credits 335
Total 11,220

CHANGES IN DEBT (£ thousand)

NET RECEIPTS		NET REPAYMENTS	
Treasury Bills	23,900	Nat. Savings Certs.	590
Tax Reserve Certs.	708	2½% Def. Bonds	463
		3½% Def. Bonds	332
		Internal	16,760
		Ways & Means Adv.	20,000
		Treasury Deposit	38,976
		Receipts	20,000

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Bills	Total Floating Debt
	Tender	Tap	Public	Bank of England		
1948						
Aug. 28	2210	0	2386	0	1441	6325
1949						
May 28	2210	0	2249	0	1139	5905
Jun. 4	2210	0	2245	4	925	5941
" 11	2210	0	2247	6	125	5957
" 18	2210	0	2257	5	025	5993
" 30	2210	0	2257	5	025	5993
July 9	2210	0	2255	2	025	6063
" 16	2210	0	2258	7	025	6094
" 23	2210	0	2261	3	025	6126
" 30	2210	0	2261	3	025	6126
Aug. 6	2230	0	2247	7	025	6032
" 13	2230	0	2248	1	025	5999
" 20	2230	0	2237	3	025	6053
" 27	2230	0	2231	2	025	6040

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1948				
May 27	170	0	268	10
1949				
Aug. 27	170	0	283	10
June 3	170	0	312	10
" 10	170	0	301	10
" 17	170	0	276	10
" 24	170	0	269	10
July 1	170	0	294	10
" 8	170	0	299	10
" 15	170	0	293	10
" 22	170	0	293	10
" 29	170	0	321	10
Aug. 5	200	0	309	10
" 12	210	0	275	10
" 19	200	0	287	10
" 26	220	0	263	10

On August 26th applications for bills to be paid on Monday and Tuesday were accepted as to about 74 per cent of the amount applied for at 299 17s. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Wednesday, Thursday, Friday and Saturday were accepted at 299 17s. 5d. and above in full. £220 million (maximum) of Treasury Bills are being offered for September 2nd. For the week ended September 3rd the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Total, Apr. 1 to Aug. 20, 1949
	Aug. 21, 1948	Aug. 20, 1949	
Savings Certificates	2,500	1,800	44,500
Repayments	2,200	2,000	49,900
Net Savings	300	200	4,600
Defence Bonds	710	380	13,180
Repayments	835	852	15,493
Net Savings	175	472	2,319
P.O. and Trustee Savings Banks	11,183	11,467	253,901
Repayments	11,445	15,431	281,460
Net Savings	661	1,994	27,539
Total Net Savings	2,636	3,666	75,038
Interest on certificates repaid	396	402	9,977
Interest on certificates repaid	2,240	2,264	43,509

BANK OF ENGLAND RETURNS

AUGUST 31, 1949

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	1274,949,873	
In Bank Department	75,297,960	
Govt. Debt	11,015,106	
Other Govt.	1338,270,692	
Other Securities	701,333	
Gold	12,520	
Am. of Fid.	1350,000,000	
Gold Coin and Bullion	247,833	
172s. 3d. per oz. fine	1350,247,833	

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	320,618,941
Reserves	3,303,624	Other Secs.	43,863,793
Public Deposits	57,692,277	Discounts	10,352,282
Public Accts.	15,855,907	Advances	33,516,284
H.M. Treas.	41,743,670	Securities	...
Special Acct.	...	...	...
Other Depos.	358,844,595	Notes	75,297,960
Bankers	277,624,424	Coin	11,015,106
Other Accts.	91,219,171	...	...
Total	444,903,496	Total	444,903,496

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

COMPARATIVE ANALYSIS (£ million)

	1948			
	Sept. 2	Aug. 17	Aug. 24	Aug. 31
Issue Dept.	1249	0	1291	0
Notes in circulation	1249	0	1291	0
Notes in banking department	51	3	59	2
Government debt and securities	1299	2	1349	5
Other securities	0	0	0	0
Gold	0	0	0	0
Value of s. per fine oz.	122	3	122	3
Banking Dept.	10	1	12	6
Public Accounts	48	6	41	7
Treasury Special Account	307	0	287	9
Bankers	94	3	89	7
Others	460	5	431	6
Total	401	0	349	3
Securities	3	0	10	1
Discounts	21	7	26	0
Other	426	6	366	0
Total	52	4	64	2
Banking dept. res.	11	3	14	8
"Proportion"	11	3	14	8

* Government debt is £11,015,106, capital £44,553,000. Treasury bills issued from £1,500 million to £1,350 million on July 6, 1949.

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

	Aug. 24, 1948	Aug. 9, 1949	Aug. 23, 1949
Cereals and meat	130	8	139
Other foods	158	8	147
Textiles	179	7	174
Minerals	247	9	143
Miscellaneous	155	4	146
TOTAL INDEX	163	1	165
1913=100	223	0	227

GOLD AND SILVER

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

	SILVER		Gold	
	London	New York	Bombay	Bombay
1949				
Aug. 25	d.	c.	Rs.	a.
" 26	44	73	155	12
" 27	44	73	153	0
" 29	44	73	151	0
" 30	44	73	159	14
" 31	44	73	150	4

ECONOMIST, September 3, 1949

SOUTHERN RHODESIA GOVERNMENT

VACANCY: STATISTICAL OFFICER

Applications are invited for the post of Junior Professional Officer to the Central African Statistical Office in Salisbury, Southern Rhodesia.

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Salary scale: £532 x £30 to £712 x £80 to £792 x £36 to £1,008 per annum. In addition to salary, a cost of living allowance at the rate of approximately 23½ per cent of salary, and a children's allowance at the rate of £30 per annum for the first dependent child under 15 years and £24 per annum for each other dependent child under 15 years, is payable at present. A marriage allowance at the rate of £60 per annum is payable to married officers in receipt of a salary of £712 or less (per annum).

The successful applicant will be required to obtain a satisfactory medical certificate at an examination by a medical officer appointed by the Southern Rhodesia Government.

Third-class rail fare will be paid from the place of recruitment in the United Kingdom to port of embarkation. A second-class passage on the boat for the recruit and half the cost of passages for the same class for his wife and dependent children under the age of 18 years will be paid by the Southern Rhodesia Government. From the port of disembarkation to Salisbury, first-class rail fare and subsistence allowance will be paid to the recruit, and half the cost of similar fares and allowances in respect of his wife and family. Applicants should state the earliest date on which they could assume duty.

Applications, stating age, nationality, marital status, School and University career and qualifications, and the names of two persons to whom reference may be made, together with copies of testimonials, should be sent to the Director of Census and Statistics, Box 63, Causeway, Salisbury, Southern Rhodesia, not later than September 30, 1949.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is September 30, 1949.

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OTHER NOTICES APPEAR ON PAGE 535

The Economist

September 10, 1949

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LEADING ARTICLES

Prescriptions for Unity - - -	537
The Arab Opportunity - - -	539
Profile of American Recession -	541
Improving Justice - - -	542

NOTES OF THE WEEK - - - 543

Washington and Bridlington; Loyalty and Ambiguity from the TUC; Optimism and Caution in the Air; First Days at Bonn; Dr Beffa Goes Home; The Englishman's Food; Food and Housing; MacArthur's Tribute to Japan; Warning from Yunnan; Intervention on Kashmir; Sense from the Treasury; Unrighteous Asparagus and Righteous Peach; Apartheid in the Universities; France and the Fezzan; Caribbean Cross-fire; Turkey and Syria.

LETTERS TO THE EDITOR - - 551

BOOKS AND PUBLICATIONS - 553

AMERICAN SURVEY

Puzzle of Plenty - - -	556
Academic Freedom - - -	557
New York at the Starting Post; Higher Floor for Wages; Death of a Wizard; Beveridge—Pacific Style; Shorter Notes.	

THE WORLD OVERSEAS

Belgian Steel and Coal - -	561
Tiber's New Role; Swedes Without Dollars; Socialist Troubles in New Zealand; Communist Youth at Budapest; Industrial Development in Brazil.	

THE BUSINESS WORLD

British Transport's First Year	569
The Decline in TDRs - - -	572

BUSINESS NOTES - - - 575

Mr Snyder on the Dollar Talks; France Invites Dollar Capital; Re-entry to the Fund; No Disinflation for Australia; Intra-European Payments; Argentina Speculates in Sterling; The Fate of Ultramar; The Rise in Japanese Bonds; Export Competition in Coal; Russia to Send Coarse Grain; Stability for Rubber; The New British Aircraft; Tankers for Haifa; Textile Machinery Prices and Re-equipment; Shorter Notes.

COMPANY MEETINGS - - - 585

INVESTMENT STATISTICS - - 590

STATISTICAL SUMMARY - - 591

Vol. CLVII No. 5533
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Prescriptions for Unity

THE dollar problem, despite the improvement in the situation over the last two years, is not on the way to solution. . . . This is not solely a European problem. It is a problem for the United States . . . and also for the whole free world." In these words, Baron Snoy and M. Marjolin last week presented to the Organisation of European Economic Co-operation their gloomy conclusion on the facts of European recovery. At the same time, the Assembly at Strasbourg was seeking in its economic report to state the same conclusion in more dramatic terms. "The Assembly warns the people of Europe that millions of us will soon go hungry and unemployed unless we act at once. . . ." Thus, on the eve of the talks between the United States, Britain and Canada in Washington, the spokesmen of Europe have come forward to declare that the dollar problem is not simply Britain's, but that it governs the whole relationship between the New World and the Old. The dollar sales of the Marshall group of countries have declined by 30 per cent in the last six months. Marshall Aid, invaluable though it is, covers no more than two-thirds of the nations' estimated "irreducible" requirements. If no fresh policies can be conceived, if the drift continues, the hunger and unemployment foreshadowed at Strasbourg will not wait until 1952.

For this reason, the European reaction to the crisis has in recent weeks come to show a growing awareness of its deeper political significance. What is at stake is not so much the nations' dollar balances or their gold reserves. It is the capacity of the whole free world to work and trade and prosper together. Since the war, in spite of the American loan, of Marshall Aid, of the Inter-European payments scheme, of the work of the OEEC, Europe has found it more and more difficult to trade freely and to gain the advantages of a proper division of labour either inside Europe or across the Atlantic; the barriers have grown higher and the worst of them take the form of inconvertible currencies and their accompaniment, bilateral trade. These facts are realised today more clearly than ever before. The difficulty lies in the total confusion of method which becomes apparent when generalities are left behind and concrete steps proposed.

In the first place, the western world is itself sharply subdivided. When statesmen speak of unity, it is not always certain of which area they speak. Do they mean western Europe alone? Do they include the sterling area and the British Commonwealth? Or should the United States and the dollar area also be thought of as part of "western unity"? The distinction is important, for to each concept is attached a different version of how best to achieve unity, underpin the west, bridge the dollar gap and save Europe. At the Assembly, a number of Continental delegates, backed energetically and competently by Mr Mackay, the British federalist, put all their insistence upon a purely European solution. They seek a complete Customs Union of the Marshall countries in order to bring into being a "single unified market," which by its greater flexibility and

productiveness, would, they maintain, soon restore the balance between Europe and the United States.

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The debates showed, however, that the concept of a single unified European market, open to its members but presumably closed to the outside world, is not generally accepted as the cure of Europe's crisis. The British and the Scandinavian representatives in particular had their eye on the larger perspectives of European trade. Western Europe is not and cannot be an autarchic economy. It is heavily industrialised, its exports are mainly manufactures, its imports food and raw materials. Unity in isolation would spell lower living standards. "You do not," as one delegate pointed out, "increase markets simply by fusing them." If Europe is to prosper, it must trade freely and increasingly with non-European sources of supply. From this school of thought has come the suggestion, finally incorporated in the Assembly's Economic Report, that any unification of the European economy should be extended to include the overseas dependencies and, if possible, the Commonwealth. The Report asks the Committee of Ministers

to prepare a European economic union which shall retain the existing preferential system between European nations and overseas associated territories and to consider their progressive extension to other members of the union.

One group at Strasbourg, however, has shown itself to be suspicious not only of narrower schemes of European unity but of all attempts at this stage to commit the sterling area or the Commonwealth to schemes of economic co-operation in Europe. Throughout the Assembly, the British Labour delegates have taken part in the debates with marked reserve. The question has been asked whether their insistence that nothing should be said or discussed that might compromise the Washington talks, may not have reflected a lingering hope that a special Anglo-American arrangement could still be reached and that the "unity of the free world" might be based in the first place on Britain entering into special relationship with the United States, even perhaps into some form of dollar union.

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These, then, are the three chief prescriptions for western unity—European autarchy, the fusion of the Marshall group with the sterling area and the Commonwealth, or an Anglo-American union. Given such varying interpretations of what "unity" might mean, western statesmen can hardly be surprised that a certain confusion of purpose reigns from Strasbourg to Washington. If any positive results are to be achieved from their debate and speculation, they must at some point pause and decide just what they mean by this "unity" which they are all pursuing.

Certainly, the nations of the Old World cannot, acting by themselves, bring into being the type of unity of which modern society is chiefly in need. The world of convertible currencies, of multilateral trade, of freely moving men and of rising prosperity and ever closer political unification, which is clearly the ideal form of western unity, can only be achieved on the initiative and with the active leadership of the United States. The European statesmen must take some positive steps towards correcting the imbalance between Europe and America, which at

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present cuts off all more ambitious plans for unity at the roots. They can extend their sales in America to some extent. For the rest, the deficit can only be met restrictively—by cutting American imports and by rationing dollars, both expedients which carry with them the stigma of discrimination and exchange control. Yet so long as the world's biggest producer sells abroad freely, but buys and lends little, and, moreover, protects its markets with high tariffs, unity in the sense of a single world economy, co-extensive with western society and based as firmly on the dollar as was the 19th century market on sterling—that dream of unity cannot come about.

This part of the problem is, as the Marjolin-Snoy Report has pointed out, primarily an American concern. If, as a result of the Washington talks, it became clear that the United States was prepared to make the dollar do the work of an international currency and to accept the obligation of extensive buying, extensive lending and lowered tariffs which the working of such a system entails, all lesser organisations of unity would be unnecessary and the work of political and economic unification could go forward on a scale adequate to meet the negative challenge of Communism and the positive challenge of building an "expanding international economy." But such a result is not certain and if the British Ministers and the other European statesmen who are conferring in Washington this month return convinced that, for the time being, the wider vision of unity cannot be realised, the time will have come to cease talking generally of unity in the west and to build up with all vigour and all speed the subsidiary forms of European co-operation which, even if they cannot fill the dollar gap, can at least mitigate its consequences.

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From the British standpoint there can be no doubt that the creation of a narrow autarchic economic unit in western Europe would be economically the most unattractive alternative. The British Government's second choice, if the co-operation of the United States could not be secured, should be to link Europe and its overseas dependencies with the Commonwealth and the sterling area. The Strasbourg Assembly has already suggested a possible pattern in the creation of a low tariff area in western Europe to which such preferential systems as those enjoyed by the Commonwealth would be steadily extended. Within that area, as the Assembly has proposed, the convertibility of currencies would need to be restored as an essential preliminary to the resumption of multilateral trading. Domestic credit policies would need to be co-ordinated; fiscal policies would have to march in step; broad agreement on the practical limits of social improvement would have to be reached. None of these proposals is utopian. All are possible and practical. It is true that they would demand adjustments in the British economy and indeed in the whole sterling area where inflation still persists and where, as a result, sterling remains a soft currency. But these adjustments would be far less unsettling than the catastrophic changes which would be dictated by the disappearance of Britain's last reserves and the disorderly dissolution of the sterling area. Economic unification on the pattern proposed by the European Assembly cannot come about without Britain's advocacy and leadership. If the British choice were to be isolation, Europe would have no alternative but to follow suit. Then unbridled economic nationalism would undermine those measures of co-operation and reconstruction which have been achieved so far.

The Arab Opportunity

THIS week, the fifty members of Uno's Economic Survey Group on Arab refugee settlement have converged by air upon Lausanne. They assembled there Thursday. Tomorrow they are due in Beirut, which will be their headquarters. After this flying start, their schedule is not to be quite so breathless as rumour had forecast. They hope to produce a preliminary report by the beginning of November. Even this achievement will tax their mental and physical stamina. For they have to master at least four facets of their problem—the actual needs and nature of the refugees, the carrying capacity of the lands available, the engineering projects that might increase its irrigation and productivity, and the cost and financing of the schemes they advocate. They have, also, to cover at least four countries: Israel, Jordan, Syria and Iraq. (Egypt and Lebanon are virtually ruled out because the one is alarmingly overpopulated already and in the other there is virtually no uncultivated land that could be brought into cultivation). They will have their work cut out to cover the terrain in the time available.

Their terms of reference set two tasks. The first is to recommend a programme "to enable the governments concerned to further such measures and development programmes as are required" to straighten the economic tangle caused by the Palestine war; the principal feature of this tangle is, of course, the plight of the Arab refugees. The second objective is "generally to promote economic conditions conducive to peace in the middle east." Presumably the word "peace" implies not only peace between Israel and Arab, but also domestic, social peace within each country. If it does not, it ought to do so. For the first hangs upon the second and no scheme will work unless it takes into account the question of social contentment in each locality.

The start to the job is the purely technical one of measuring the possibilities and for this the prospects are good. The team of technicians, under Mr Gordon Clapp of the Tennessee Valley Authority, is highly expert, and a mass of ready-made surveys are at their disposal. These include, from Israel, an expensive "TVA for the Jordan" which is signed by James B. Hay, but is more often known as the "Lowdermilk scheme"; a scheme for the Jordan and Yarmuk rivers—which has as its basis the Ionides report of 1939 and which is now being revised by the British firm of Sir Murdoch Macdonald and Co.; from Syria, a work on the country's resources commissioned by the Syrian government

of 1947 and executed by a British firm of consulting engineers, Sir Alexander Gibb and Partners; from Lebanon, a similar Gibb report which became available only this year; and from Iraq the so-called Haigh report—a vast long-term irrigation project, already surveyed in far more detail than any of the others—which deals with the immense potentialities, given time, of irrigation on the Tigris and Euphrates. Here is a wealth of material. To master it, check it, and pick from it the projects that are worth putting up forthwith to the Assembly because they lend themselves to refugee settlement entails concentrated study. But it is a job that starts from fixed data and is therefore of manageable dimensions. The same cannot be said of the political or social aspects of the problem.

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Suppose the technical survey finished. Suppose also that its cost can be kept to proportions that will not cause UN members to blench, and that can be met either out of voluntary contributions by states members, or by means of international guarantees to private lenders, or out of International Bank and other loans. Supposing, that is, that the plans and the money are to hand, what other ingredients are necessary for success? A second look at the wording of the Survey Group's terms of reference reveals that the operative verb in the text is not "to recommend" but "to further." Execution is the crux of the Group's work. They must, as they go ahead with their technical and financial planning, never lose sight of the political and social difficulties that stand in the way of action.

To anyone who has followed the Palestine problem either over the years or even during the past three frustrating months at Lausanne, the political difficulties are obvious enough. They include the vexed question of a frontier settlement in Palestine. They also include the disparity between Israeli and Arab estimates about the number of refugees who ought rightfully to return to their homes. The Israeli offer extends to 100,000; many Americans and all Arabs hoped it would be higher. That the technical knowledge afforded by the Clapp team could exacerbate instead of reducing this disagreement is shown by a glance at the Jordan valley schemes that it must study. For example, if it were to accept the Hayes plan for irrigating the vale of Esdraelon and the coastal plain of Israel, which demands for this purpose virtually the whole of the upper Jordan waters and half the

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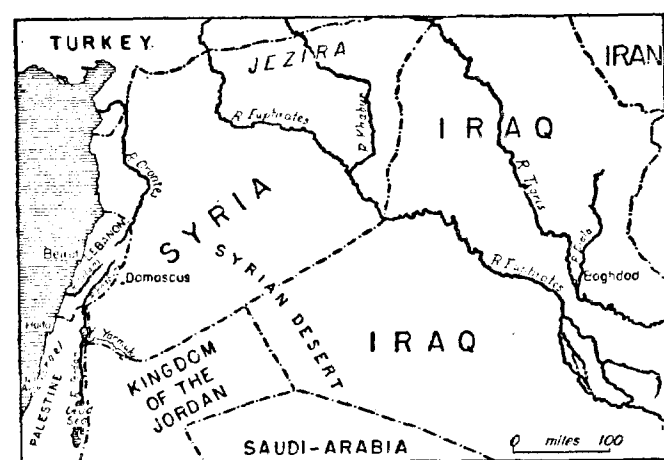
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Yarmuk waters, it would turn into the equivalent of refugees quite half the present population of the land of Jordan. Any scheme which the Survey Group proposes for the Jordan waters must stem, therefore, from a political agreement about their fair division. Any such agreement ought to include not only Israel and Jordan but Lebanon and Syria also because the Hasbani and the Yarmuk, not to mention smaller flows draining into the Jordan basin, rise in these countries respectively.

Apart from the political legacies of the Palestine quarrel there are political snags ahead inside the Arab states concerned—particularly in the unstable parliamentary democracies of Syria and Iraq. In both these countries the governments, unsure of popular support, must perpetually angle for this by mouthing popular slogans: "Out with the foreigner!" "War on the Jew!" "No trust in Uno, which tricked us over Palestine." To recommend a policy



to the cabinet ministers of these countries is easy enough. Their natural politeness causes them to listen. Moreover, asking foreign experts for technical advice is one of their hobbies. The trouble is to get them to take it. Their drawers are crammed with reports from foreign advisers whom they hire or employ, but which they have—often with personal regret—tucked out of sight through distaste for taking the action entailed. Usually they have preferred to do nothing because they lack the political courage, which means the political backing, to announce measures which might carry the smack of foreign supervision. Both the International Bank and the American Export-Import Bank have encountered in their dealings with such governments a reluctance to borrow much-needed capital if a condition for such borrowing is any supervision by the foreign lender of the use to which the loan is put. A foreign scheme linked with aid to Israel will be doubly suspect.

But over and above these political difficulties there towers a social barrier to progress that is less widely recognised because it has received, so far, little publicity. In the lands envisaged for refugee settlement—the *wadis* east of Jordan, the Orontes marshes, the rain-fed Jezira, the remote banks of the Khabur and upper Euphrates—there lives a local peasantry. Ideally, if the refugee immigrant is to be adequately compensated for the loss of his home in Palestine's populous, accessible coastal belt, he ought to get not only a roof but enough land—leasehold or freehold—to give him a subsistence minimum. He also needs access to a co-operative pool of modern implements and the instruction that is necessary to arrest his age-long habit of despoiling the soil and lapsing into debt. But how can a newcomer be

endowed with these benefits when the existing inhabitants do not possess them? His very life will be in danger if he receives them over the head of local peasants none of whom own their land, who are usually share croppers working without incentive to improve their methods, and who are always in the toils of debt to absentee landlords who think of estates in terms of extracting money and not of ploughing it back. It is fully arguable that the £1,000,000 granted by Great Britain to Jordan this summer with refugee settlement in mind will do no more than provide a livelihood for the people already living in the district in which it is to be spent.

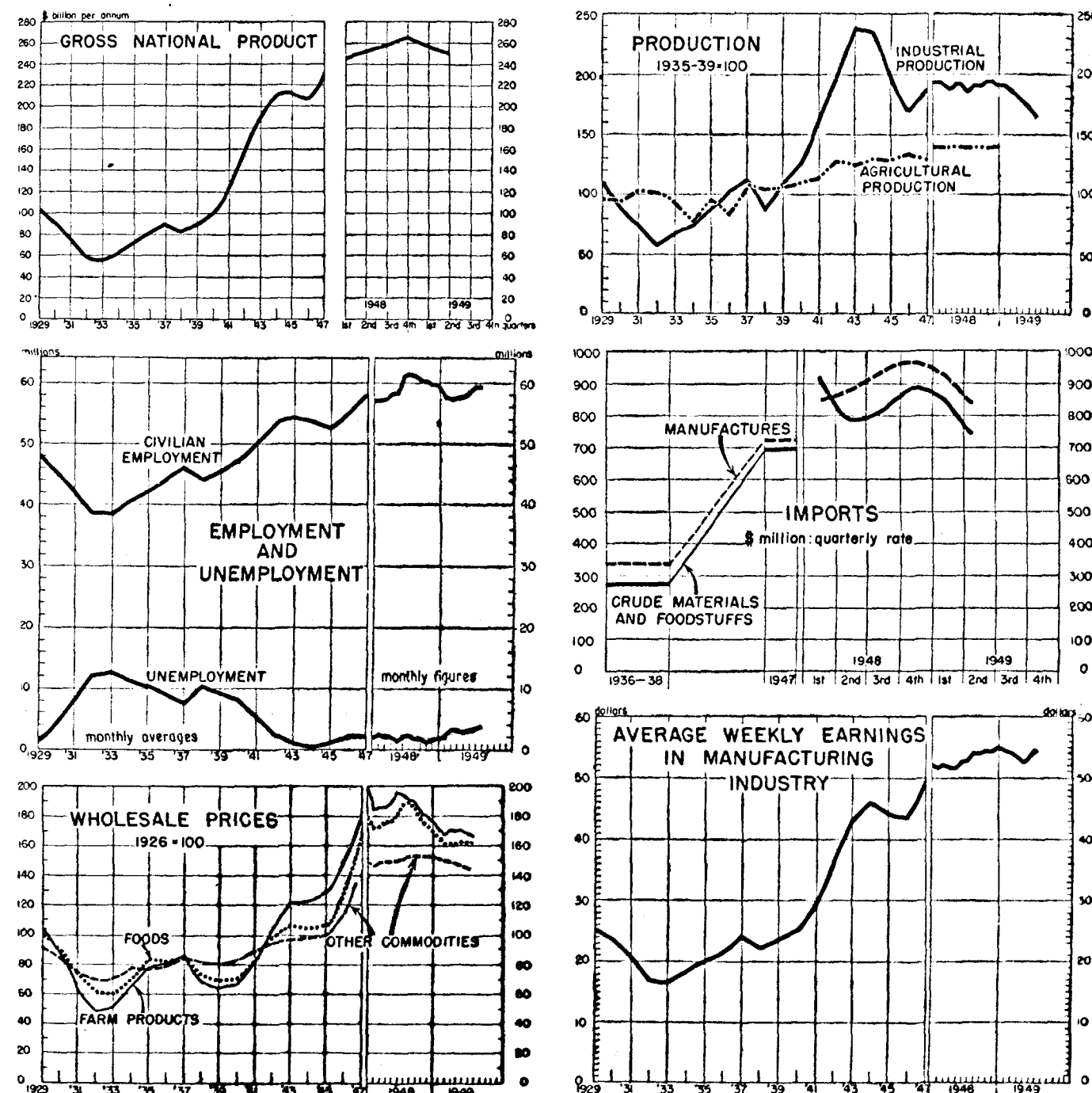
It follows that any resettlement schemes must, at least in Syria and Iraq, form part of wider schemes for agrarian reform generally, and of reform of land tenure in particular. In Jordan the position is rather different because absentee landlordism has always been negligible and because during the years of the British mandate a satisfactory system of land tenure was evolved on a basis of individual ownership. In the other two countries, any would-be reformer comes up against vested interests which are at their strongest in the landlord-politician class. For centuries the local admixture of fatalism, conservatism and improvidence has paralysed all desire to change the state of society. The landlord and the peasant have both accepted it. But minds are now on the move. The impetus towards change is not yet strong, but there are in all the towns, and even among the younger members of landed families, men who realise that the present maldistribution of wealth gives their country a faulty social structure, and that it must not last. A major task before the UN Survey Group—perhaps, even, its most important function—is to capture the imagination and to harness the social awareness and practical support of these people.

The task will not be easy. Most foreigners have failed at it. Its fulfilment will be baulked by plenty of plausible English-speaking landlords—good hosts and charming companions—who will aver that while believing, personally, in such ideas, it would be as much as their portfolios are worth to introduce them now. "Surely, Uno does not wish to overthrow my government."

That an easy way of evading action is going to be available is already plain from the Syrian and Iraqi press where professional xenophobes are writing of "America's way of trying to buy us" and as a "dangerous plot to deliver Israel from its crisis by inducing the Arab states to give it their economic collaboration." Even the social welfare experts collected this week at Beirut for a United Nations' Arab Social Welfare Assembly have taken a similar line. Yet for Arab as well as for western states the broad objective of agrarian reform ought now to be encouraged to take precedence over vested interests as well as over nationalist emotions. Unless this happens, no amount of competent engineering and financing by UN nominees can surmount the great wall of upper class Arab conservatism, of implacable resentment over Palestine, and of local mistrust of the foreigner. Yet these must be bypassed by anyone who perceives the chance afforded by refugee settlement to get at the heart of the matter. Even the peasant mind is beginning to move. Social change must follow. Is it to come tranquilly? If so, cannot the solution of the refugee problem be used to introduce it? Unless some such opportunity is taken, it will come violently. After a lapse of centuries, the tide is beginning to turn against the landlord-politician. Would he not do well to seize the chance and the funds afforded by refugee settlement to harness it, instead of slithering in his Packard to his doom?

Profile of American Recession

SOME Labour spokesmen have recently blamed "the chronic instability of American capitalism" for Britain's dollar difficulties. In the charts below, six basic factors in America's economic condition are compared, over a period of twenty years. "Chronic instability" would presumably imply a sweeping descent in output, employment, prices, wages, and the demand for imports. The charts show nothing of the kind. Some recession was obviously to be expected after the war and postwar booms had spent their main force. But it is astonishing how relatively slight, and how markedly restrained, the adjustments have been. The American gross national product in the second quarter of this year was running only 5 per cent below the all-time peak recorded in the closing months of 1948. Industrial production showed a further fall in July, but output is 62 per cent higher than for the five years 1935-39. Unemployment, too, has been rising gently, but so has total employment; Mr Henry Wallace's "Sixty Million Jobs" are still a reality. The trend of imports, particularly of crude materials and foodstuffs, of which a significant part comes from the sterling area, has certainly been more disconcerting. But even in the second quarter of this year such imports were still running at practically three times the prewar rate. Prices of food and farm products have been falling somewhat more rapidly than "other commodities"; thus the real value of weekly earnings in industry—now rather above \$53½ a week—has been enhanced. Such are the facts. It is impossible to hold that they illustrate anything more than a healthy pause for breath after a period of rapid expansion—a pause from which the United States economy is perhaps already deriving benefit.



Improving Justice

(By a Correspondent)

IN April, 1947, the Lord Chancellor appointed a committee to inquire into the practice and procedure of the Supreme Court. The work of this committee has been parallel to that of other committees, similarly appointed, which have examined county court procedure and the specific problems of the Divorce Court. As a result, the work of the majority of courts of first instance, and of the Court of Appeal, has been under review. The Supreme Court committee has now published an interim report*, to present its views on two urgent matters only; the extension of county court jurisdiction, and the problem of giving the litigant in the High Court as early as possible a fixed date for the hearing of his case.

The layman may still tend to think of the County Court as the "poor man's" court, dealing only with minor disputes and operating under a simple and easily understood procedure. He knows that, in the majority of cases, he takes his complaint to the court, issues a summons and a date is fixed forthwith for its hearing, usually some six weeks or so ahead. The High Court, he feels, is the place where the more complicated disputes are heard. There he issues a writ; then follows a maze of interlocking proceedings, which he probably does not understand; and, finally, weeks or months later, he is told by his lawyers that the case is in Mr Justice So-and-So's list and may be heard any day now. But the layman seldom draws any distinction between the quality of justice obtainable in either court.

The problem of fixing a date for trial in the High Court in advance is, as the Committee says, one of "exceptional and obstinate difficulty." It has been examined by Commissions and Committees from 1869 onwards and still no complete remedy has been found. The High Court has now reached the stage when a great many of the trials of actions in the King's Bench Division, and of witness actions in the Chancery Division, are fixed well in advance, but it is still impracticable to fix definite dates for actions set down to be heard at Assizes. Some of the difficulties are obvious enough. It is hard to say, in advance, how many hours the hearing of a complicated action may take. It is equally hard to foretell whether or not any particular action will be settled out of court at the last minute, or even at the doors of the court. High Court judges, and their attendant officials, are expensive machines to be allowed to run idle. Which is the more important: that there should always be a supply of cases ready and waiting for each judge to hear, or that there should be enough judges always at hand to hear every action set down for hearing on each particular day, even though that may mean, on occasion, that half the judges are sitting unemployed in their courts?

That question has never been answered decisively in this country, nor does this interim report propose any radical solution. It recommends that the number of judges should be increased by four, which should effect a considerable improvement to the speed of justice in London, though it leaves the problem of cases at Assizes untouched. The Committee can hardly be blamed for that, for, as the report rightly points out, the problem of Assizes contains many

other ingredients besides the element of the fixed date for hearing. None the less, the interim report does almost apologetically add this comment, that England seems to be about the only place in the world where some system of fixed dates for all hearings is not in force. As it says, "we find it difficult to believe that it is only in England that it is not in practice possible to do it."

The problem of the jurisdiction of the county court should not be so complex, but it is. As the original King's Court for England and Wales, the High Court, in theory and in practice, has universal jurisdiction, whether the suit be for 5s. or £50,000. The county court, as a statutory creation dating only from the last century, has always worked under a monetary ceiling for claims that may be brought in it, and certain actions, such as actions for defamation, are excluded from it altogether. The Interim Report recommends that the upper limit for claims in the county court should be raised from £200 to £300 and that no one suing for a small sum in the High Court shall be entitled to recover a greater sum by way of costs in that court than he would have recovered if he had brought his claim in the appropriate county court. These are sensible proposals in an interim report, but, again, they do not touch the real relationship between high court and county court as it exists today, or as it should exist henceforth.

Over the past fifty years, the one outstanding change in the English courts has been the increase in the status and authority of the county court. This may fairly be traced back to the Workmen's Compensation Acts, which gave the county courts exclusive jurisdiction over claims under these Acts. The complexity of those statutes soon established the fact that the calibre of the county courts and of their judges, was scarcely inferior to that of the High Court. The Rent Control Acts, from 1915 onwards, again gave the county courts exclusive jurisdiction in a field of law which became of equal complexity. But the greatest change in the importance of the County Courts has come since the late war, over matrimonial cases. Once it became clear that the existing High Court judges of the Divorce Division could not possibly handle the vast flood of matrimonial petitions in 1944 and 1945, the problem was solved in a practical way. In effect, county court judges were given the status of High Court judges, for the purposes of hearing matrimonial cases, but they tried these cases in county court buildings and with county court procedure. There can no longer be any real belief among laymen that the county court is an "inferior" court, in the popular sense of the word.

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This report is an interim report and it should be judged as such. The action it recommends consists, in the main, of detailed and minor alterations in the practice of these courts and it would be difficult to quarrel with any of the proposals put forward. Yet there is, in the report, certain evidence of difficulties which the Committee will have to face in its larger task, and on these public opinion should begin to make itself felt. For instance, there is the possibility of severing civil from criminal business at Assizes, a proposal which found support from the Gorell Committee as

far back as 1908. Again, it is important that an accused man should be tried as near to his home as possible. On the other hand, there are strong arguments for grouping the locations of civil trials now taken at Assizes, and, as it were, decentralising the High Court, so that each region could have its own pattern of county courts and a sitting of a high court, without recourse to the machinery now centred in London. The Committee obviously sees some advantages in such a proposal, but it says "we found substantially no support for this idea, to which the Law Society were opposed."

That raises two questions. What are the sources of the evidence which is being presented to the Committee? What is the relative importance of the lay point of view and the point of view of the Law Society, the professional organisation of solicitors? The Committee itself includes a high proportion of lawyers. It is to be hoped that the organisations which can claim to represent the litigant are making certain that the litigant's point of view, particularly the point

of view of the provincial litigant, is laid before the Committee.

The problem becomes the more urgent now since the scheme of assisted litigation is about to come into effect. No one yet knows how many claims, how many actions, have been held up simply through lack of means; but the answer will soon be given. The courts may well be faced with an increased volume of work. But it would be a mistake to think that the assistance coming from the State will solve all financial problems. The litigant, poor or rich, has still to attend court; so have his witnesses. And the poorer litigant can afford to waste working time even less than the richer. The Committee, before its final report is written, has still the opportunity to match its mind and experience to these new problems. The county courts have won their place, in the mind of the public, as an effective local equivalent of the High Court. Given a greater opportunity, they could serve the community still more effectively.

NOTES OF THE WEEK

Washington and Bridlington

The preliminary conversations between the finance and foreign ministers of the United States, Canada and Great Britain began on Wednesday, but there is little in the guarded statements, which the ministers permitted themselves during the first day, to indicate their nature or their course. It was made obvious by Mr Abbott, the Canadian Finance Minister—indeed it has always been obvious—that the initiative for proposing a solution to the disequilibrium between the sterling and the dollar area must rest with Britain. Mr Snyder made it quite clear that a long term solution "of Britain's dollar earning problem in the light of adjustment to declining United States assistance" was what he was prepared to talk about. Sir Stafford Cripps's contribution to public enlightenment was to say that "We are prepared to cut production costs as much as we can" which reads, although it may not have sounded like it, as a gesture of grace to appease some idiosyncratic New World love of low cost production; and to issue a mild threat aimed, perhaps, at producer lobbies in Washington, that Britain would persist in its policy of import cuts.

It might have been supposed that the Prime Minister would use his address to the TUC on Wednesday as a means of explaining the gravity of the situation not only to trade unionists but also to the nation at large. He is the only important minister at the scene of action, and the TUC conference provides the only political sounding board, during the two and a-half months of the Parliamentary recess; but in the event he contributed nothing to the enlightenment of an anxious nation. His speech contained no hint of an adaptation of the Government's policy to meet the forbidding and intractable economic problems that are confronting the country. It is understandable that the Prime Minister, who takes very seriously the doctrine of cabinet responsibility, should not wish to jeopardise the course of negotiations in Washington by even hinting at possible solutions to be achieved there. But he has not made the position of Sir Stafford Cripps and Mr Bevin any easier by failing to give even a shadowy indication of what domestic action the Government intends to take; the rest of the world will interpret this as meaning that it intends to take no action. Equally that part of his speech which was purely reflective or hortatory carried none of the sense of urgency with which he might conceivably have convinced trade unionists, and not only trade unionists, of the danger in which Britain stands of losing all the advances of the past four years, and of being confronted with a new loss—the emergence of mass unemployment. Mr Attlee, like so many of his colleagues, has confounded the prescription for a nerve tonic with that of an opiate.

Loyalty and Ambiguity from the TUC

The first three days of debate at Bridlington have shown that the Communist virus has been checked, and that the trade union movement is as conscious as the political parties of the imminence of the General Election. The defeat of the Communists was overwhelming: the General Council's campaign against Communism in the unions was approved by 6,746,000 votes to 760,000, and its withdrawal from the World Federation of Trades Unions by only a slightly smaller majority. The denunciations of Communism made by Mr Deakin and Mr Tewson went virtually unanswered; apparently the Communist trade union leaders do not at the moment choose to indulge in open combat.

Mr James Griffiths made a perfectly open and sincere demand to the trade union movement to throw its weight and resources into achieving victory for the Labour Party at the election. This necessity of presenting a united front has of course made the position of the General Council much easier. For one thing most of the unions which had tabled resolutions critical of the Government's policy on wages and prices have been persuaded to withdraw them in favour of the vague resolution of the General Council itself. Even the National Union of Railwaymen which has done everything in its power to get around the policy of stabilisation, planted its tongue firmly in its cheek and agreed to support the General Council. The desire for compromise was obvious also in the withdrawal of the resolution in the name of the National Union of Journalists, the NUR and several smaller unions demanding the end of compulsory arbitration. The large general unions cast their influence for its retention since on the whole it has worked in favour of their lower paid workers, and the advocacy of the NUR and other recalcitrant unions was weakened by the unscrupulous tactics they have used to try and circumvent compulsory arbitration. The General Council has promised to review the machinery of arbitration but no one at Bridlington has been able to suggest any alternative procedure other than the continuous use of the strike weapon—a course that was roundly condemned by Sir William Lawther, the President, in his opening speech.

But if the conference has shown that it does not approve of Communism or irresponsible action that would embarrass the Government, trade unionists have given no indication of how they intend to preserve the economic *status quo* that is so clearly to their taste. Sir William Lawther in his presidential address (which brought off the unlikely double of misrepresenting *The Economist* and misquoting Christina Rossetti) made an intelligent and honest appeal to trade unionists to

* Interim Report of the Committee on Supreme Court Practice and Procedure. HMSO. One shilling.

live up to the responsibilities of their power. But, echoing the economic report of the General Council, he was prepared to shrug off Britain's present difficulties as "entirely beyond our control," and to ask his hearers to believe that full employment and the maintenance of the social services simply depend on whether or not Labour is returned to power at the election. How profoundly the Labour Government must wish that they did.

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Optimism and Caution in the Air

At a time when the spirits of the British people are badly in need of a tonic, the signs that the British aircraft industry is really getting into stride have been welcomed with special enthusiasm. On Sunday the giant Brabazon I took to the air and throughout this week the annual display organised by the Society of British Aircraft Constructors at Farnborough has provided impressive evidence of the quality of British aeronautical engineering. That both the aircraft industry and the Government have been aware of the importance of providing this evidence of strength can be deduced not only from the neat timing of the completion of the Brabazon's first flight, but also from the fact that three of the most important smaller airliners and the new Canberra bomber have been completed in time for this week, while two of the new military fighters have been removed from the secret list in the nick of time.

Among the aircraft at Farnborough, the de Haviland Comet, a turbo-jet airliner which can cruise at 500 m.p.h. at a height of eight miles, has attracted the most attention. Its development cost has been small and although it has only been flying for six weeks there is no doubt that it is far ahead of anything even contemplated by any other country. (The other types shown at Farnborough are discussed in a Business Note on page 582.) By comparison with the aircraft on display at Farnborough, the Brabazon I, developed by the Bristol Aircraft Company under the auspices of the Ministry of Supply, seems a more dubious project. It has cost £12 million (which includes its hangar and runways) to complete it. It is solely an experimental aircraft and in due course it is planned to produce a Brabazon II as a commercial proposition for the London-New York route. By the time it is in service the work it is designed to do will have been performed for some years by Boeing Stratocruisers and other aircraft. It is true that the Brabazon would carry more passengers, but there are many commercial matters—airfield alterations, administrative costs, traffic density and insurance costs—to be worked out before it is certain that a larger aircraft is commercially more valuable. Undoubtedly the Brabazon will yield important technical results but given the American aptitude for building large aircraft and the obviously outstanding British lead in the construction of smaller and medium sized aeroplanes, it seems reasonable to ask why the old military principle of reinforcing success should not apply here. This seems to have been the opinion of BOAC who in their somewhat tepid telegram of congratulation to Bristol Aircraft seemed to suggest a fear that the Government might force the Brabazon II upon them without reference to its commercial feasibility.

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First Days at Bonn

On Wednesday, the two Chambers of the Federal Republic of Germany came into being at Bonn. In the morning the Upper House, or Bundesrat, elected Herr Arnold, the leader of the left-wing of the Christian Democrats, as President, and in the afternoon the Bundestag, or Lower House, elected Dr Köhler, another Christian Democrat, who had been chairman of the former Economic Council of Frankfurt. So far, however, the Republic lacks a government, for Dr Adenauer, whose party, the Christian Democrats, obtained the greatest number of votes in the recent elections, has not been hurrying in the task of building his coalition. He is drawing upon the right-wing Liberal group, the Free Democratic Party, and to secure

a comfortable majority, he must also secure the support of one other group even further to the Right. It is generally expected that this group will be the German Party, which received 17 seats in the elections. The formation of the Government will not produce any striking change in the trend of German politics, since Conservative politics and Liberal economics have been the guiding lines of German official thought for the last eighteen months.

It is, nevertheless, a disappointment to some Germans, particularly to men of the constructive outlook and moderate temper of Herr Arnold, that the first free government of the new Federal Germany should not represent a coalition of its two most powerful parties, the Christian Democrats and the Social Democrats. However, events of the very first day at Bonn have shown that there is a considerable advantage to be gained from the existence of a strong constitutional opposition claiming to represent the rights and interests of organised labour. In the last few weeks tension has increased in the Ruhr as a result of the new efforts at dismantling, and recently a British official was manhandled and dismantling stopped by force by a crowd of workers at the Ruhr Chemie works at Oberhausen. An all-out attack upon dismantling could, therefore, be an admirable weapon for Communist use both against the new Government and against the Allies who support it. And, in fact, the Communists put down a motion on dismantling in the first hours of life of the new Bundestag. Their thunder has, however, been stolen by the Social Democrat's decision to put forward a motion on dismantling themselves. The Communists cannot, therefore, claim to be the only defenders of Germany's rights and livelihood, and since this type of issue is bound to recur, it is as well that parliamentary opposition is not confined to the extremist and anti-Democratic left.

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Dr Boffa Goes Home

The long series of talks in London on the economic problems of Malta have at last come to an end. But Dr Boffa has had to return to Malta with very little to show for his pains. His request that Britain should continue its contributions to Malta's food subsidies was turned down. So was his request that Britain should try to obtain a share of Marshall Aid for the island. His attempt to obtain a reversal of the Admiralty's decision to dismiss 1,200 dockworkers succeeded only to the extent of securing a promise from the Admiralty to defer the dismissals for two months and to reduce them as much as possible, as well as an offer from the War Office to employ from 1,000 to 1,300 Maltese on works in Cyrenaica.

It is clear that Dr Boffa felt compelled to concentrate on this question of the dockworkers. It is the most burning political problem in Malta today, and in view of the explosive political situation which Dr Boffa's former colleague, Mr Mintoff, has been busily stirring up, it was only natural that the Maltese Prime Minister should make every effort to solve it. All the same his policy was unfortunate because, taking a short-term view, the Admiralty could say with some reason that it could not afford to go on employing people for whom there was no work. (On the long-term view one would think that the Admiralty might be wiser to indulge in a little extravagance in order to preserve good relations in one of the Empire's most important strategic bases, and certainly could find somewhere else to practise economy.) Moreover, even if no dockworkers at all were discharged the fundamental problem of Malta's unbalanced economy would remain.

Towards the solution of this problem the British Government has taken the cautious step of stating that if the Maltese Government invites an expert to examine ways of improving the Maltese economy, it will help to find such an expert. It is true that since the Maltese are jealous of their newly won independence in internal affairs, it is essential that the initiative for this survey should come from them. It is also true that they have not produced adequate figures about their

economic situation and that they cannot expect financial help from the British Government until they do. But although the details may be obscure, the main outlines of Malta's economic plight should be clear enough for the British Government to realise that it must be helped sooner or later. Malta must provide for its rapidly increasing population by the development of what secondary industries the island can support, and by finding financial assistance for the emigration of as many as can be found homes elsewhere. For these tasks Malta's own financial resources are inadequate, and it is therefore little short of disastrous that the British Government has somehow created the impression that it will grudge every penny which it is eventually persuaded to give Malta.

The analogy between Britain's relation to Malta and the United States' relation to Britain is obvious. One discrepancy should be pointed out—the Maltese Government regretfully decided that it could not afford to embark on its cherished health scheme just now. The analogy is, however, sufficiently close to make it not inappropriate to suggest that the Colonial Secretary should re-read the parable of the two debtors and ask himself with what credit Britain has emerged from so ungenerous and unimaginative a handling of this vital and loyal Mediterranean island.

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The Englishman's Food

Although the Englishman is supposed to be no epicure, he seldom loses an opportunity to castigate the Ministry of Food for the plainness of the modern diet. But a trend towards a more uniform diet with the consequent loss of some of the best local traditions of food preparation has been evident for many years. As Dr K. G. Fenelon observed in a paper on Britain's Food Supplies to the British Association:

Wartime shortages and housekeeping difficulties have only accelerated a process which was well under way when William Cobbett thundered against the decay of home brewing. He did not suggest that increased potato and cereal consumption would necessarily be a permanent feature of the British

FOOD CONSUMPTION AND EXPENDITURE								
Urban Working Class Households								
(Consumption in ounces per week and expenditure in pence per week)								
	Consumption			Expenditure				
	1942	1944	1948	1942	1944	1948		
Bread*	67.0	67.0	74.7	29.4	22.0	30.7		
Meat	28.9	28.3	27.3	27.3	30.8	23.1		
Butter**	6.1	6.3	7.0	5.9†	6.2†	6.4‡		
Milk	3.5	3.7	4.1	14.2	15.0	16.6		
Cheese	3.6	2.6	1.9	...	...	...		
Sugar	8.4	9.1	10.5	4.1§	5.7§	7.7§		
Eggs	1.4	2.9	2.2	...	...	...		
Potatoes	68.5	71.3	66.0	6.1	6.0	9.3		
Other vegetables	31.4	37.3	32.8	15.6	16.9	27.1		
Fruit	12.3	14.0	22.7	6.4	7.7	12.1		
Fish	6.6	7.6	10.1	14.3	15.8	18.1		
Other food	...	...	...	...	...	...		
TOTAL	...	...	...	114.2	127.1	157.1		

* Includes flour. ** Includes margarine. † Pints per week. ‡ Expenditure on fats. § Includes preserves.

diet, but it was clear from his discussion of the changing pattern of British imports that many years are likely to pass before roast beef and steaks can freely be had. Britain is, in fact, eating more milk, fish, potatoes and grain products per head of population than before the war, and less meat, oils and fats, fruit, tea and sugar.

Despite the great expansion in British agriculture which has taken place since 1939 only 37 per cent of the calories consumed last year were home produced, compared with 31 per cent before the war. And because Britain is so dependent on overseas supplies of food, it has had to depart further than most European countries from its prewar pattern of diet, in order to bring its consumption of calories up to the prewar level. Britain's difficulties have been further exacerbated by the re-

orientation of world trade. The terms of trade have moved in favour of primary producers—though the Ministry of Food's system of long-term contracts is doing much to keep those terms unfavourable to Britain—while countries such as India which before the war were exporters of food are now importers.

These are difficulties of procurement. The next stage is to see that the available supply is distributed equitably so that no sections of the population should suffer malnutrition. Dr Fenelon was realistic in his discussion of "national averages." He pointed out that an average level of consumption gave no indication of the relative wellbeing of different social groups in the community. It only permitted comparison of the over all position between different periods. Hence in 1941 the Ministry of Food inaugurated a food survey of urban working-class households, from which data on food consumption and food expenditure are given in the accompanying table. The figures must be interpreted with caution since the survey takes the family as its unit of calculation and not the individual, and it takes no account of food consumed outside the home in schools, canteens or restaurants. But it can be seen that between 1942 and 1948 there has been an improvement in consumption of virtually all foods. The only exceptions have been cheese and potatoes: and the consumption of potatoes was well above the 1942 level in each of the subsequent years except 1948. The changes in expenditure are also interesting: the greatest increases occurred in fish, fruit and vegetables, sugar and preserves and cereals. More detailed figures, however, would reveal some illuminating facts about consumer preference in a rationed economy.

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Food and Housing

Two eminent experts on the use of land have chosen opposite sides in the controversy over the claims of new and better industrial towns as against the conservation of agricultural land. Professor Dudley Stamp, speaking to the British Association, claimed that the low densities in the new towns, in which one acre is needed for every ten persons, are consuming an unwarranted quantity of good agricultural land. He warned his hearers that the nation is heading for "new towns to starve in." By contrast, Dr C. S. Orwin, speaking recently to a summer school, urged a sense of proportion in balancing "the claims of large numbers of industrial workers for better living conditions against the retention of a few thousand acres in agricultural production." Dr Orwin's case is that an industrial nation cannot deny to its workers proper breathing space, and that better farming practices can make good the loss of land which this policy entails.

Both speakers are good friends to the countryside though some of Dr Orwin's views on the reorganisation of agriculture have never gained wide acceptance. It may be true that some new towns are being designed with an unnecessary spaciousness. Holland provides an excellent example of how attractive towns can be developed at a high density of population. It is certainly true that owners of land generally have too little security from sudden predatory raids by the various Ministries, whose failure to discipline and co-ordinate their requirements or even to plan far ahead constitutes a severe indictment of a planning government. But it is not the case, as the revised decision over Bracknell witnesses, that agricultural interests are overlooked in planning decisions. On the contrary, planning schemes show a tenderness for the protection of good quality land which is in striking contrast to the damage inflicted by unregulated building. By virtue of the Town and Country Planning Act the agricultural community is much more resistant to the demands of urban development. It is not surprising, therefore, that its advent is opposed on every occasion and in every place, though such opposition is sometimes not very farsighted. A healthy rural economy needs alternative sources of employment to agriculture, particularly since there are few prospects of increasing the amount of rural industries.

MacArthur's Tribute to Japan

Few would deny General MacArthur the right to point with pride to the achievements of his administration in the difficult days since Japan's defeat. What few will accept is the General's periodic attempt to persuade the world that in four years the Japanese nation has been permanently converted to democratic ways. In a statement last week issued on the fourth anniversary of the surrender, General MacArthur reiterated his conviction that the Japanese are capable of running their own affairs and have now earned the right to a peace treaty. "Long hence," he added, "history will record of the Occupation that its greatest contribution to the progress of civilisation was to introduce into Japan the great concepts of personal liberty and individual dignity. . . . The great and noble effort toward the reorientation and reconstruction of the postwar Japan, beyond peradventure of doubt, will prove eminently successful."

American policy, as it is now shaping, may soon put the General's faith to the test. A peace treaty is a remote possibility because of the difficulty in obtaining Russian agreement to any reasonable terms. But the American authorities in Tokyo are moving speedily to give the Japanese more responsibility in order to establish what they call "Peace without a peace treaty." How will Japanese politicians react to this new license and how long can the democratic reforms instituted by SCAP be expected to last, once Allied supervision is loosened?

General MacArthur based his recent expression of confidence on four main points. "The threat of Communism as a major issue in Japanese life is past," he declared. This is a contention with which many would disagree after witnessing the violence that accompanied the Communist-organised protests in recent months against the government programme for retrenchment. For the benefit of those, on the other hand, who are disturbed at the eagerness the Yoshida Cabinet has shown to build up a large, government-controlled police force, the General asserted: "The danger that a police state will re-emerge is non-existent."

His third claim was that the Land Reform Act and Economic Deconcentration Programme (the breaking up of large industrial holdings) had created a middle class that would "reject with scorn any will-of-the-wisp economic Utopia." It is doubtful whether the middle class is sufficiently sturdy and well organised to resist for long the strength of the reactionary elements which the Occupation authorities have, for the moment, put out of office. A disquieting note on this topic was recently struck by an American businessman in charge of anti-monopoly action in Japan. After the Occupation ended, he told correspondents, the Japanese Government could wipe out all democratic legislation introduced by SCAP—"there is nothing to stop them—they are free to do what they like."

In the economic field MacArthur hailed the "firm and determined course based on sound fiscal policies now being pursued by the Japanese Government." This was a course charted entirely to the Occupation advisers and followed by the Japanese Government with the greatest reluctance and after the most urgent prodding.

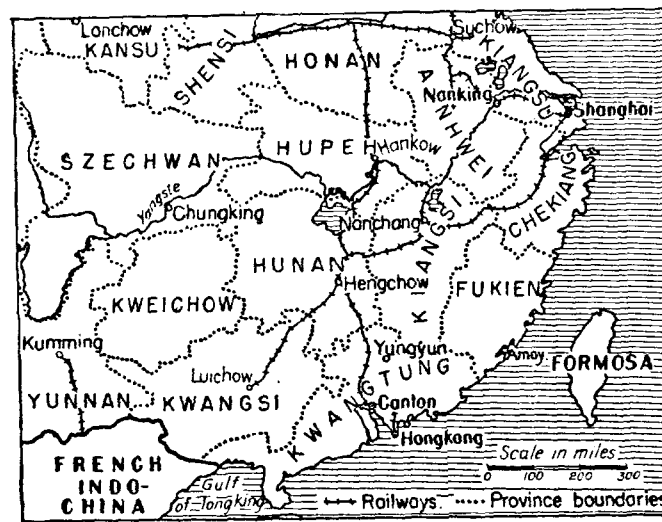
Although SCAP has at all times been the object of widespread complaints and the recipient of critical advice from all sides, it must be credited in the main with having made the best of an extremely difficult assignment. The quarrel now is that the job is not yet finished.

* * *

Warning from Yunnan

After a weekend of confused and conflicting reports, it appears that for the time being the Nationalists have not after all lost control of the key province of Yunnan. Bordering on Szechwan and providing through Kunming one of western China's outlets to the world beyond, the province is of cardinal

importance if General Chiang Kai-shek is to maintain any sort of resistance from Chungking. It was, therefore, serious news for the Nationalists when reports reached them that General Lu Han, the Governor of Yunnan, had thrown overboard the central authority of the Nationalists and was setting up an autonomous regime of his own. In one sense, General Chiang Kai-shek was being paid in his own coin, for three years ago when the fighting was at its height between Communists and Nationalists in Manchuria, he persuaded the then Governor, General Lung Yun to send his troops north. Thereafter the Generalissimo despatched his own forces to take control of Kunming, exiled the General and put in his own nominee as



Governor. However, it now seems that the local forces of General Lu Han were not strong enough to carry through their *coup d'état*. The Nationalist troops in Yunnan have been numerous and loyal enough to foil the attempt, and now the affair seems to be on the way to being patched up. General Lu Han has flown to Chungking, and presumably the two forces, however distrustful of each other, will now co-operate against the Communists, who are also active in various parts of the province.

Even if the Yunnan affair has not led to a successful *coup d'état*, it nevertheless throws light upon the situation in China. For the supporters of the Nationalists, it is a warning of how precarious is the control exercised by Chungking. For the Communists, it is a warning of the strength of the old traditions of land-lordism and banditry. In fact, there are some observers who believe that the Communists' worst troubles will only begin when the war with the Nationalists is to all intents and purposes over.

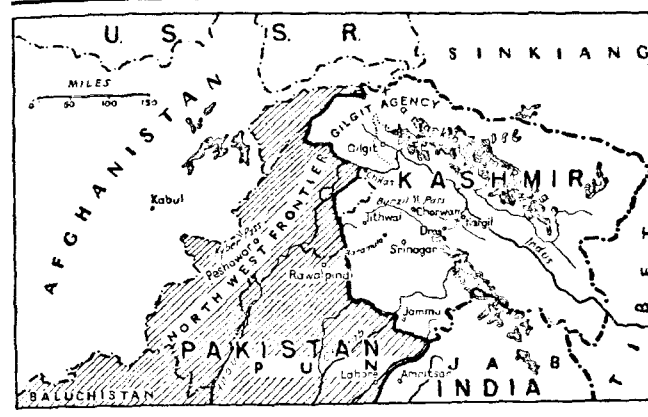
* * *

Intervention on Kashmir

In the middle of last month the United Nations Commission on Kashmir reviewed the tedious and abortive negotiations of the previous few months, in the light of a fresh deadlock which for the moment still seems complete. The Commission states that the fundamental views of the two governments remain unshakeable and concluded that the possibilities of reaching agreement were at present remote. The Commission, however, has by no means given up, and it is understood that at the end of August fresh proposals were being drafted for referring the dispute to some new form of arbitration.

It is at this delicate and difficult stage that both Mr Attlee and President Truman have entered the lists with letters to Pandit Nehru and Liaquat Ali Khan, urging them to accept the arbitration proposals in the interests of world peace. Mr Truman's action seems to have taken Delhi, at least, by surprise, and it is not yet certain what result it will have. The

essence of the matter, however, is that it would probably be easier for India to make a conciliatory gesture at this juncture than it would be for Pakistan, since, quite apart from the facts of the case as presented by both sides, India is potentially the bigger power and should have less fear of losing face by practising generosity. The hopeful aspect of the Anglo-American intervention lies in the degree to which Delhi is likely to listen to any American prompting.



India's relations with the United States have lately grown closer than at any previous period. Pandit Nehru's expected visit to Washington next month has aroused considerable anticipation on both sides. Delhi has lately received a loan from the World Bank, and is expected to receive two further instalments; India figures prominently in American projects for helping underdeveloped economies, and stands to gain considerably thereby. All this gives weight to the President's appeal, and since the dangers to peace inherent in the Kashmir situation increase with each delay, it is to be hoped that the United States will—with all the tact necessary—keep up the pressure.

Sense from the Treasury

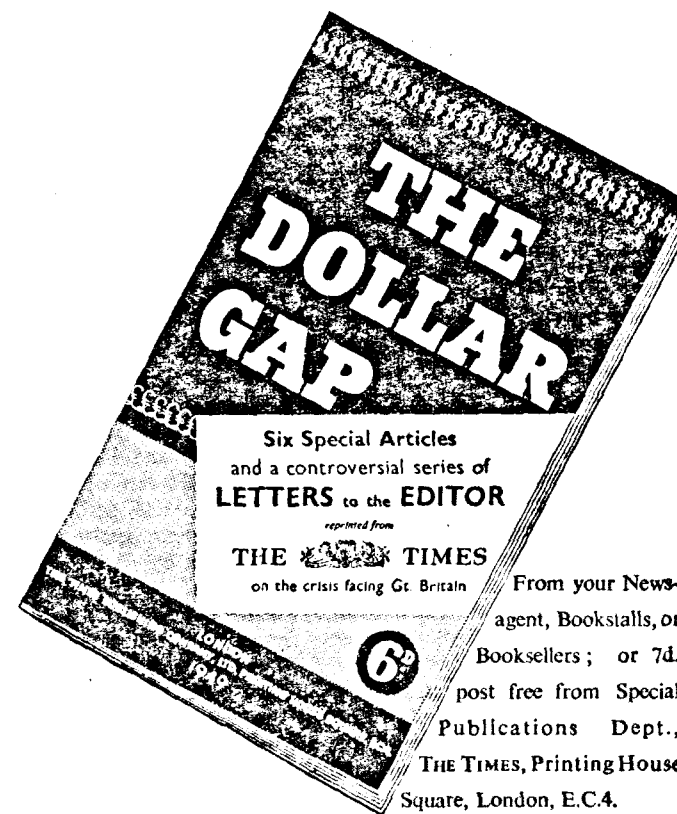
There appears to be some prospect that in matters concerning civil service manpower the Treasury will in future be able to look at the wood instead of being confounded by the trees. The Treasury has recently redefined its own powers and those of the individual departments in matters of staff with a view to giving the larger Ministries a greater measure of responsibility and independence, and of relieving itself of much of the detailed business of control over numbers, grading and day to day personnel management. Two good consequences should flow from this decision: on the one hand the Treasury should be freer to concentrate on the larger questions of civil service manpower and management which are at present frequently submerged by routine business. On the other, departments will be encouraged to take more initiative themselves rather than blaming things "on the Treasury."

In many departments this is outwardly merely an extension of wartime practice. But for peacetime it is a very significant decision. Constitutionally the power and financial responsibility of the Treasury remains unaffected: the circular embodying the new rules lays down a number of safeguards and stipulates that the Treasury should balance its delegation of powers by a more effective system of investigation than it now employs. But for all this the objective is to make Heads of Departments and Establishment Officers more masters in their own houses, and to raise the status of staff management in departments. If the results are to improve establishment (staff) work in departments and to give the Treasury the opportunity to consider what the 700,000 people in government employ are really up to, the new rules will be worth while.

*

The quarterly statement prepared by the Treasury on civil service staffs shows that some slight effort is being made to reduce the number of non-industrial civil servants. Excluding the Post Office and the Defence Departments, the figures for

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July 1st show a net decrease over April 1st of 7,860. This reduces the figure from 347,587 to 339,727 or by 2.3 per cent. The department responsible for the largest reduction is the Ministry of Food which has reduced its staff by 4,450 or more than 10 per cent. From the point of the taxpayer this is cause for satisfaction particularly if the returns show a continuing reduction. From the point of the economy the gain may be small since it may be presumed, a presumption partially reflected in the returns of the Ministry of Labour's appointments service, that those who have been released are those least employable, by reason of age or competence, in other callings.

* * *

Unrighteous Asparagus and Righteous Peach

The distinction between the permissible and the *streng verboten* in the matter of restaurant meals has reached an almost Talmudic height of refinement. Last week a restaurateur was heavily fined for serving asparagus to two Ministry of Food officials, not as a vegetable but as a separate course, on a separate plate (this subject is dealt with in a letter on page 552.) This week it is announced as a generous concession that the illegal fourth course may be legal if it consists entirely of fresh fruit. (Would fruit salad count?) This supposed innovation was, in fact, allowed last year at the same season; under the five-shilling maximum rule it merely gives the restaurateur the option of ignoring it or of cutting the quantity or quality of his main dishes. It is something, no doubt, to have that option, just as it is something to be able to ease the strait-jacket of the maximum price by dexterous wriggling among the complexities of house charge, band charge, authorised surcharge and fancy prices for drinks, coffee and oysters. A really enthusiastic collaboration between an ingenious management and a co-operative client can extract from the latter's pocket, quite legally, as much as he can conveniently disgorge. The Ministry knows this, and must know, too, that the client most likely to be baffled, infuriated and effectively discouraged from a return visit is the much prized foreign visitor. It is high time that the whole cat's cradle of sumptuary regulation was sent to join the blackout rules of the era to which it was appropriate.

* * *

Apartheid in the Universities

It is clearly too late for an appeal to reason, good faith or liberal principles to have any effect on Dr Malan. Speaking at the Transvaal National Congress last Tuesday, he announced his government's intention of stopping African students from mingling with European students at the Witwatersrand and Cape Town universities. He also repeated his intention to enforce a registration scheme, under which all men and women in South Africa will have to carry identity cards classifying the holders according to race, and to abolish the Cape franchise.

The proposed action against the universities is a new detail in the policy of *apartheid*. For very many years it has been one of the few saving graces in South African life that those African students who were able to pass the matriculation examinations were allowed to attend the Witwatersrand or Cape Town universities on an almost equal footing with European students. They attended the same lectures, the same debating, literary and scientific societies, and were forbidden only from joining Europeans in games and social entertainments. Their numbers were always small—about 150 students at each university in any one term—but they were one of the chief hopes that eventually some form of common life for African and European would emerge in South Africa.

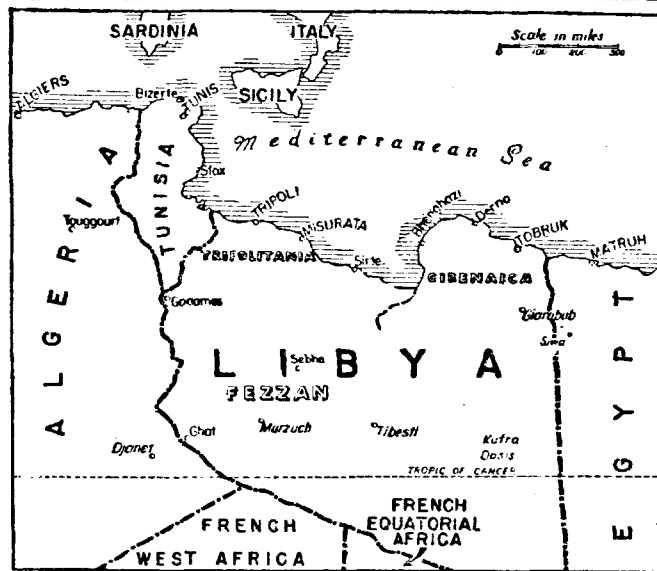
Such a possibility is obviously anathema to Dr Malan and his followers who regard any form of education of the African as a threat to their security. In spite of the lesson of prac-

tically every other country in the world, they have failed to understand the elementary principle of government—that oppression breeds revolt more readily than any other policy. More, they are undermining the very policy which they profess to sponsor. Only if the negro has full opportunity for every type of education and for advancement in any kind of work or profession will he acquire the self respect in which a natural social separation between white and black communities becomes a matter of course.

* * *

France and the Fezzan

Is there never to be an end to Franco-British misunderstanding about the Arab world? It seems to be simmering once again, this time over Libya. The position there is that France, with the tranquility of its North African dependencies in mind, would like to retain trusteeship over the Fezzan—that is, over the western part of the inland Libyan desert which borders on no less than four French African territories. It would also, to ward off the westward march of Arab independence, be glad to see some companion trustee, preferably Italy, established in Tripolitania. The British are more sensitive to the climate of United Nations opinion. Having tried, and failed in the Bevin-Sforza plan, to assuage Italian dignity, they are now sponsoring independence for Libya within a measurable term of years. The matter was discussed by Mr Bevin and M. Schuman when the former was on his way to Evian. It will



come up for decision at the Assembly. Meantime, wounds seem to have re-opened, and the belief to have been revived that, as in 1944-45 in the Middle East, so now also in Libya, the aim of British policy is to weaken France overseas.

Anglo-French relations are critically important. Is it not possible to propose that France should retain the Fezzan? Economically speaking, the plan has virtues. The area consists of four relatively fertile valleys, growing dates and grain, in what is otherwise a wilderness of sandy deserts and rocky ridges. A reasonable standard of living for its 45,000 inhabitants can be maintained only if it is well policed, so that tribal raiding is controlled, and if it enjoys some tourist traffic as a source of revenue. It is on the way from nowhere to nowhere except from the northern parts of French West Africa and French Equatorial Africa to the Mediterranean. In the hope of retaining it, the French have, in the years since General Leclerc reconquered it from Mussolini, spent a good deal upon its economy. They have endowed its one time semi-slaves with small holdings; they have set them up with tax exemptions and seed loans; they have dug for the water table, found it at 180 feet, and sunk 18 artesian wells to it; they have set up some 40 motor pumps to distribute the water so secured. They have

as a natural development of their policy tended to divert trade from the roads to Misurata and Tripoli to those into Tunisia and Algeria. In no other hands would the Fezzan be better off.

*

Why then should the British be proposing Libyan independence to the United Nations? In the first place, they know that with the growth of Arab nationalism, the days of African annexations are over. The chill wind of xenophobia has reached the Fezzan and is causing discontent. Encouraged, say French sources, by the British-sponsored Tripolitarians, and by the Emir of the Senussi, Moslem fanatics set upon the garrison at Sebha on June 17th, and killed two Frenchmen before they were repulsed.

The British are also anxious to relinquish the onus of running the rest of Italy's ex-empire. The chief clue to present British policy is therefore the realisation that no solution other than independence in five years' time for the whole of Libya has a chance of securing the necessary majority at the forthcoming Assembly.

* * *

Caribbean Cross-fire

The cynical Communist attitude to peace has been expressed again this week in yet another "Peace Congress." This one, in direct line of succession to Breslau, New York, and Paris last spring, has been taking place in Mexico City. Moscow radio says that it "voices the will to peace of the peoples of the American continent, from Alaska to Tierra del Fuego." The tactics of these conferences at which Russia appeals for peace—Soviet version—and condemns as a war-monger anyone who opposes what happens to be a purely national Soviet interest are familiar enough. The interest of this latest exhibition of militant "pacifism" is that it should take place on the southern doorstep of the United States.

The Caribbean area is of high strategic importance to the Americans. On its south side lie the oilfields of Venezuela, second only to the United States itself in output and still greater even than the Middle East. To the south west lies the narrow isthmus connecting two continents through which the Panama Canal cuts a narrow seaway worth an extra fleet to the American Navy. For some months a so-called National Liberation Movement has been at work in the Caribbean, carefully praised and fostered by Moscow radio, and reported to be centred on Guatemala—a country which its neighbour, the Dominican Republic, has thought fit to brand "the most dangerous Soviet nest in America." And there can be little doubt that the Communists would like to make this vital area a liability rather than an asset to the western powers.

It is against this background that nearby Mexico, with its revolutionary trade union tradition, has been chosen for a Communist-inspired "peace" congress. It is, however, also against this background that during the past month Washington has organised a special session of the Inter-American Peace Committee, set up by the conference of hemisphere foreign ministers at Havana in 1940. This special commission has enlisted the aid of twenty-one American republics in investigating possible threats to security—among which is the so-called Caribbean Legion, a group of discontented exiles from various countries in the region. No responsible leaders in North or South America can afford at this point to neglect Washington's lead. They must take the offensive against growing pressure from left-wing malcontents who, with a mixture of motives, seek to bring Moscow's brand of "peace" to the American continent.

* * *

Turkey and Syria

Turkish public opinion which is so intensely preoccupied with Turkish home politics that it gives scarcely a thought to the Arab world at its back door, was jolted into momentary

alarm by the violent end of the Zaim dictatorship in Syria. Zaim had been, with some reason, regarded as a would-be Atatürk. Though the Turks of 1950 officially deplore dictatorial regimes, he was obviously keen to copy them and to be their ally. They had shown some reserve when he first perpetrated his coup in the early spring, but his overtures were disarming. They accepted them when he issued a statement that Syria no longer had any ambition to the Hatay (formerly the Syrian Sanjak of Alexandretta), and when he applied for a Turkish military expert to train the Syrian army, General Kazim Orbay, formerly Chief of the Turkish general staff, was dispatched to Damascus. Simultaneously, arrangements proceeded for the sale of 100,000 tons of Syria's wheat surplus to Turkey.

A stable regime in Syria is important to the Turks not only for reasons of international security, but because, on a long frontier which lends itself freely to contraband, imperfect Syrian policing can impair the Turkish revenue. On several counts, therefore, the disappearance of Zaim threw Ankara into a flutter. General Orbay was told to stay where he was until the confusion in Damascus had cleared; as early as August 18th the Turkish Minister in Damascus called on the new Syrian Government; a few days later the Syrian chargé d'affaires in Ankara held a press conference to announce that relations were unimpaired. But by the 25th General Orbay was back in Ankara stating that although as far as he knew the new Government was friendly, he had unexplainedly "finished his task."

It is probable that some purely personal issue caused his return, for it is plain that both governments would like to maintain friendly relations. Turks see no harm in the fact that whereas the Zaim Government's alignment was with France and Egypt, his successor's is with Iraq and Jordan. Good Turkish relations with a stable Syrian Government are as important to Turkey's western allies as to Ankara. The doubtful factor in the equation is whether Syria's present regime can be called stable.

Peace, Retrenchment and Reform

It is a pleasant thing to have no news from the continent. We have been so long stunned, day after day, with a succession of astounding events, each one more exciting and alarming than the other, and each one after exhaling much light and heat, and filling the world with dust and smoke, only to end in the dull stagnant pool of military despotism from which it arose, that a little quietness is quite a relief. . . . We get time to breathe, and look calmly at our own condition. We are beginning to lose our apprehensions of commerce being interrupted, and our merchants becoming insolvent. . . .

We confess to some alarm lest the coming prosperity and the want of excitement for the idle should give birth to numerous unsatisfactory schemes. There is some danger lest all the energy that has been carried off in the last eighteen months by giving advice to the French, by guiding the Italians, instructing the Germans, and helping the Hungarians, should all now be directed, first and foremost, to improving our own condition, and lest we should be overwhelmed by a perfect avalanche of reforming energy. Already, our great contemporary, who, vulture like, smells from afar every prey, has broken ground, with the help of Mr Gurney's pickaxe, in favour of economy and the payment of the National Debt. We presume that it is only one of many schemes to which leisure will give birth. . . . One consolation . . . is, that each of the very busy knot of social improvers whose private affairs allow them to occupy themselves with amending the public, will so press forward his own favourite plan, and be so little tolerant of others, that they will keep each other in check. If they were all to work in harmony, we should have no resource but in flight or prayer.

The Economist

September 8, 1949

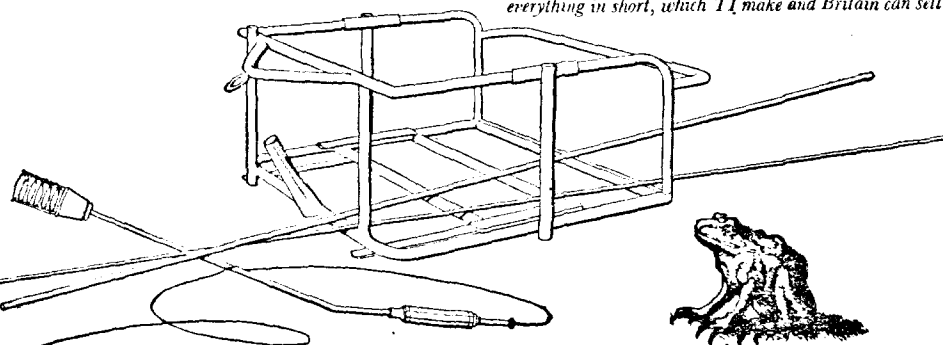


the fable of the lady and the frog

A certain Romantic Maiden, who was reckoned extremely beautiful in a rather old-fashioned way, once found a large Frog in her path, and dropped it a curtsy. "What's that in aid of?" asked the Frog. "Aren't you a prince in disguise?" she enquired, nettled. "No, Ma'am," said he, "I'm a Frog—in a hurry." And he hopped away, muttering under his breath.



Even in this age of hard work and few illusions, there are people who hope for a magical solution to their problems. TI, for their part, are planning increased production — of intricate precision tubes . . . of special paints and finishes . . . electrical appliances, fittings, cables . . . bicycles and bicycle components . . . traffic signs . . . fabricated aluminium alloys . . . parts of motor-cars, aircraft, locomotives . . . everything in short, which TI make and Britain can sell.



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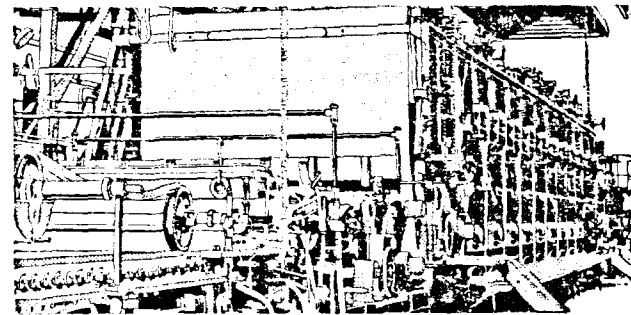


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Letters to the Editor

The Dollar Shortage

SIR,—Your leading article of August 13th "Britain in the Pillory" has created a great deal of discussion. To your conclusion that it is unfair to blame Europe's present financial difficulties on the policy of Great Britain more than on the other Western Powers, I think almost everyone would agree. On the other hand many have found that your attitude in this article towards the Government's policy of planning, control and socialisation, is not fully in accordance with the strong criticism which you have on various occasions expressed.

Political conditions and economic policies in Great Britain and Norway are very much the same, but it would certainly not be correct to say here, that these policies would not "have been substantially differently applied if another party had been in power."

Without going further into this question, which undoubtedly would to a great extent depend on the definition given to the term Socialism, will you permit me to make a few remarks on the statistical material used in your article.

(1) It is certainly correct as you say that the volume of industrial production in the United Kingdom of 131 per cent as compared with 1938 shows up well in comparison with the other Western countries in Europe. Britain has also at the same time a little more than maintained her agricultural production. But not so most of the other West European countries. As we know there was already before the war a tendency for labour to flow from agriculture to industry, and this tendency has been strongly increased by the economic policy pursued after the war. This accounts for the fact that while industrial production has increased as compared with 1938, agricultural production in Europe is on the whole now considerably less than before. In Norway the "National Budget" (which is the counterpart of the British "Economic Survey") says "we still have a long way to travel before agricultural production reaches the level of 1938." In 1948 it was 78 per cent of 1938 while industrial production was 130 per cent. The "less" in agricultural production has to be imported—and to a great extent from dollar areas—and one might therefore even say that the increase in industrial production obtained at the expense of agricultural production renders the question of international payments more difficult. Especially so as this increased industrial output is often the result of restrictionism in import policy; distortion in the demand due to "directed" economy and of autarkic tendencies generally. The cost of it is mostly too high to compete on the international market—if not it would be able to procure dollars, which obviously it is not.

(2) It is true, as your second table shows, that English exports have increased, and imports decreased as compared with 1938. But the British gap to be covered is still very much larger both for the dollar area and for the world as a total than for any other country. It may not be fair, but under these conditions it is probably natural that, as you say, "so great a barrage of criticism" should be concentrated on Britain.—Yours faithfully,
THOMAS SCHLYTER
Slependen by Oslo

The Greek War

SIR,—You may be in an embarrassing position, but why put me in one? In consequence of your recent charges against the Greeks, who are fighting our battle, you have been led into equating Mr Pallas and me with Messrs Athanassoglou and Doganis, and even to sandwiching me between them. I do not mind being thought meaty, but such bread is not to my taste. It is stale and rancid; and some hands at the bakery might be cleaner. When, however, in the same correspondence column I find you assailed for your just comments on Germany

by the familiar Richard Merton on the authority of the late Lord Ponsonby I feel that I should desist from reproach and resort to condolence on these strange absorptions of your precious space.—Yours truly,
DENHAM PLACE, DENHAM, BUCKS.
VANSITTART

SIR,—Mr Doganis is being a little obscure when he says that he has been deprived of his Greek citizenship because of his "politics." He is an old and faithful supporter of the Greek Communist Party, which is at the present moment in armed rebellion against the Greek State. He is that Party's principal spokesman and propagandist in this country, and he openly gives first loyalty to the "Provisional Democratic Government." By his own free choice, therefore, he is a subject of that "Government." He may know its present whereabouts—I don't, except that it is not in Greece. So I really fail to see why he is complaining because the Greek State has no particular desire to regard him as one of its subjects.—Yours faithfully,
S. L. HOURMOUZIOS
Greek Government Department of Information,
34 Hyde Park Square, W.2

The Repellent Germans

SIR,—It seems remarkable how often in the last hundred years the peaceful Germans have been forced to fight their neighbours; the Danes in 1864, the Austrians in 1866, the French in 1870, besides the two world wars; especially as in every case the initial stages of those wars seemed to be so perfectly planned by the Germans and never by their war-mongering opponents.—Yours faithfully,
G. S. PHILLIPOTS
Oakfield, Foxrock, Co. Dublin

BBC and the Unions

SIR,—Your eminently fair note on "The BBC and The Unions" contained the phrase: "the Governors of the BBC have felt that, having set up a Staff Association . . ."

As this may give the impression that the BBC has done something more than accord recognition to the Staff Association, may I point out that the association was formed, on the sole initiative of staff, at a general meeting held on May 3, 1940. The meeting was called by members of staff after the BBC had announced its inability, due to the outbreak of war, to continue discussions on agreed negotiating machinery.

The Staff (Wartime) Association then formed merged in 1945 with the Association of BBC Engineers to become the present BBC Staff Association, a registered trade union wholly maintained by the subscriptions of its 5,400 members.—Yours faithfully,
G. T. RHYS, Assistant General Secretary
BBC Staff Association

The Yugoslav Oil Refinery

SIR,—In your Note of September 3rd on Soviet "Peace" Campaigning you mention the blowing up of the "only Yugoslav oil refinery at Fiume." Having just returned from Yugoslavia I should like to assure you that the oil refinery at Rijeka (Fiume) is in full operation and none the worse for having been "blown up" by a Trieste reporter a week ago.

The actual damage caused by a small fire—an accident rather than an act of sabotage—was restricted to a small quantity of refinery waste. The combustion of such material usually produces a great pall of smoke and a pungent smell which to the lay observer may suggest an enormous fire. In this connection our wartime experience of enthusiastic reports of bombing damage to enemy oil targets may well serve as a useful warning. No amount of smoke, however, can conceal the fact

that Yugoslavia possesses several more refineries besides the one at Rijeka, and consequently, even the knocking out of the latter would hardly represent "a most serious blow to the country's economy."

As my business takes me to Yugoslavia at regular and frequent intervals, may I be allowed to say that there is absolutely no evidence there of any panic or even undue nervousness caused by the Soviet "Peace" campaign.

Press reports on Yugoslavia emanating from Trieste should be checked with particular care, as strangely enough, that city is now one of the main launching bases for anti-Yugoslav propaganda rockets.—Yours faithfully,

JOSEPH A. KRONSTEN

77 Eaton Place, S.W.1

West Indian Sugar

SIR,—Your article "New Regime for Sugar" states—"any project for large expansion (of Sugar production in the Colonies) would raise social problems which could not be solved merely by international agreements assuming price stability." But no other solution is offered.

In the meantime our urgent problem is to find employment for rapidly increasing populations. Unlike the Irish, Italian and Polish emigrants of the nineteenth and early twentieth centuries, West Indians are, on colour grounds and through the development of national barriers against immigration, largely debarred from seeking work overseas. Thus we must rapidly provide a great number of additional jobs. And failing the discovery of new major sources of employment, this involves expansion of production of our main staple product, sugar, by far more than the 100,000 tons per annum which you appear to consider adequate.

You mention the position of Cuba—a country, incidentally, at whose hands British investors have received scant consideration. As you say, Cuba is a special interest of the United States which has accorded that island substantial tariff and other trading concessions. The Government of the United Kingdom, on the other hand, has a definite responsibility for the economic and social advancement of the British colonies.

As to the possibly unfavourable reaction of the United States Government to long-term contracts, on reasonable terms, for British Colonial produce, I wonder if it is realised that the produce of the American colonies, Hawaii and Puerto Rico, etc., enters the United States free of duty. In other words, the chief advocates of the abolition of British colonial preferences themselves grant 100 per cent tariff preference to their own colonies.—Yours faithfully,

R. L. M. KIRKWOOD

Legislative Council, Jamaica

SIR,—British West Indian sugar producers will have no quarrel with the article in your issue of August 20th entitled "New Regime for Sugar" in so far as it is an objective survey

of the present world position, but will not agree with it on the following points:—

1. There is implicit in the recent Government communiqué an assurance of its intention, under long-term arrangements for the purchase of Commonwealth sugar, to pay prices fixed by negotiation with producers which will be reasonably remunerative to them. Commonwealth sugar prices will accordingly in future be divorced from the so-called "Cuban world price." Contrary to what the article says this must involve, in my view, separate marketing arrangements or at least differential price arrangements for Commonwealth as opposed to foreign sugars within the present bulk buying system, or something like it.

2. Colonial sugar producers appreciate what the USA has done for Cuban sugar by quotas and preferred prices and contrary to your correspondent's views, are certain that similar treatment by the Commonwealth for its own producers along the lines envisaged in the communiqué would give them the stability they need. They think this has a prior claim over considerations of what is to happen to Cuba's surplus sugar.

3. They will not appreciate the statement that large expansion would raise social problems which could not be solved merely by international agreements assuring price stability. That may be true but this they know that without assured markets at reasonably remunerative prices leading to expansion of production in the British West Indies there will arise social and economic problems the consequences of which they shudder to contemplate.

Finally, the nature of the solution proposed in the article is so nebulous as to be completely incomprehensible to me, or to any of my colleagues with whom I have discussed it. We would welcome more concrete proposals.—Yours faithfully,

R. GAVIN, Secretary

The West India Committee, 40, Norfolk Street, W.C.2

[The article did not suggest that differential prices for Commonwealth and foreign sugars could not exist; in fact it stated that a system of differential prices could be incorporated into an international marketing scheme. Britain is no longer in the position to take unilateral action in developing Commonwealth sugar production without considering its effects on Cuba and the United States. Hence a purely Commonwealth marketing scheme as such is ruled out. Finally, if Commonwealth production is to be developed to the point of self-sufficiency, the necessary expansion would be so large that unless it were conceived as a sociological instead of an economic project, long-term stability to the producing areas could not be assured.]

Unrighteous Asparagus

SIR,—The imposition of a £20 fine upon a West End restaurant for serving two enforcement officers with asparagus as a separate dish, instead of with the chicken, emphasises afresh the absurdity of the regulations which harass British restaurants and hotels.

The three-course rule permits only one main dish to be served, but though fresh herrings, sole and uncooked oysters do not constitute a "main" dish, kippers, snock and cooked oysters do. The 5s. limit is so unworkable that the Ministry has had to permit all manner of additional charges, e.g. house

charge, band and service charges, etc. The figure of 5s. was, in fact, fixed many years ago, and before Catering Wage Board regulations had augmented the costs as well as the complexity of hotel-keeping.

The Government recognises the urgent need for increasing the national income by encouraging the tourist traffic. At the same time Government restrictions make it increasingly difficult for the hotel industry to satisfy its customers, and for those who direct it to make both ends meet. The "paid holiday" movement increases the demand for accommodation, while regulations tend to diminish the supply. The continuance of rationing tempts, if it does not drive, people to take their meals away from home; but the restaurateur is increasingly forced either to disappoint his clients or to break the law. The need to avoid wasteful Government expenditure is nowhere denied, yet enforcement officers can earn a livelihood by eating their way (at the taxpayer's expense) through restaurants which break the law not by the size of the meal which they offer but

Books and Publications

Colonial Problems from Three Standpoints

"Empire and After." By Rita Hinden. Essential Books Limited. 193 pages. 12s. 6d.

IN "Empire and After," Miss Rita Hinden presents an interesting history of the philosophy of British colonialism, but shows the present generation to be no nearer to a cut-and-dried solution than its forebears. Using the past history of their mental approach to the facts of colonial aggrandisement to "whet the appetite," she examines future policy from the standpoint of one who, in common with the two major political parties in the country, accepts self-government within the Empire as the ultimate, or at any rate the next, objective. In what she describes as the "declining years"—surely, if that objective is attained, the "crowning years"—would be more apposite—of British imperialism, she finds two main problems still to be solved. One is to evolve the right relationship between the dominant power and the subject races, the second is to retain the latter, once manumitted, within the Commonwealth.

In the first instance she believes that what was achieved in the case of the white colonies in the last century, and the Asiatic in this, can be repeated now in Africa, the Caribbean and elsewhere. It is a matter of appreciating the psychology of dependent peoples and of developing a technique of co-operation between races. Although she believes that "the problem has only to be stated clearly, for the outline of the answer to emerge," she does not really give us any very practical suggestions about how this shall be brought about. The difficulties of eliciting co-operation from a nationalist minority while it is still subject to alien domination are, as is well known, formidable, principally because the more level-headed leaders who appreciate its necessity are quickly denounced by extremists as "imperialist agents." In fact, the history of trade union leadership in the dock strike is a very good parallel to what happens when colonial political leaders associate themselves with government.

Nor are we given much guidance on the attainment of an equitable solution in "plural" societies, that is, in colonies where several races, black, brown and white, have a stake. Indeed Miss Hinden seems at times to be unduly hard on the white settlers, who, whatever their motives, have carried most of Equatorial Africa on their shoulders. As for the retention of the colonies within the Commonwealth, Miss Hinden ends on a note which leaves her readers in doubt as to whether she considers it possible or even desirable. This choice has been more succinctly stated by Dr Awolowo, in his "Path to Nigerian Freedom."

by the intervals at which they serve its component parts.—Yours faithfully,

A. H. JONES,
Managing Director

Grosvenor House, Park Lane, London, W.1

GKW and GOK

SIR,—Your note headed "Oh Bring Back My Bottle to Me, to Me" was a most refreshing oasis to a traveller through your arid desert of economic facts and theories. Your suggestion that all those half-empty bottles of medicines we all accumulate should be concentrated into one large jar labelled "GKW"—signifying God Knows What—solved a problem which has been worrying me for some weeks. A month or so ago, one of my staff sent a Medical Certificate to the effect that she was unable to carry on her normal employment because she was suffering from a disease which her doctor diagnosed as "GOK." At last I know what he meant.—Yours faithfully,

S. J. B. CULL

Kingston Hill, Surrey

Nigerians prefer to remain within the Empire simply because they realise that it is more sensible to choose the least of many evils. . . . No nation can stand absolutely independent. . . . And if there is truth in the saying that old friends are better than new, then there is wisdom in staying where we are. We must not allow personal grievances to blind us to the virtues of the Empire."

The main portion of the book contains a selection of quotations from British statesmen and writers on colonial relations since the mid-eighteenth century, and is, as the author warns us, "an essay in self-criticism." Even so, if read as an anthology, the sum total affords an impressive record of the creative imagination which has gone to building-up the empire, and this impression survives the assiduity with which Miss Hinden hauls to the surface instances of smugness, hypocrisy and meanness when she finds them. Two strands of thought are pursued through these pages. One is the ever-recurring materialist query: "Does the possession of the Colonies bring us profit?" Discussion of it would arouse more contemporary interest if something was said of the place of the colonies in maintaining the trade equilibrium between Europe and the western Hemisphere over the last four decades, but of this there is no mention.

The second is concerned with the different moral interpretation that succeeding generations have put upon colonising activities—the *Pax Britannica*, sense of mission, paternalism, trusteeship and partnership. Again, no very clear answer emerges, and the list would have gained by the addition of a quotation from one non-British lover of Africans, Dr Albert Schweitzer, who has observed that the impact of world trade on primitive peoples was a fact which neither they nor we could prevent. The function of the state, on his argument, in colonising was to minimise the evils of this impact and eventually to develop among the colonial peoples themselves a new social and political order. Certain it is that until this latter function is performed no final judgment on British imperialism can be passed.

"The Sociology of Colonies." By René Maunier. Edited and translated by E. O. Lorimer. London, Routledge and Kegan Paul. 2 Vols. 767 pages. £3 3s.

THE book is a translation of what is regarded in France as a standard work on "colonial sociology." Its three parts were originally published in 1932, 1936 and 1942, which explains why recent changes in colonial affairs receive no mention. Ostensibly Professor Maunier's aim is to deduce general principles applicable to the colonial experience of all colonising nations from the ancient Greeks to the modern Russians. In fact, he draws mainly on French history and experience.

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The occasional examples adduced from classical antiquity and from Dutch or "English" (sic) colonial history are often wrong in matters of fact (as the translator points out in her editorial footnotes) or biased in interpretation. Indeed, careful documentation of matters of fact, even where French colonial history is cited, is markedly lacking. For, in spite of his protestations of objectivity, what Professor Maunier is to expound is a system of concepts and ideas designed to interpret French colonial experience.

Yet there is much of importance to be learnt from this book. Professor Maunier shows that colonisation has always tended to take the same course, to display similar features and to meet with the same problems in the dependent territories of all European Powers. He argues that the process of establishing, maintaining and developing colonies is a complex activity involving the whole of the metropolitan civilisation. Granted the primacy of economic (capitalistic) motives ever since the Spanish colonial era, it is nevertheless important to recognise that the course of colonial development is fundamentally influenced by political ideologies, religious movements and cultural changes in the home country. This is clearly seen, for example, in colonial "autonomism"—i.e., nationalism—which emerges inevitably and with a strength proportional to the spread of western institutions and ideas in the colonies.

The critical feature of colonisation, says Professor Maunier, is "the contact of peoples" in which "two differing civilisations are pitted against one another." This contact has many forms, such as harsh conquest, emigration, domination, etc.; but when, as during the last 100 years, the stage is reached of bestowing security and prosperity on the—often recalcitrant—native peoples, the way is open for "partnership," an ideal rooted in western social democracy. Finally, there ensues some form of "emancipation." Economic and political contact involves cultural contact, both collective and individual, and often marred by hostility, prejudice and ignorance on both sides. To make constructive association possible the native peoples must be brought into the orbit of European law. The ideal way to achieve this is by education; but force, ending often enough in brutal wars of extermination, has sometimes been necessary. Resisting at first, the natives later imitate and learn from their rulers, taking over technical, juridical and theological institutions and customs. Fusion by legal or illegal miscegenation is one of the problems that arises, and in this connection Professor Maunier has some pungent remarks about race and colour prejudice among the French.

Professor Maunier then discusses what he calls the "mental forces" which have directed colonial evolution. This is mainly an historical analysis, in general terms, of the doctrines and ideologies of colonial expansion as expressed by representative statesmen, administrators, missionaries, etc. What is striking is the frequent parallels between British, Dutch and French thought on colonial problems over the past two centuries.

The last part of the book, which takes up the whole of volume 2, is devoted to the progress of law. This, in Professor Maunier's view, is the crux of the colonial problem. The Law

is the State, and the fundamental problem of contact is the conflict between the secular, impersonal State with its codified legal system based on the concept of public order and individual responsibility, and the Tribe with its oral, personal law based on kinship, common cult and group responsibility. Drastic measures may be required to transform tribal-society into state-society, but in the long run compromise and education succeed better. Here Professor Maunier is in his element, and his analysis of the expansion of the State in colonial conditions is brilliantly done.

"The Concept of Colonisation." By Herbert Frankel. Clarendon Press. 24 pages. 2s.

THE words "colonial economic affairs" suggest groundnuts, sugar, over-population, sterling-dollar problems, Malayan banditry, and the like: the political background against which these are considered is apt to be equally impermanent. The Inaugural Lecture on "The Concept of Colonisation," delivered by Professor Herbert Frankel, the first incumbent of the Chair of Colonial Economic Affairs, at Oxford last June, is the more worthy of attention as an essay in the philosophy of colonisation in that it recalls attention from short run to timeless problems. The process of colonisation, whether through settlement, administration or economic development, is seen as a special instance of the basic process of social and economic growth and diversification. Economic adaptation and social mobility are the key factors. The regrouping of individuals to form "a new pattern, a new cell, a new colony of economic activity," is as apparent in the launching of a new industry in home territory as in the clearance of a jungle; the psychology of innovation, of free-lance or co-operative pioneering, is the same; and every such "colony" is necessarily integrated, by the necessities of a world-wide division of labour, into the general stream of economic endeavour.

The conspicuous facts about colonisation in the everyday sense—the elements of distance and climate, the formation of constitutional entities, the clash of race, nationality, culture—mask this essential likeness and the relationship of the metropolitan authority to the nascent or developing colony has a deceptively one-way look, very encouraging to the builders of supposedly permanent ring-fences, to the more self-satisfied type of planner, and to the un-historically minded generally. "In the long history of colonisation," says Dr Frankel, "there has been but little comparative analysis of the factors which made possible, or prevented, the successful integration of metropolitan societies within the larger economies to which they gave birth." It is time that this lack was remedied. The more purposive the direction of colonial—or other—economic affairs, the more essential it is that that purpose should be framed in the light of something more enduring than the current structure of commodity prices or the comparative nuisance value of competing grievance-bearers.

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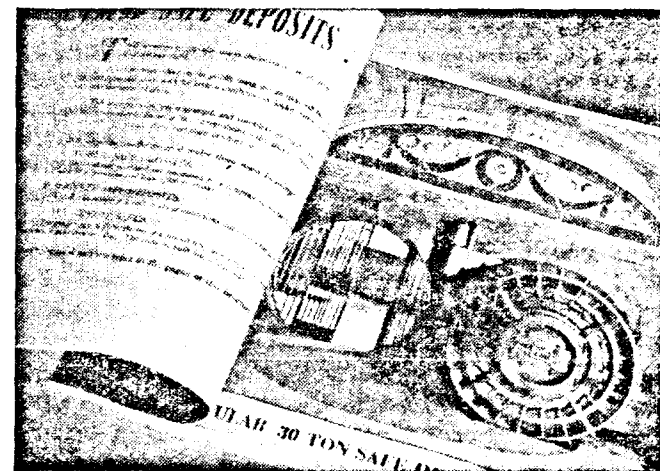
Two French Economists

"A Short Treatise on Money and Monetary Systems." By Bertrand Nogaro. Staples. 214 pages. 17s. 6d.

THIS book is rather an oddity. Written with practised competence in the best French academic tradition, embodying the fruits of a lifetime of study (the list of Professor Nogaro's published works begins, with a volume on money in international trade, in 1904) it deliberately excludes all consideration of credit and (in the author's own words) "of monetary problems considered in the context of the economy as a whole"—that is, of those very aspects of "money and monetary systems" which most occupy the minds of present-day economists. Professor Nogaro's approach is inductive and historical, and anyone wishing to know how bimetalism functioned, and how informed public opinion was gradually weaned from the notion that money is essentially a commodity, will find the necessary information presented here with admirable clarity. There is also to be found some suggestive discussion of the causative sequences of price change, and an independently evolved version of the Keynes Plan for international exchange stabilisation. (This is the only connection in which Keynes' name is mentioned.) On the whole, however, the whole book is of archaeological rather than contemporary interest.

"Esquisse d'une Théorie Générale de l'Equilibre Economique." By Claude Gruson. Presses Universitaires de France. 324 pages.

THIS is uncompromisingly a professional economist's book, closely reasoned, highly abstract, making no concession (beyond a meticulous avoidance of undefined technical terms) to the lay reader. M. Gruson's aim in writing it appears to have been twofold: to present Keynesian theory to his qualified compatriots, and to cast that theory into a more rigorous, indeed an almost Euclidean, series of definitions, propositions and logically developed demonstrations. It is possible to hold



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that the second aim is better achieved than the first. The General Theory is indeed implicit in the "Esquisse d'une Théorie Générale," and its inspiration is explicitly underlined in M. Gruson's introduction; but at no stage does he pause to say, "This is Keynes' concept; here is mine; they are exactly equivalent or diverge in such-and-such a respect." Nor is there any mention of other economists—English, American, Austrian, Scandinavian—who have at various times anticipated, enlarged upon, or criticised Keynesian theory. This work, in fact, exemplifies to a striking degree not only the beautiful cutting edge of the French analytical mind, but the isolation of French economic thought.

Shorter Notices

"Employment and Equilibrium." By A. C. Pigou. Macmillan. 277 pages. 18s.

THIS work, dealing on an abstract and frequently mathematical plane with the necessary conditions of economic stability and the influences disturbing these, was first published in 1941 and has now been revised in the light of intervening criticism. It is unequivocally for the well-equipped professional economist.

★

"The Viking Lands." By Gordon Young. Evans Brothers, Limited. 154 pages with plates. 9s. 6d.

THIS is a pleasant enough book, superficial and stereotyped, but accurate in the main and describing in stock phrases the stock reactions to the life and landscape of Norway, Sweden and Denmark. The author is handicapped by his attempt to cover too much ground, so that the work smacks rather of the guide book. This feeling is reinforced by the many unfamiliar proper names, sometimes spelt in an unfamiliar (though strictly accurate) way—Karl XII for the redoubtable Charles XII of Sweden or von Linné for the great Linnaeus.

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AMERICAN SURVEY

Puzzle of Plenty

(From Our American Staff)

THIS year, as last year, Congress is being pressed to enact a farm programme before adjournment and once again the Senate is trying to make the long-term readjustment in agricultural policy which the House of Representatives, passing a frankly interim measure, has preferred to postpone. Last year the House, putting the hope in the Hope-Aiken Agricultural Act, continued the high wartime price supports until the end of 1949, when a new system was to come into force under which price supports would fluctuate in inverse ratio to supplies. This scheme, for which Senator Aiken was responsible, also modernised the parity formula which relates the prices farmers receive to those they pay for what they have to buy, and on which the support prices are based. This Act would mean an unpleasant fall in price supports next year—election year, when the outcome will probably depend on the farm vote. The House, deciding that it would be politic to put off the evil day until 1951, repealed the Aiken section of the Act a few weeks ago and continued the temporary, but at least rosy, Hope section for another year.

The Administration had already produced the so-called Brannan plan as an answer to the rigours of the Aiken Act, but the House repudiated this, by 239 votes to 170, and the Senate is not even expected to consider it. But the Senate is no more likely to swallow the Hope proposals whole this year than last. It is almost certain that, when the two Houses go into conference on an Agricultural Act, the Senate's version will be the Bill prepared by Senator Clinton Anderson, of New Mexico, the former Secretary of Agriculture; this has been approved by the Senate Agriculture Committee with reservations and the Administration is prepared to accept it. The Anderson proposal is closely akin to the Aiken Act; it is another example of the tendency of the Eighty-first Congress to continue the measures of its predecessor, after changing the names of their sponsors. By introducing a system of flexible price supports, it attempts to allow prices to serve as a means of allocating the use of agricultural resources, while at the same time protecting the farmer from price fluctuations so wide as to be ruinous.

The Anderson Bill is a witness to the power of the American Farm Bureau Federation, whose national president, Mr Allan Kline, had seventeen state presidents on hand to endorse his testimony before the Senate subcommittee which drafted it. The Bill contains a few provisions which the AFBF does not like, but also a number of refinements on the Aiken provisions which the Bureau proposed as the result of a conference in which compromises were worked out between its own sectional interests. The most troublesome internal disagreement has been between the cotton farmers of the South and the grain farmers of the Middle West. The basic reasoning behind last year's Bill remains: it is desirable to have floors under farm prices; to have resources allocated by the price mechanism above those floors, thereby leaving farmers freedom of choice and encouraging agricultural output to change as demand changes; and to provide standby methods of controlling

production, over and above the price mechanism, to be used if and when that mechanism proves inadequate.

This emphasis on the use of price as a regulating factor is in sharp contrast to the Brannan proposal, which would let prices seek their market level, while raising farmers' incomes to a given standard by government payments, voted annually by Congress. Adherents of the Anderson-Aiken approach insist that the rewards offered by the Brannan programme are so high that production is bound to rise to a level that would require permanent acreage and marketing controls; in that case the government would set both the volume of production and the level of income to be derived from it. Yet there is room to wonder whether the new Senate Bill, like the Hope Bill, is not essentially an interim programme, which would mitigate the immediate agricultural difficulty, but prove insufficient to solve the long-term puzzle set by the American farmer's phenomenal capacity to produce.

*

A good deal of readjustment in the agricultural situation has already taken place. Prices received by farmers for oil-bearing crops, feed grains, meat animals and dairy products are all sharply down from a year ago, to or near the support level, with the averages for livestock and products down 22 per cent and for all crops 13 per cent. Yet, after this readjustment, the ratio between prices received and paid by farmers still stands at 101 of parity, and the prospect of continued strong demand for farm products is improving as the recent recession recedes in its turn. The latest estimate of this year's harvest puts it only slightly below last year's record. Apart from a few further downward adjustments, 1950 is therefore expected to be a good year for the farmer. But 1950 will also probably bring an accumulation of agricultural surpluses. What then?

The attempts made in the Senate to dispose of these surpluses through the Economic Co-operation Administration show that the farmer's eye is already wandering to exports. The International Wheat Agreement may take care of part of one crop. Talk of a two-price system, of export subsidies and so forth, is likely to be increasingly frequent. But it is recognised that the farmer's major market is at home and, along with general concern for the maintenance of domestic purchasing power, there is interest in methods of directing output so that full and uncontrolled production can be allowed.

All present plans resort, in the end, to acreage limitations

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

and marketing quotas. Yet experience since the first world war, and particularly since 1933, has raised doubts whether such measures are effective. In practice, output has been stepped up continually in spite of acreage restrictions, since farmers have kept their most productive land in use and have cultivated it more intensively, with more fertiliser and mechanical aids, and better quality seeds. To the extent that genuine means for reducing production are as yet undiscovered, all farm programmes are designs for moving one season's crop out of the market to make room for the next, while protecting the farmer from the financial effects of expanding supply beyond effective demand.

Three of the six basic crops, tobacco, peanuts and cotton, seem to be more or less amenable to production controls, partly because of the relatively smaller acreages on which they are grown, compared with grains. But these three together occupied less than 28 million acres in 1948, while maize and the grains traditionally used for feed were grown on 145 million acres and wheat, soybeans, flaxseed, all of which are increasingly used for feed, covered another 87 million. These are substantial totals to administer under controls; since their production is highly mechanised, fixed costs cut into farm income if volume is reduced, and a small profit per unit sold can mean a good sized income. The problem of grain stocks, however, can be solved if there is a steady and growing market for livestock. According to a Michigan State Agricultural College study, two per cent more livestock in the country during the years 1930-48 would have cleared up the wheat surplus; five per cent more would have absorbed the surplus of all feed grains.

In this light, city purchasing power appears to be the farmer's best farm programme. More meat would certainly have political appeal in city areas. But there are other farm products of which consumption is persistently declining, and these have already demonstrated how programmes for supporting prices and controlling output may prove so costly and so ineffective as to bring on a taxpayers' revolt. In the case of potatoes, that stage has been reached. The cost of the potato support programme last year ran to some \$225 million. Marketing restrictions have cut this year's crop to an estimated 362 million bushels, in contrast to 446 million last year. But it will still cost an estimated \$50 million to take unwanted potatoes off the market, and big growers are being paid as much as one hundred thousand dollars each by the government. The Brannan scheme has at least the advantage that under it the city dweller does not pay twice over for his food, once in taxes, once in high prices.

Academic Freedom

[FROM A SPECIAL CORRESPONDENT]

ACADEMIC freedom has been a far from academic subject in the United States this summer. Both light and heat have been generated by the problem, which periodically vexes America, of how to maintain freedom of inquiry without offering opportunities for subversive activity. Much of the light has been supplied by the report of the Educational Policies Commission of the National Education Association. The convention of the NEA subsequently voted that, while members of the Communist Party should not be permitted to teach in the nation's schools, neither should teachers be required to take oaths of loyalty.

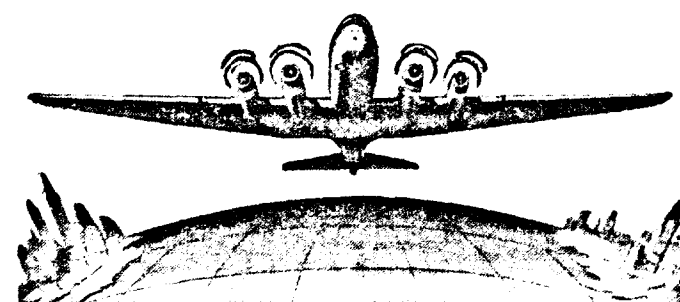
The heat surrounding the subject has been supplied by the Un-American Activities Committee of the House of

Representatives, and its smaller-scale imitators in a number of states. The former, stimulated by a complaint from the Sons of the American Revolution, requested representative schools and colleges to furnish it with a bibliography of the textbooks and supplementary reading used in social science courses. Its booklet, "100 Things You Should Know About Communism and Education," claims that "Communists have always found the teaching group the easiest touch of all the professional classes for actual Party zealots and fellow travellers. . . . Sometimes this is due to frustration. . . . Sometimes it is greed or love of power. Sometimes it is misplaced idealism."

State investigators have held public hearings on Communism in the teaching bodies of public and private institutions. The Broyles Committee in Illinois, and similar bodies in the states of Washington and California, are conspicuous examples of activity on the state level. Both Maryland and New York have passed laws requiring school authorities to investigate the loyalty of individual teachers and, after granting hearings, discharge those found disaffected. In New York, the state educational authorities are to prepare a list of "subversive organisations"; membership in such organisations will be ground for dismissal of teachers. Twenty-seven states now require loyalty oaths from teachers in the public (i.e. state) school system.

These measures, and the arguments they have inspired, underline the age-old difficulties inherent in combating an idea. In the present controversy, the desire to safeguard freedom of inquiry as the fundamental basis of new knowledge, mistrust of intelligence, and assorted ulterior motives, are all playing their traditional parts. This time, however, two new factors are apparent. There is general agreement that a member of the Communist Party is not a free man,

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but a person who has sacrificed his capacity for individual judgment and serves his superiors with often fanatic devotion; to him, freedom of inquiry is a weapon which can be turned against those he wishes to destroy. The existence of atomic bomb secrets also introduces new complications. In June, Mr Frank Oppenheimer, a nuclear physicist and younger brother of the wartime director of the ultra-secret Los Alamos laboratory, admitted that he and his wife had been members of the Communist Party for three and a half years, shortly before he worked on the atomic bomb project. Mr Oppenheimer refused to name any of his Communist associates, though the Un-American Activities Committee is on their track; he insists they were "decent, well-meaning people," and that he and they maintained "complete loyalty to this country and its government." The probers recall, however, that it was naive idealism which started Dr Alan Nunn May down a road leading finally to a crime against his country.

Dr James B. Conant, the president of Harvard University and wartime director of nuclear developments, recently told the sponsors of the new Harvard Foundation for Advanced Study and Research:

In this period of a cold war, I do not believe the usual rules as to political parties apply to the Communist Party. I am convinced that conspiracy and calculated deceit have been, and are, the characteristic pattern of behaviour of regular Communists all over the world. For these reasons, as far as I am concerned, card holding members of the Communist Party are out of bounds as members of the teaching profession. . . . But with this single exception which is the unique product of our century, I maintain that a professor's political views, social philosophy or religion are of no concern to the University, nor are his activities within the law as a private citizen. . . .

As long as I am President of the University, I can assure you there will be no policy of inquiry into the political views of the members of the staff and no watching over their activities as private citizens. Any suggestion that we should employ here procedure comparable to that required by the necessities of secret government work and investigate the loyalty of our staff is utterly repugnant to my concept of a university. On this point I am sure you will all agree. You will likewise join with me in condemning the careless, incorrect and unjust use of such words as "Red" and "Communist" to attack teachers and other persons who in point of fact are not Communists but who merely have views different from those of their accusers.

A few other administrators have taken stands similar to that of Mr Conant, and more have applauded him. But in many state universities and small colleges, the typical attitude is that of the president of a western Illinois State College, who was asked by a member of the legislative committee investigating seditious activities: "If anyone in your university was giving emphasis to some foreign ideas, you would not permit him to remain?" and who loyally answered: "Certainly not. I think you know that, Mr Thompson."

★

Today's investigators, however, are for the most part more adult than their predecessors of a generation ago. During the first world war, alarmed legislators thought patriotism required a ban on the teaching of the German language and culture. In the Red scare that followed, teaching about Socialism, Communism and Russia was often suspect. Nowadays Russian studies are booming. Before 1940, the teaching of Russian was almost unknown; today, there are some 5,000 students of the language in colleges and universities. There are many more in private classes or teaching themselves with the aid of gramophone records or specially devised manuals.

"Area studies" which combine the language, history, geography, economics and culture of a region—usually Russia—are the latest academic style. Teaching about Russia, Communism and Socialism is now found in social science courses for children as young as 10 or 12. Russian language textbooks and school and university books about Russia now in use do include some rosily pro-Soviet ones; but these more often represent an undue respect for the pro-Russian foreign policy of the period in which they were written than any subversive intent. Local communities, moreover, are demonstrating their ability to winnow with good sense.

This year's scare also reflects a different attitude towards teachers. Back in the days when most American businessmen and political leaders were self-made men with little education, the usual charge against teachers was that they were idealists in ivory towers. Nowadays this view is seldom heard. The present drive against subversive influences in the schools is based on the opposite assumption, that teachers wield a very powerful formative influence. This is all the greater now that most Americans do not leave school until they are 17, and the authority of the home and church have been weakened. Former professors are frequently encountered, and often successful, in both government and business. This new recognition may be some compensation to bodies like the NEA, the American Association of University Professors, and Phi Beta Kappa (the honorary scholastic society) when they are driven to call on their members "to withstand the emotional pressure, from whatever quarters, to substitute dogma for critical analysis."

American Notes

New York at the Starting Post

The Democrats have put forward two strong and experienced entries for the important election races which take place in New York in November. The city's 8,000,000 voters are to elect a Mayor, and other officials, for the next four years; New York State must elect a Senator to fill out Senator Wagner's term, which expires in 1950. Mr O'Dwyer, the present Mayor, after renouncing further political ambitions in the spring, and allowing the machine to discover for itself that he was indispensable, has gracefully acceded to the "draft" supported by city labour unions and, it is believed, by Mr Truman.

Control of the city, which has a population larger than many States, and a budget second only to that of the federal government, is a stake in which the national party is naturally concerned. Mr O'Dwyer, although a Democrat in a city where the cry of reform has long been a Republican monopoly, has a number of solid achievements, particularly in welfare, to his credit; and he has begun his battle by turning on Tammany, the notorious and now almost toothless Democratic machine in Manhattan. With one hand, he has rejected the support of its "sinister elements" and, with the other, engineered a palace revolution in its leadership.

Last week Mr Herbert Lehman rounded out the Democratic ticket by agreeing to run for the Senatorial post to which Mr Dewey recently appointed Mr John Foster Dulles on a temporary basis. A political slate in New York must give consideration to the claims and prejudices of both Catholics and Jews; Mr Lehman, now 71, can count on Jewish support, but he has other assets: a humanitarian record, four terms as Governor of the State, proved administrative ability, and an appeal to voters of all groups. When this appeared to be jeopardised by Cardinal Spellman's attack on Mrs Roosevelt, which brought Mr Lehman to her support, Mr O'Dwyer made energetic and successful efforts to heal the breach.

Mr Lehman has lost only one election, and even then, in the Republican landslide three years ago, he ran 400,000 votes ahead of other Democratic candidates. He should derive some help this year from the mayoralty race (which brings out a heavy vote in Democratic New York City) while he, in turn, introduces larger issues into the whole campaign. His candidacy has encouraged the Republicans to put great pressure on Mr Dulles to run for the seat he now holds in the Senate. Mr Dulles has just announced that he will gladly accept the Republican nomination. Party loyalty, and a taste of the joys, as well as the aggravations, of shaping foreign policy from the inside have evidently overcome the doubts which led him to insist, in the past, that he could not be a candidate.

Neither Mr Lehman or Mr O'Dwyer will have—or would care to have—the support of the American Labour Party, which has moved so far to the left that its endorsement is a liability. It is nominating Mr Marcantonio for Mayor. Mr Lehman has, however, been endorsed by the Liberals, who decided in 1943 that they could no longer accompany the fellow-travellers of the ALP. In the city elections, the Liberals have joined hands with the Republicans to support Mr Newbold Morris, who served with Mr La Guardia; not all Mr O'Dwyer's crusading fervour has convinced them that under his shining new Fair Deal armour there are not to be detected the same old Tammany stripes.

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Higher Floor for Wages

Another of Mr Truman's election pledges was redeemed last week when the Senate, after only two days' debate, and in a hurry to depart on a six-day holiday, voted to raise the national minimum wage from 40 to 75 cents an hour. As was the case with low-cost housing, however, the Administration was forced to call in the Republicans from industrial states to compensate for defections in its own ranks. Without their aid it would not have been possible to repel the attempts of Democrats from the lower-wage South (where, to be fair, the new minimum will be felt more widely than in the North) to reduce the figure to 65 cents or even less.

Broadly, the Fair Labour Standards Act applies to workers in inter-state commerce, not to those who produce goods and services sold in the same state. In the House, which has already approved the Bill, the 75 cent minimum was passed only at the price of exempting over a million workers, or rather their employers, from the requirement to pay it. In the main, these would include the unorganised clerks, stenographers, and employees in retail trade, who stand in most need of protection but who can be excluded by a rigid definition of what constitutes inter-state commerce. In the Senate the Administration, which several months ago abandoned its hopes for extending the coverage of the Act, was able to keep new exemptions down to 200,000 or less, including some 2,000 home sewers of baseball covers in Tennessee for whom Senator McKellar gallantly went to bat.

If the Senate conferees are able to convince the House that the number of workers covered should remain substantially unchanged at about 22.6 million (out of a total labour force of about 64 million), it is calculated that about 1,300,000 will have their pay-packets increased. Although they are not exactly comparable, hourly earnings ranging from \$1.11 in retail trade to \$1.38 in manufacturing and \$1.95 in building explain why Congress did not balk at a statutory 75 cents an hour. The official net to break the fall of the artists on the high-wage trapeze has been raised from the meaningless 40 cents an hour accepted when the Act was passed in 1938, but the descent from present levels would have to be very steep to test its strength. With new unemployment declining, there are no signs of this, despite the bravado of the shipping employers, who have "insulted" the longshoremen by suggesting a wage cut, and similar proposals to typographers employed by four newspapers in the national capital. More immediately effective than the Wage-Hour standards are the minimum

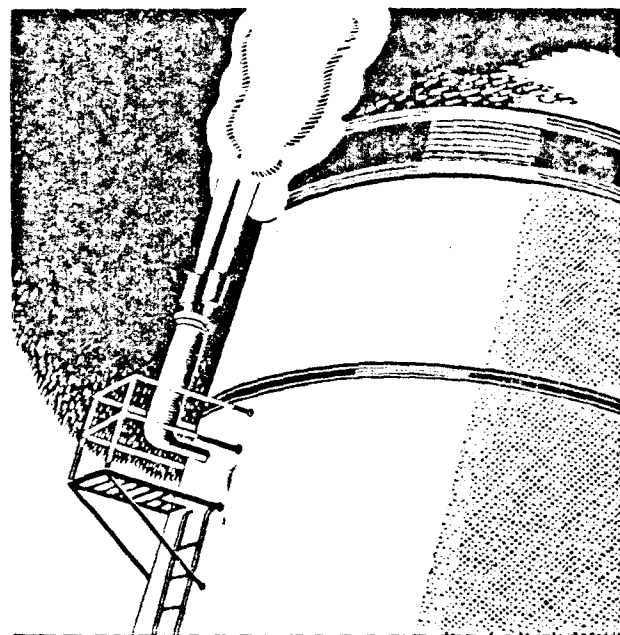
wages for firms accepting government contracts which are being set by the Secretary of Labour at levels close to those prevailing. Any increase in government purchasing or building to offset a recession, for example, would widen an impact which most employers are likely to feel at least indirectly.

On the other extreme, a Supreme Court decision on overtime pay for stevedores, which would have sent some wages soaring through the industrial roof, has been set aside by Congress and the Bill signed by the President. The Court ruled that premium rates of pay for work done at night and on holidays must be allowed for in calculating the regular wage rates which are the basis for computing pay for work in excess of 40 hours a week. This decision made stevedoring firms liable to claims for back pay amounting to millions of dollars. The new Act, which had the backing of both employers and labour unions, removes this liability, both in the past and for the future, and applies to all workers covered by the Wage-Hour Law.

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Death of a Wizard

Dr Samuel Green, who died in August, had just been raised to the rank of Imperial Wizard in the Georgia Ku Klux Klan in recognition of his five years' reconstruction of that discredited organisation in his own state and elsewhere, especially in Alabama, Tennessee, South Carolina and Florida. His death seems to have split his empire; a Mr Lycurgus Spinks has been crowned Imperial Emperor of the Knights of the KKK, but is regarded as a pretender by other branches of the Klan. Its present membership is over 100,000 but Dr Green's success seems very limited when compared with the influence achieved by this anti-Negro, anti-Catholic secret society after the first world war. Then hundreds of thousands joined it, even if they did not all parade in the traditional sheet and pillow-case to burn fiery crosses, to flog and even to



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kill. Then aspiring politicians in the South found it expedient to come to terms with the Klan; now it is only in Georgia, Dr Green's home ground, that politicians do not repudiate its support.

Even in Georgia, where the State Legislature has refused to outlaw masked organisations, local communities have done so, and across the border in Alabama an aroused public opinion has been dealing drastically with the latest outbreaks of the "hooded violence" that has been increasing ominously in the South. The victims nowadays are usually white and their alleged crimes moral or social. Klan leaders indignantly deny that their society approves these outrages or is anything more than a patriotic organisation. They have ordered their followers to cease wearing the masks which give opportunities to criminals and others to turn the awesome reputation of the Klan to their personal ends. In Alabama not only has the wearing of masks been banned by law, except at carnivals, but a grand jury has also returned indictments against a number of participants in the recent incidents, including a police chief and a deputy sheriff, and has imprisoned the Grand Dragon of the Alabama Klan for refusing to give access to his membership lists. However, a second grand jury, which took over after the first was exhausted, adjourned in confusion when one of its members was found to be himself a Klansman.

This commendable energy, inspired in part by the certainty that Washington would interfere if nothing were done locally, will only be effective if the accused can be convicted and punished. It is the difficulty of obtaining local enforcement that has led to the demand for federal protection of civil rights: for instance, no one has been punished for any of the 26 lynchings that have taken place in Georgia since 1930. The only three lynchings since January, 1948, have been in Georgia, a state where the Klan has much of its present strength and where rural educational standards are extremely low and the rural influence is dominant. All of this is very strong evidence on the side of those who argue that education is the only effective answer to the prejudice and terrorism that are epitomised by the Klan. But the powers of the Wizards are already weakened when, as has happened at recent Klan-claves, Negro children dare to prance behind the procession draped in their mothers' bed-sheets.

* * *

Beveridge—Pacific Style

Americans have no need to cross the Atlantic to study the welfare state in practice: they have two on their own continent. The states of Washington and California are both deep in experiments which, with the Pacific coast's well-known inability to do anything by halves, are already out-Beveridging Beveridge.

Under its Citizens' Security Act, Washington embarked last January upon a complete "cradle-to-grave" programme for its needy, which provides free care for mother and child before, during and after birth and \$100 towards funeral expenses. During the lifetime between, relief allowances for rent, food and clothing are so generous that an unemployed man with a wife and three children can draw benefits of \$292

a month, while his earnings as, say, a teamster would amount to only \$275. In addition, while he is out of work, he and his family are entitled to free medical care, which includes dental and hospital treatment, hearing aids, spectacles, massage, and so on. There are similar plans for dependent children, for the blind and for all needy old persons in the state. The latter are paid at least \$60 a month after they are 65; 36 per cent of persons of that age, 68,000 people, are drawing such old-age pensions, which average \$67 a month.

In California last November, the voters, amongst whom there is a higher proportion of old people than in any other state, raised the maximum pension from \$65 a month to \$75, lowered the age-limit from 65 to 63, and practically abolished any means test. This scheme does not yet go as far as either the Townsend or the "Ham-and-eggs" programmes of the nineteen-thirties, but it has at least become law, which neither of them did, and its political influence may prove as strong as was that of its predecessors. The new protector of California's aged is Mr George McLain, a personable and far from aged demagogue, who is already rallying the state's biggest pressure group against the attempt to amend the pension scheme which is to be made at a special election next November.

The State Legislature has no control over the scheme, the details of which were written into the Constitution by popular initiative, yet it must find the \$100 million a year which the new pensions are already said to be costing the state, largely because the federal contribution to old-age pensions does not begin until the beneficiaries are 65. In six months the number of pensioners has risen from 198,000 to 245,000, and the additional coins in the pot of gold at the foot of California's already very attractive rainbow are likely to draw many more of the country's "senior citizens" to the state. Washington faces a similar problem. Not only does it have its local examples of the Indian seamen who get their false teeth in Liverpool and the Frenchman who came to Dover for his operation, but also of the doctors who want higher pay and the dentists who refuse to co-operate. More serious, the State Legislature has so far refused to impose the additional taxes needed to cover the cost of the welfare state, now running, oddly enough here too, at \$100 million a year.

Shorter Notes

On September 1st one million non-operating employees of the American railroads, clerks, dining-car attendants, signalmen, maintenance workers, changed from a six-day, 48-hour week to a five-day, 40-hour one, and received a wage increase of 7 cents an hour. This will mean that many smaller stations will be closed on Saturdays and Sundays, so that freight shipments and deliveries will be delayed; passengers will, however, be able to buy tickets on the train. The railroads will have to engage some additional employees, but they hope that this enforced review of their working habits may lead both to economy and greater efficiency.

*

The Fellows in American Letters of the Library of Congress recently gave a prize of \$1,000 to the American poet, Mr Ezra Pound, now in an insane asylum, for a poem written while he was held in an American prisoner-of-war camp in Italy on charges of having committed treason by broadcasting for Mussolini during the war. Congress has now recommended, and the librarian has agreed, that in future no prizes shall be awarded by the Library.

*

A new regional Stock Exchange is to be formed on September 15th by the merging of the present exchanges in Chicago, Cleveland, St. Louis, Cincinnati and Minneapolis-St. Paul. Operations on this new Midwest Stock Exchange, which is to be in Chicago, will not actually begin until December.

THE WORLD OVERSEAS

Belgian Steel and Coal

(From Our Brussels Correspondent)

THE installation of M. Eyskens' new Catholic-Liberal Government was in itself satisfactory. Ostensibly, the Socialists have left the Government, for the first time in fourteen years, through their inability to agree with the other parties on how to tackle the vexed problem of King Leopold's return. Ostensibly, too, the Government parties are divided on the same issue, and may at any time be blown apart by Private Members' Bills already tabled to deal with it. There is an element of paradox in the Socialists' refusal to participate in a non-existent agreement; and their real motives for going into the wilderness must clearly lie deeper than their hostility to King Leopold. The probable answer is that the Socialists foresee economic troubles for Belgium, and are glad of the chance to make working-class propaganda. Equally probably, the Catholics foresee similar troubles, and are relying on their short-term, and somewhat inflationary, policy to induce a transient sense of prosperity. Upon their success may depend their willingness to allow the issue to be forced on the Royal question, entailing a new General Election about the end of the year. The crux of the problem is that unemployment, which grew steadily through 1948, has settled down at something over one-tenth of the insured population and, without positive measures, will grow worse during the winter. In defiance of earlier attempts to blame the growth on a shortage of exports, unemployment has continued in spite of an export surplus of frs. 1,611 million in the first half of this year. This figure compares with an habitual deficit of frs. 8,342 million in the corresponding months of 1948, and of frs. 5,054 million in the second half of the year.

The improvement in exports, of course, owes much to drawing rights under the Intra-European Payments Scheme. During the first half of 1949, Belgium had a surplus with Marshall countries of frs. 6,396 million. For the ERP year, 1949-50, the surplus with these countries has been estimated as at \$440 million—about frs. 19,400 million—and the dollar deficit at \$200 million.

Doubts About the Dollar Deficit

As things stand, there are two doubts. First, the Belgian dollar deficit now looks more likely to approach the American estimate of \$311 million than the \$200 million which was taken into account. Secondly, the prospective export surplus may not after all find its market in the Marshall countries. The main trouble is steel, which has borne much of the brunt of the export expansion. The iron and steel group accounted for 30 per cent of the Belgo-Luxembourg exports in the first half of this year; but the United States market for it, into which Belgium made its first important inroads last autumn and which was worth some \$13 million in the first quarter of 1949, earned only about \$1½ million in the second quarter. There has been a similar drying-up of the Argentine market and a serious decrease in the Swiss. Only the enormous growth in the tonnage saleable (and sold) in the British market has kept the industry continuously busy.

In so far as the dollar deficit exceeds \$200 million, there will be a corresponding fall in the supply of "free" dollars which Belgium will get from the Intra-European Payments Scheme or—if "free" dollars are not legally available—in the dollars which it may appropriate, in accordance with a recent suggestion, for capital equipment for the Congo. If exports to Marshall countries fall short of their target, the possibility might even emerge of receipts failing to cover the dollar

deficit, and in any case there would be a diminished prop for the Belgian franc in its relations with the Swiss. Whatever might happen in the international sphere, the effect on employment and prosperity in Belgium might well be catastrophic.

As soon as the Washington talks are finished and the allocation of Marshall aid defined, the Trade Agreements for 1949-50 (already overdue) will have to be re-negotiated. The danger for Belgium may be that its bargaining position will have been weakened by the fact that the world hunger for steel has notably diminished and the supplies increased so that Belgian steel, which is high-priced and therefore marginal, will be less in demand. Things seldom work out as badly as the worst fears, but, first, a diminished demand for Belgian steel would cause a direct fall in employment, especially around Liège and Charleroi where opposition to the Government is strongest, and second, other nations might wish to curtail their buying of less-essential Belgian goods, the purchase of which was formerly associated with securing the promise of sufficient steel. The key to the matter lies in the lowering of the price of coal. There are in Belgium a number of well-placed, well-developed and well-equipped collieries, but their activities are hampered by the cumbrous system of subsidies and inter-colliery compensation developed during the postwar shortages, which made it necessary to work a number of the less economic pits. The situation is also complicated by the apparent reluctance of the postwar Belgian to work underground, with the result that little over a third of the hewers and less than half the other underground workers are of Belgian nationality, despite a Belgian preponderance at the surface.

Lower Output of Miners

The combination of these factors, and a growth of absenteeism, has resulted in a much lower output per man than before the war. The daily output per face-worker is now a little over 4½ metric tons, as compared with 5.65 tons in 1939; and the average output for all workers has fallen from 774 to about 640 kg. Despite a labour force increased by about a quarter, output is still less than in 1939; and, throughout the postwar period, the industry has been working at a loss which has precluded the raising of capital to modernise the workings or to get full benefit from the amalgamations proposed. Against this background the mines have had to meet demands for higher wages; at present the average wages of a face-worker are the equivalent of about 30s. 9d. per day, and surface workers 17s. 6d., plus social security advantages. The average production cost is about frs. 690 per ton, and the average price at pit-head about frs. 660 (about 75s.).

Before the war Belgium was a net exporter of coal, but it is now a net importer. Moreover, the high price of Belgian coal has lately caused the loss of some export markets. Italy has preferred American coal to Belgian, which it could, nevertheless, claim under the Treaty by which Italians helped to staff the mines, and Switzerland prefers British coal to dispensing with British tourists. French and Dutch takings, though slightly larger last year than in 1947, and Swedish purchases, are all far below the prewar figures; and bunker sales have been affected by the Durham supplies offered from the coaling station at Zeebrugge, Belgium's only port of consequence which is actually on the sea. Coupled with the loss of exports, there has been an increase in imports from Germany, offsetting the reduced supplies from America; this may be increased still further under the operative protocol to the Trade Agree-

ment. In addition, Poland is being allowed to pay in coal as compensation for the nationalising of Belgian-owned property, and for the purchase of certain mining equipment.

The result is that Belgium, already faced with the threat that the steel industry may need less coal, had increased supplies entering the country. There has in consequence been a growth of pit-head stocks which, at about 3,000,000 tons, compare with a monthly output of 2,000,000-2,250,000 tons. Colliery companies, already financially straitened, and finding it difficult to discharge their foreign labour or to discriminate against their Belgian workers, are faced with a major problem. Short-time working has been tried, but it raises awkward questions regarding eligibility to unemployment benefit.

Under the Spaak Government, and during the interregnum, the coal problem baffled the ingenuity of the Socialist Minister, M. de Greote. Its solution is not wholly within the Belgian Government's competence, since a part of it results from Luxemburg industrialists being anxious, and now able, to take coke and coking coal from their own establishments in Germany. The accumulation of coke at the Belgian coke-ovens, however, is also attributable to the small purchases from France which is turning increasingly to Germany. Indeed, the very great saving on coke bought from Germany is strengthening the Franco-German economic rapprochement which, largely operating through the Saar territory, is regarded in Belgium as one of the chief long-term dangers.

The coal problem is now in the hands of M. Duvieusart, the Catholic Minister for Economic Affairs, who appears to envisage an ultimate solution through "normalisation." This evidently involves a temporary phase in which subsidies will disappear, the home market will be protected by quota restrictions on imports and prices will be allowed to find their own level though without prejudice to the miner's standard of life. The ultimate objective is to concentrate output into the more efficient pits, but at the cost of an autarkic period contrary to Belgium's avowed policy towards the outside world. This solution is nothing if not controversial, and it may, therefore, furnish the background for one more Government crisis.

Tibet's New Role

CHINA's plight is always Tibet's opportunity. When the original Chinese Revolution broke out in 1911 the Tibetans took their chance of rising in revolt against the loosely organised Chinese rule and expelling the Chinese garrison from Lhasa. Since then Tibet proper—though by no means all of the territory which is ethnically Tibetan—has been free from direct Chinese control, but the last few years have seen a certain restoration of Chinese influence due to the repercussions of events elsewhere. From 1911 to about 1940 British Indian policy in the Himalayan borderland was to support Tibetan independence without denial of Chinese "sovereignty"; the basic reason for this was that China was incapable of organising an effective authority in this wild country and it had been found by experience that the only guarantee for peaceful and orderly conditions along the Himalayan frontier of India lay in a firm understanding with the Dalai Lama's Government in Lhasa. But during the Pacific war the British Government's desire not to embarrass China in any way caused a tendency to yield to China's pretensions to complete sovereignty over Tibet, and this withdrawal from support for Tibetan independence was intensified as the time drew near for the "quitting" of India and remote frontier problems lost their interest for the caretakers in Delhi.

The new Government of independent India started out with too many urgent tasks nearer home to have time for looking beyond the Himalayas. So the Lhasa regime was isolated and began to slip gradually more and more under the influence of its relatively powerful eastern neighbour. The Chinese Republic had never abated its claim to inherit all the lands of the Manchu empire, including Tibet, and it retained effective control of the eastern fringe of Tibet, from which it created the two new provinces of Sikang and Chinghai. The

western boundaries of these provinces were drawn far to the west on Chinese maps, taking in a large part of Tibet, though their actual extent depended on the range of Chinese military control at any particular time—which in turn depended more on communications than fighting, for the Tibetans with their primitive equipment were usually unable to stand up to the Chinese in battle, but Chinese army units were liable to perish of starvation in the vast mountain wilderness which intervenes between Lhasa and the Szechwan plain. The Chinese have never managed to reoccupy Lhasa since 1912, but they have made considerable encroachments on the sphere of the Dalai Lama's rule and have been able up to a few months ago to exert a strong pressure on the policy of the Lhasa authorities.

Buffer Against Communism

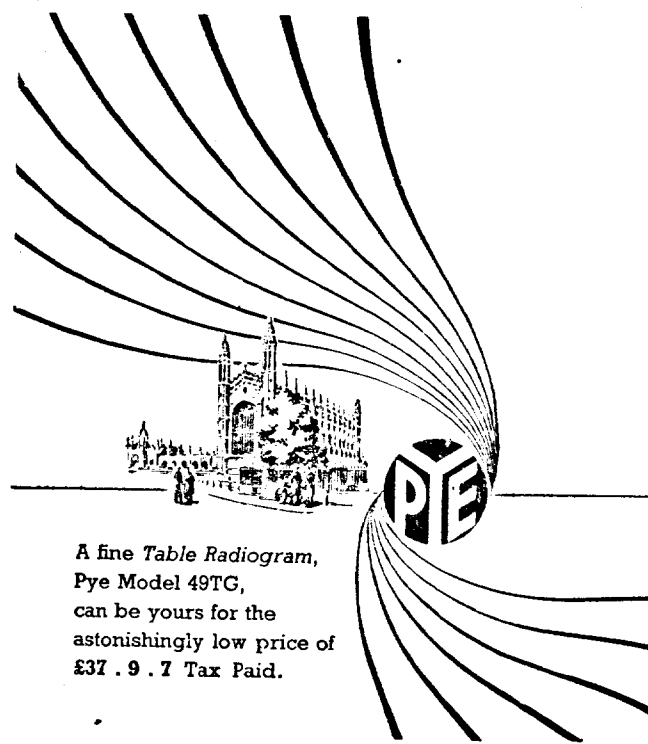
But recently the situation has radically changed. In the first place the Chinese Nationalist Government has been too much weakened by its defeats at the hands of the Communists to be able any longer to intimidate the Tibetans. Secondly, the



Chinese Communists, who aspire to take over all the territorial claims of Kuomintang China, are anathema to the archaic regime of priests and nobles who govern Tibet and are well aware of what happened to their kind in Outer Mongolia. Thirdly, interest in what goes on in Tibet is reawakening in Delhi, and there is no enthusiasm there for the idea of Chinese Communism (or of Russian Communism infiltrating south through Sinkiang) established on the Himalayan passes. Tibet by itself is the most harmless and inoffensive of neighbours, and India's interests require its maintenance as a friendly, independent buffer state on India's northern frontier.

Taking advantage of these political trends, the Dalai Lama's Government has expelled from Tibet the Chinese Mission which performed the functions of a Residency in a territory over which China claims to be paramount. The pretext was that certain members of the Mission had been carrying on Communist propaganda. The Nationalist Government, vigorously asserting China's sovereign rights even while it is fleeing from capital to capital, has rejected this charge, saying that its representatives were very carefully selected and could not have been Communists. But in view of the large number of Kuomintang soldiers and officials who have recently passed over to the Communist camp, it would not be surprising if one or two of the younger members of the Mission had been

CAMBRIDGE—the Centre of Scientific Research

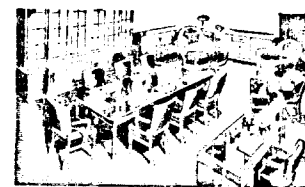


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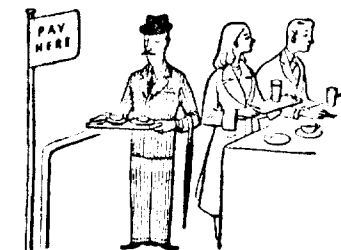
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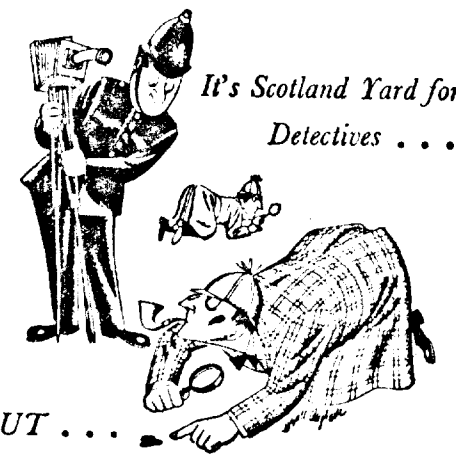
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indulging in some "anti-feudal" talk in old-world Lhasa. In any case, the Tibetans have sent them out of the country.

The only counter-move the Chinese have been able to make to the new Tibetan declaration of independence has been to revive the old feud between the two highest spiritual dignitaries of Tibet, the Dalai Lama, who has his seat in the great Potala palace-monastery outside Lhasa, and the Tashi or Panchen Lama, who formerly resided at Shigatse to the west of Lhasa. In strict Buddhist hierarchy the Panchen Lama can claim even higher dignity than the Dalai Lama, but secular authority over Tibet has long been vested in the latter, and the conflict has arisen over the Panchen's attempt to poach on this mundane preserve. The last Panchen Lama died in exile in China, and a new incarnation, a fourteen-year-old boy, has now been installed under Chinese auspices in Chinghai to make trouble for Lhasa. But the Moslem general, Ma Pu-fang, who has promoted this diversion, is hardly a man to appeal to pious Buddhists, and if the Communists arrive in Chinghai, they will be even harder put to it to make a convincing show of zeal for Lamas and their gods.

The Buddhist Vatican, indeed, though its range of authority is relatively small, may be expected to put up a stiff fight against a Communist China. The India which was the birth-place of Buddhism, and which reveres Mahatma Gandhi, is definitely more to its liking. But the Lamas are reluctant to have any foreigners whatever in their holy land if they can possibly avoid it. Except for an Indian diplomatic representative, it has been ruled after consultation with an oracle that no foreigner may enter Tibet before 1951, and the ban has been applied to the British Alpine Club, which was planning a new assault on the unconquered Mount Everest.

Swedes Without Dollars

[FROM OUR STOCKHOLM CORRESPONDENT]

SWEDEN is facing well known difficulties in its trade with the dollar area. During the first half of 1949 Swedish exports to the United States decreased, in value, by more than 50 per cent, as against the same period last year, prices having meanwhile gone down about 4 per cent. This means that during the first half of 1949 less than 45 per cent of the very low imports from the United States were covered by exports. Although Swedish pulp prices have been cut to the Canadian level, very little pulp has been sold to the Western Hemisphere this season. The buyers seem to be waiting for some new development.

Thus America's former middle way favourite is flagging somewhat. But the dollar crisis of this country is in no way equal to that of Britain. Undamaged by two world wars and to some extent protected by particular measures of taxation against excesses of taxation as a whole, the Swedish industry

Laws and Orders

Other people's laws may prevent the execution of export orders. Before planning production for export, the currencies, quotas, and licensing systems of export markets must be studied. Fact and opinion on these and kindred subjects may be obtained from:

The Economist Intelligence Unit,

22 RYDER STREET, ST. JAMES'S, S.W.1.

Whitehall 1511, ext. 34.

can boast of a consolidated economy and modern equipment. Moreover, Sweden produces 80 per cent of its food, and its export industries are still based mainly on domestic raw materials. It is, however, true that wood and wood products cannot cover as big a proportion of the country's exports as before the war, and it may be that the speed of its economic expansion will remain lower than in recent periods of Swedish industrial history.

Immediately after the war Germany was unable to play its traditional part as Sweden's main supplier, and Swedish dollars were exhausted in buying American goods instead. But it is now generally believed that Germany is coming back again on the market. During the first half of 1949, imports from Bizonia were three times as large in value as during the same period last year—imports from Great Britain being still three times larger than those from Bizonia. At the same time imports from the United States are now cut to about 10 per cent of the grand total. Although these reductions are likely to cause some extra costs in production, they have not brought any real austerity to this country.

The export drive as a whole does not seem too ambitious in the light of the present situation. The Swedish target for the Marshall era, according to the long term programme of October, 1948, is to increase exports by 25 per cent of the small volume of 1947. As has been stressed before, some manufacturing industries are likely to meet difficulties. The engineering industry, for example, would have to send abroad 40 per cent more in 1952-53 than in 1947. But in the revised programme which was presented to OEEC some months later, the Government was already able to report that a considerable part of the four years target had been reached during 1948. The figures for the first half of 1949 confirm this picture. Although the volume of Swedish exports is still below the prewar level there was an increase by 12 per cent, as against the same period last year. Like Great Britain, Sweden has now reached an over-all balance of payments. This has been possible, mainly through severe restrictions on imports, but there are some signs that the actual need for foreign goods is much lower now than two years ago.

The dollar-gap, of course, is the weak point. Few people here believe that the targets of the long term programme will be reached by the appointed date, although they were only too modest—an increase in exports to America of from 13 to 14 per cent of the grand total of Swedish exports in 1947. It might, however, be necessary to write off 50 per cent of the planned pulp exports. The figures for the first half of 1949 indicate that the Swedish exports are facing difficulties in other hard-currency markets as well, and this must be taken as a proof of too high costs.

Question of Devaluation

There is little doubt now that the appreciation of the crown in July, 1946, was a mistake, and, as is often the case in politics, the mistake has been thought too painful to be rectified. Since last autumn Professor Ohlin, the leader of the liberal *Folkparti*, has been arguing for devaluation—an argument which he recently repeated at Strasbourg for all Europe. So far the Government has denied any plan for a Swedish devaluation, stating that the exchange rates ought not to be altered by one-sided and separate action. Industrialists have been in an undecided mood, some of them waiting for the sort of "automatic readjustment" which follows a recession. Some independent economists stress the importance of not coming too late on the market with competitive prices. They think that Sweden had better depreciate immediately by 14 per cent—which would take the crown down to the pre-1946 level—and then be prepared to follow other European countries with a further cut of about 20 per cent. They believe that the first move would, theoretically, raise the cost of living by about 2 per cent but, as import prices are now going down, this trend would not be felt as a deterioration. Further, the second move would only affect the costs of American imports, which are a small part of the Swedish market. This ought to

set the Government at rest, as one of its main reasons for not devaluing has been the fear of upsetting the stability of prices and wages.

As a whole the policy of stabilisation has had a good effect in checking inflation. The stabilisation of wages, together with a cut in investments and the pressure of indirect taxation, have worked to reduce demand, and, although industrial production has been falling slightly in recent months, it has nevertheless, according to a report from the Business Research Institute, turned out more favourably than the administration expected at the beginning of this year. Absenteeism is declining, labour and equipment are more effectively used. At the same time savings are increasing and the fear of recession has reduced expenditure. Because of the restored internal balance there will be some relaxation of the building restrictions and some slight reductions of taxes, unless the wage-earners come in first to swallow in higher wages the part of the national product which is now released for consumption. If this economic climate could be preserved prospects for the export drive would not look too bad.

Socialist Troubles in New Zealand

[FROM OUR NEW ZEALAND CORRESPONDENT]

THE Budget which the New Zealand Minister of Finance, Mr Nash, presented on August 18th took no apparent note of the election that is due in November. To that extent it confounded the confident prophecy of the Leader of the National Party Opposition, Mr Holland, that it would offer an election bait. The scale of social security benefits was increased by five shillings to 50s. a week at an estimated cost of £1,800,000, and war pension rates were increased by 5s. a week at an estimated cost of £500,000. Both increases are generally regarded as justified by the general movement in income and price levels.

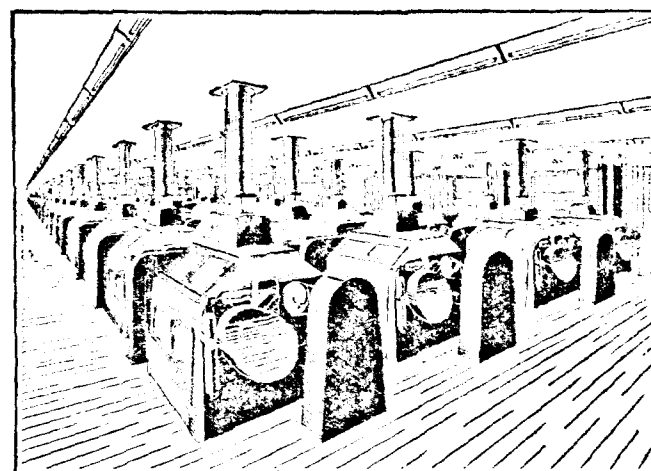
For the taxpayer there was nothing except the renewal of the general rebate of £10 given last year. Mr Nash could easily afford this gesture, for his income tax receipts for the year were £49 million or nearly £9,000,000 more than he had estimated, and he is budgeting for £49 million again this year.

The keynote of Government policy was sounded in this flat declaration in the Budget: "There is no way of reducing taxation very substantially unless by cutting social services and reducing the number of civil servants. The Government will do neither." To this Mr Holland has retorted that it is possible to make economics without reducing social security or wages. He has accused the Government of taking more from the people than is necessary. He has also charged Mr Nash with masking the real surplus last year. Mr Nash showed it at £2,600,000; Mr Holland claimed it really exceeded £11 million but that there had been deft manipulations whereby sums had been transferred to other accounts to conceal the actual position.

Search for American Loans

Mr Nash also gave a hint of dollar borrowing. He said the Government had instituted inquiries "as to the availability on reasonable terms and conditions of loans from Canada and the United States." This is a radical departure from the Labour policy of borrowing at home while reducing overseas indebtedness. It is assumed that such loans would be used to finance essential imports, particularly for capital works, and America is the only source for much of the plant, machinery and materials which New Zealand requires for its development.

New Zealand's deficit with the United States last year was £6,549,000 and with Canada £3,907,000, the total dollar area deficit being £10,456,000. The 25 per cent cut, which was enjoined by the Commonwealth conference in London in July, would thus amount to about £2,500,000.

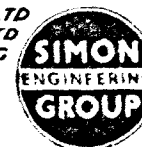


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At the moment of writing, a week after the delivery of the Budget, Mr Nash has not expanded his sketchy references to the dollar loan proposals. It is being pointed out in the press, however, that New Zealand can still do considerably more to earn dollars. The best way, obviously, is to divert to America exports of New Zealand's main primary products. An exceptional season should make possible the shipment of some butter to the United States without affecting the British ration. But New Zealand is also rationing its own butter at home and this policy is being currently condemned in some quarters so that the export of butter to America might be awkward politically. But wool and meat offer better prospects. An early announcement on the whole dollar question is expected.

Although the Budget gave few concessions it was framed with considerable political astuteness. As the debate on it has developed in Parliament Labour speakers have challenged the Opposition to declare whether they would cut social security or dismiss civil servants. The social security bill is reaching a size that is perturbing. Expenditure from the fund in the current year is estimated at £46,224,000. Toward this the social security charge of 1s. 6d. in the pound on all incomes will produce only £31,600,000, so it is proposed to transfer to it £12 million from the consolidated fund and to meet the balance from cash carried forward in the fund last year.

The Opposition are not advocating social security cuts, but there is much talk in its ranks that it is a bad thing for the country to have so many people retiring on pensions at 60 when the call for increased production is so insistent and when labour is in such keen demand. The civil servants constitute just as sticky a problem as the social beneficiaries, especially when heads are being counted in an election year. The Labour Government has had to face much criticism from the civil service in the past year over wage demands, and at one stage the Opposition was somewhat startled and embarrassed when its assistance was invited in pressing the claims of the public servants. It did step somewhat nervously into the breach, but the point was never very much in doubt that the public servants were simply using every form of pressure available to them and that there was no prospect of the predominantly Labour vote in the civil service being transferred to the National Party.

But the National Party, very conscious of its "near miss" at the 1946 election (38 seats to Labour's 42), is naturally not anxious to alienate any section on the eve of another election. Indeed, it has been encouraged in its election hopes by a crack or two in the Labour façade in the last month. But only professional party organisers are yet attempting to forecast the result of the general election. The Prime Minister, Mr Fraser, is very conscious of the fact that his present majority of four depends on the four Maori seats which are all Labour. So, although he has a Maori member in his Cabinet, Mr Fraser is the Minister of Maori Affairs, and throughout his tenure of that office he has been indefatigable in visiting Maori communities, even at weekends in the current Parliamentary session.

The coming election is probably a more crucial test of the leadership of Mr Holland in the National Party than of Mr Fraser in the Labour Party. Mr Holland came to office in 1940 after the leadership problem had troubled the party for several years. The appeal of a comparative newcomer with no depression policy taint to his reputation gained seats in 1943 and more in 1946, when the 76 European seats were evenly split. But if Labour should not be ousted this year Mr Holland will be greatly disheartened and the party itself may feel tempted to seek a new leader. In the meantime, though, there is no serious challenge to the leadership of Mr Holland. Now 55, he works hard, delegates duties intelligently, is never out of humour and speaks briskly and clearly with just the right note of aggressiveness on appropriate occasions. But Mr Fraser carries more guns—longer political experience, a greater tactical sense and a "boots-and-all" ruthlessness when he feels thoroughly certain of his ground. Nonetheless, that ruthlessness is also developing into a form of dictatorship which the recent conscription referendum showed was apt to stray outside his own party room.

Communist Youth at Budapest

[FROM A STUDENT OBSERVER]

FOR two weeks Budapest has been the willing and hospitable host to ten thousand young people attending the World Festival of Youth and Students. Organised jointly by the Communist World Federation of Democratic Youth and the International Union of Students, its expressed purpose, conveniently ignoring the far from peaceful threat against Belgrade, was to give "a mighty demonstration of the unity and determination of youth to add their strength to the mounting peace forces throughout the world." It associated itself completely with the Paris Defenders of Peace and the Moscow Peace Conference and, to this end, brought together people from 81 countries in every part of the globe, with the notable exception of Yugoslavia. Of no small significance was the presence of 700 delegates of the *Freie Deutsche Jugend*, the German Communist youth organisation recruited mainly from the Soviet Zone, by which Germany was represented in Eastern Europe for the first time since the war. The myriad flags and banners and the precise marching order of these German youths in the parades suggested that they had not forgotten their earlier training.

The fortnight was packed with cultural and sports performances and contests by all the national delegations. The finest were inevitably the Russians, who brought over a large contingent headed by the ballet of the Moscow Bolshoi Theatre. Most of the delegations had spent large sums of money on their own contributions, the Hungarian government alone spending twelve million forints (about £300,000). However, the cultural aspect was merely a veneer, for the political approach was introduced everywhere.

The outstanding exception was the World University Summer Games, which owed their non-political nature to the firm stand taken by the British National Union of Students. The true tone of the "Festival" was set by the opening procession, with its glorification of the Soviet Union in general and the *Comsomol* movement in particular, together with banners attacking the "monarcho-fascist imperialism" of the West, for, as M. Guy de Boisson, the President of the WFDY, declared: "The youth of the world are everywhere fully recognising the leading role of the Soviet Union in the preservation of world peace and in the construction of a society free of exploitation." The point was pressed home still further by a magnificent exhibition and by the interminable blaring out of the "Soviet Fatherland Song," the "International" and other hymns so dearly beloved by the extreme Left.

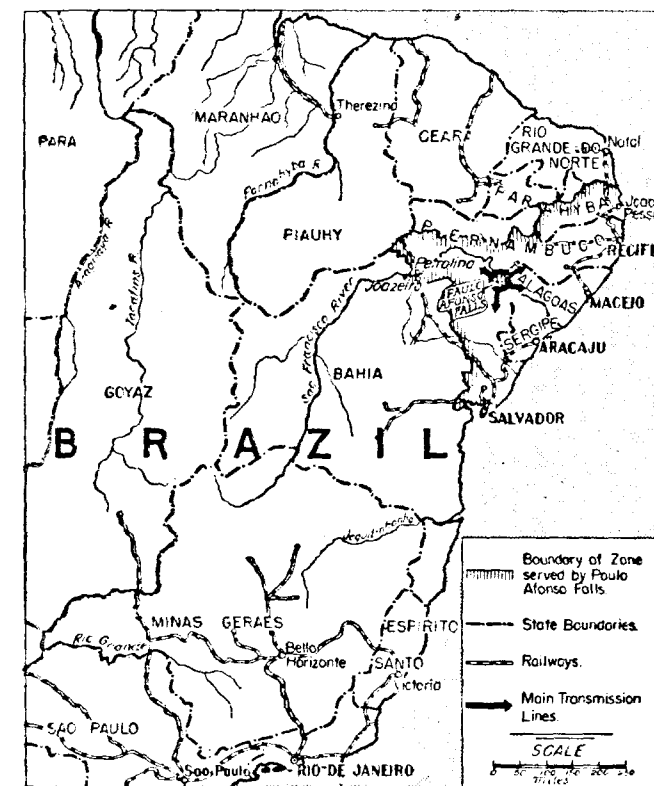
A significant feature was the special attention paid to the several hundred colonial students present, the term "colonial" being used in its widest sense, embracing not only Africans but Indians, Burmese and Indonesians too. Many "scholarships" were provided by Eastern European Countries to help them get to Budapest and they were obviously regarded as the vanguards of the new thought in their territories, though they included non-Communists.

The gathering was officially described as "mainly characterised by a militant stand for peace." To the more dispassionate observer the militance seemed stronger than the desire for peace—unless that peace was of the Soviet Union's making. Watching the uniformed youth marching in the streets, listening to the chanting of their monotonous slogans, talking with them, left no doubt that the overwhelming majority unquestioningly accepted Communism as the only true political creed. Of the few "deviationists" and "reactionaries" most were to be found among the six hundred British; such as there were from Eastern Europe felt it wiser to hide their true beliefs. This was a mammoth gathering of the clans and a mutual admiration society of the comrades, but, coming as they did from so many different countries, these young peoples' enthusiastic acceptance of the familiar so liberally handed out gives a warning for the future that should not be ignored.

Industrial Development in Brazil

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

BRAZIL is embarking on a major hydro-electric undertaking calculated to hasten progress in its north-eastern States. The plan has been likened to the TVA scheme, a comparison which by no means exaggerates its importance but is technically incorrect. Irrigation plays a minor part and flood-control none at all in the Brazilian programme. The intention is to harness the Paulo Afonso falls on the Sao Francisco river, so that cheap and eventually abundant electricity may be distributed to cities where current has always been a scarce commodity, and to smaller communities where it is virtually unknown. The much-needed power is to be carried as far as



Recife and Salvador, two of Brazil's earliest cities, and now its third and fourth largest, with a combined population of 800,000 and some large industries. From the hub of Paulo Afonso, transmission lines will eventually radiate across a region as long and as broad as France. In population and area it falls little short of Sao Paulo, Brazil's most progressive State, but in economic development there is no comparison. Yet if hydro-electricity is available to give for transport and industry a fraction of what it has long contributed to the growth of Sao Paulo, then the dream of reviving Brazil's north-east will undoubtedly become practical politics—at least for the five States below the bulge which can be served from Paulo Afonso.

Power is certainly their greatest want, and so long as nothing is done to explore the possibilities of Bahia's petroleum deposits in the south, hydro-electricity seems the obvious answer. Though nature has been prodigal in many ways, the region has no coal, and firewood from the *sertões*, Brazil's arid "backlands," is still the chief source of fuel; in fact, firewood is estimated to supply 84 per cent of all the natural energy utilised in Brazil. In the north-east, its constant use by the few existing railways has driven them ever farther afield in search of timber, and today imported fuel oil is a cheaper proposition because of the long timber haul from the interior. Only water power could provide the means for eventual electrification.

Long-Term Plans

It is therefore significant that the Brazilian authorities have set themselves an ultimate target of 900,000 kilowatts of power from the Paulo Afonso falls—ten times the amount now available in the region and half of the whole country's installed capacity. Visiting experts believe this target could be attained, and say that although it might not be reached for 20 years the possibilities of the 80-metre cataract would not even then be exhausted. The transition wrought by a scheme of this kind is thus likely to span a generation. But it is important to note that it has begun. The first stage is in hand, and might be finished in 1953 with the installation of equipment to generate 120,000 kilowatts and the completion of the main transmission lines to the coast. Difficult terrain may delay progress, but the obstacles are not insurmountable. Overhead cables will have to be slung for hundreds of miles across barren territory where roads are few, far between and very bad. They are to be strengthened to carry units of equipment weighing upwards of 100 tons and too heavy for the railway which covers more than half of the 280 miles from Recife to the falls. At the falls themselves 2,000 workers have already begun to build a dam, and French contractors have been engaged to build the only bridge over the river. Meanwhile, the authorities in Rio are studying tenders for the generating equipment—a contract worth £3,000,000. They were submitted last month by 23 makers in Britain, Europe, the United States and Canada.

Finance appears to be assured. Local construction is being paid for, and the whole scheme managed, by the *Companhia Hidro-Eletrica do Sao Francisco*, created by the Brazilian Government for the purpose. Its capital of 400 million cruzeiros (about £5,300,000) has been fully subscribed, most of it by Federal, State and Municipal authorities and 26.4 million cruzeiros of it by the Brazilian public. The initial 5-year stage was allotted 600 million cruzeiros under the *Salté* Plan, and although the *Salté* Plan itself still shows no sign of emerging from the Senate, developments show that President Dutra is determined to push ahead with one of its farthest-reaching proposals.

Loans from the International Bank

His visit to Washington in May no doubt fortified this intention. The chief consulting engineer of the International Bank recently inspected the works at Paulo Afonso, and discussed them with the Brazilian authorities. In the Chamber of Deputies it has been claimed that he found them "a model of what public works should be," and the best project of their kind for which the International Bank had ever been asked to lend money. That it will do so is now taken for granted here, and President Dutra has just asked Congress to authorise the Government to guarantee an International Bank loan of \$15 million. This would meet foreign disbursements on the works to be completed in 1953, and since the Bank's engineer is understood to be satisfied that these will cut present electricity rates in Recife and Salvador—perhaps by as much as two-thirds—the risk seems reasonable.

The new loan will leave the borrowers free to buy their equipment where they think fit, but if there is any good reason to buy British it is not immediately apparent in the comparative list of tenders for turbines, generators and transformers just issued in Rio to those who bid for the Paulo Afonso contract. British makers have evidently been unable to match, in either price or deliveries, the quotations of many competitors on both sides of the Atlantic. Leaving out a Swiss and an Italian firm who make an even poorer showing in these respects, British and Swedish prices are roughly comparable, but about a third higher than the cheapest American quotation, and considerably above those of a Canadian and other European makers. The only German bidder has managed to undercut British prices and to quote much shorter deliveries. Where the contract will be placed remains to be seen. It is at least clear that its award will mark the opening of a new phase in Brazilian development.



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THE BUSINESS WORLD

British Transport's First Year

IT is the general duty of the British Transport Commission to provide an efficient, adequate, economical and properly integrated system of public inland transport. All the business conducted by the Commission is to form "one undertaking," and that undertaking must be run so that the Commission earns enough to meet its proper revenue charges "taking one year with another." That is the broad framework which Parliament has laid down, and all the acts of the Commission must eventually satisfy these tests. It was not to be expected that the Commission would be able to satisfy them within the first year in which it assumed its enormous tasks. Its first report for 1948 must be read as an account of the first steps which the Commission has taken to acquire and to integrate the various forms of inland transport for which the Transport Act of 1947 made it responsible. The only fair criterion by which this first report can be judged is not to be found in its account of the complicated processes of taking over its constituent undertakings, nor in their financial results for the first year of operation under the Commission. It is to be sought in the Commission's suggestions about future policy, and in clear evidence that it is tackling its great tasks in a promising way.

The first thing that can be said about the report is that, as a descriptive story of 1948, it is admirable. Its 175 pages are supported by more than 200 pages of financial statements and operating schedules. Not a fact goes unrecorded. Every asset is accounted for, down to the solitary oil-lit passenger coach; the movement of a billion passengers and 21½ billion ton-miles of freight traffic is analysed in detail; the financial results are all brought together in consolidated accounts, in accordance with the precept that the Commission's activities are to form one undertaking. It is an accounting *tour de force*, which repays close examination. The danger, however, is that some readers may confuse this clear and detailed presentation of facts with the real job of the Commission, which is so to shape the inland transport of this country that an adequate service is provided at smaller real cost to the community. On that question—which is really the fundamental argument for bringing the Commission into existence at all—far less is said, and what is said is open to critical comment on several grounds.

Results in 1948

The Commission's revenue deficit in 1948 amounted to no more than £1.7 million—a result surprising to most unofficial estimates, which had based themselves on the gap of £27 million between expectation and achievement in railway gross receipts last year. In fact, the result is at once too good, and not good enough. It is too good, first, because as a result of change in depreciation policy (referred to later) the revenue account has been relieved of about £8,500,000 which would otherwise have had to be provided, and secondly, because the Commission is paying in interest to former railway stockholders some £13 million less than they were receiving during the period of wartime control. It is not good enough, first, because it leaves the Commission with no surplus from

which it can put aside any contribution towards the replacement of assets at enhanced costs or towards the creation of a general reserve fund, and secondly, because the trend of receipts and expenditure in 1949 shows that "a further marked deterioration" is inevitable this year. The Commission is undoubtedly right in its ambition to make a beginning of internal saving at a rapid rate in its early years, for it has no equity capital, and its financial needs are as great as its revenue earning capacity is vulnerable to falling traffics and rising costs. But last year it could do nothing in this direction, and when it is in a position to do so, it will have to meet income tax and profits tax first. Already, the Commission is caught in a situation where there is no hope of better results in the immediate future "at any rate with the existing levels of fares and charges." Before caps are thrown into the air about the relatively favourable outcome of 1948, it should be realised that railway receipts for the first thirty-two weeks of 1949 are over £4 million lower than in 1948, while London Transport's takings are down by £300,000. And costs are still rising.

Last year's results can be summarised—at the expense of a great amount of detail which the report provides—in the following table:

CONSOLIDATED REVENUE ACCOUNT, 1948
(£ Million)

	Gross Receipts	Working Expenses	Operating Ratio	Net Receipts	Per Cent of Total
CARRYING ACTIVITIES:—					
Railways:—					
Passenger and freight	337.3	311.1	92	26.2	72
Collection and delivery	8.7	12.6	146	Dr. 3.9	Dr. 11
Road haulage	14.3	13.2	92	1.1	3
Road passenger services	32.5	28.3	87	4.2	12
London Transport:—					
Road	42.8	38.5	90	4.3	12
Rail	15.1	13.5	90	1.6	4
Marine services	10.3	7.4	72	2.9	8
Canals	0.5	0.6	113	Dr. 0.1	...
Total Traffic	461.8	425.2	92	36.4	100
Docks, canal tolls, hotels and catering, advertising and rents	30.2	28.0	...	2.1	
Minority interests and profits before acquisition				Dr. 2.4	
Other income, rents and interest				9.1	
Total net revenue				45.2	
Central administration expenses				0.7	
Interest on transport stock, etc.				42.3	
Freight rebates funds				3.9	
Deficit for year				Dr. 1.7	
Provision for capital redemption				2.5	
Initial expenses, etc.				0.5	
Deficit on net revenue account, Dec. 31, 1948				Dr. 4.7	

The railways produced £26.2 million net, compared with £35 million which had been hoped for. If a fair but necessarily rough apportionment of the Commission's interest charges is debited to the railways, and their collection and delivery losses are also deducted from the results of railway operation, it appears that they showed a true net revenue loss last year of the order of £7,000,000. Here lies the serious weakness in the Commission's earning capacity. It is also worth noting that the Commission's road passenger services

outside London (that is, the Tilling and Scottish Motor Traction interests) made a contribution to net revenue equal to that of London Transport road services, with a noticeably more favourable operating ratio. A significant part of these earnings arose before acquisition, and has been written off the capital costs of the interests acquired.

Depreciation and Refunding

The Transport Act charges the Commission with the duty of making proper provision for depreciation or renewal of assets and proper provision for redemption of capital. The point that this responsibility involves a double burden on the Commission has been made on several occasions in these columns. Particular interest, therefore, attaches to the way in which the responsibility has been interpreted by the Commission. There is nothing in the report which comments on this double obligation—from which it may be inferred that the Commission accepts it as a statutory obligation and is presumably not out of sympathy with it in principle. The point, put simply, is this: If the Commission maintains its physical capital in good operating order, its financial capital will always be represented by assets of equivalent value. If, in addition to maintaining its physical assets, it also sets aside a fund to redeem its financial capital, it will ultimately be in a position to which no industrial undertaking and certainly no Government undertaking has ever aspired—it will be in first-rate physical shape, and will have not a penny of debt or of any other form of externally provided capital. It follows that, in order to carry out this intention (for such it is) of making a present of the nation's transport undertaking to the happy generation of 2038 (since the Minister of Transport has ruled that the Commission's Transport Stock should be redeemed in 90 years), the next two or three generations of transport users will have to pay correspondingly more for the Commission's services. Either the physical assets should be scrupulously maintained, or the Commission's debt should be redeemed; it is a task of supererogation to attempt both.

The application of these twin requirements, however, cuts across the results of 1948 in a distinctly confusing way. In the first place, the Commission has departed from the old principles of providing for renewals which were observed by the railway companies. The companies made their provisions against capital assets on a "renewal basis"—that is, they charged against revenue each year at sum based on current costs to provide funds for capital replacement when the lives of the various assets expired. The Commission has abandoned this principle so far as wasting assets are concerned by adopting the so-called "commercial basis" for depreciation. Under this system, revenue is charged with annual instalments to write off the original cost of the asset when acquired. In other words, it is a system based on historical cost, unlike the former system which was based on replacement cost. Several considerations have impelled the Commission to make this change. It is regarded as essential in order to provide a common basis for accounting; much is made of the desirability of basing depreciation on "the firm fact" of the actual cost of the assets; and the pronouncements of accountancy bodies in favour of historical cost are brought in aid of the argument, without any mention of the fact that these pronouncements are themselves matters of acute controversy. The permanent assets, such as way and works, continue to be treated on a renewals basis.

This change has involved a re-assessment of the book values of rolling stock, ships and other wasting assets, and a corresponding raising of the accrued depreciation based on their expired lives. In the upshot, the net book value of these

wasting assets has been brought into the Commission's books at a figure £46 million higher than they stood in the books of the vested companies. This sum, and other credits arising from differences on the substitution of Transport Stock for the stocks of the vested undertakings, the revaluation of subsidiary interests, and the reserves of the companies taken over, total £296 million. Out of this sum, £107 million has been provided to make good an actuarial deficiency on the superannuation funds which the Commission has taken over, and £165½ million has been deducted from the book value of buildings, permanent way, docks and canals. These complicated book entries have the effect of adjusting the book values of the "permanent" assets in anticipation of the displacement which is to be expected when the physical apparatus of the transport system is contracted.

These transactions, however, are of a capital character rather than a revenue character. So far as revenue is concerned, the change in the method of depreciation to a "commercial basis" has the effect of reducing the charge for depreciation in 1948 to £19½ million, or about £8½ million less than would have been required under the "renewals" system formerly employed by the railway companies. This is the measure of the year's shortfall which would have to be made good to replace the assets which are involved. The Commission recognises the desirability of making further allocations, when profits are available, to a replacement reserve to meet the increased cost of replacement as compared with the gross book values on which the depreciation provision is computed. This admission surely destroys much of the force of the argument that "asset accounts maintained on a 'commercial basis' reflect more accurately the changes in the capital position, and the extent to which the assets have been written down out of revenue."

To some extent, this deficiency—for so it must be reckoned—is offset by the provision of £2½ million for redemption of Transport Stock. But even in combination, the two bites at what is really the same cherry are not enough. At a time when many leading industrial concerns are setting aside extra sums out of taxed profits in order to make up the deficiencies of depreciation provisions calculated on a "commercial basis," it must seriously be asked whether the Commission is discharging its full duty in pursuing a method which, on its own admission, does not provide sufficient funds from current revenue to meet depreciation. It is a question of some urgency, for, as the balance sheet shows, the Commission is using up its cash resources at a rapid rate. They amounted to about £290 million net at the end of 1948, but a great part of them are earmarked for deferred maintenance—there is £129 million to be absorbed on this account, and £16½ million for war damage. Since £50 million of liquid assets were used up in 1948, it is obvious that there will be no very large free balance available for the general development of the Commission's undertakings.

Efficiency Factors Examined

The financial results for 1948 are not in themselves very adequate measures of the Commission's achievement in its first year. It would claim, however, that the results were as good as they were—despite the fact that standard charges on the railways were only 55 per cent higher than before the war (30 per cent higher for London Transport and unchanged for the provincial and Scottish omnibuses) and despite the more than doubled cost level for wages and prices—because of the "favourable trend" of certain important efficiency factors. More freight was moved in 1948 than in 1947 on the railways, but the most favourable comparison is with 1938—25 per cent more work at the cost of only 3

per cent more freight train miles. But this improvement is largely attributable, it would seem, to the taking over of private wagons and the consequent reduction of empty wagon movements. On the passenger side, there was a fall of 7½ per cent in passenger miles in 1948, compared with 1947, but an increase in train mileage of 3.8 per cent. Compared with 1938, the railways recorded one-ninth more passenger-miles, but reduced their passenger train mileage by one-fifth. The same story is true of London Transport; on the railways, passenger miles are 60 per cent up and car miles only 30 per cent up, while on the buses the corresponding figures are 40 per cent for passenger miles and no more than 6 per cent for car miles.

The report takes some pride in these efficiency factors. But they can hardly have derived from the Commission's work in 1948. Perhaps there were some gains in operating efficiency, but the examples given show a dramatic contrast with 1938, not with 1947. To argue that efficiency is counted by a rise in bus miles by only 6 per cent compared with a rise of 40 per cent for passenger miles is to overlook in this particular context (though it is freely discussed elsewhere in the report) the shortage of buses and to make no allowance for inconvenience and overcrowding suffered by the travelling public. The adverse change in the efficiency factors on the railway passenger services in 1948 suggests that, in the first postwar year in which the railways really tried to attract public support for improved services, they had to make an appreciable concession in terms of operating efficiency. Certainly it would be wise to await the results of more normal postwar years before assuming that the changes which have occurred during the last decade in the travelling habits of the public and in their willingness to travel in more crowded trains are permanent. It would be a mistake to belittle the importance of such improvements as the rise in ton-miles moved per engine-hour from 461 in 1938 to 516 in 1947 and 542 in 1948, or the continued though slight increase in average wagon loads. These and other operating factors have gone a good way towards offsetting the rise in wage costs and coal; but there is still room for further radical improvements in railway operating methods before the full economies of an integrated railway system can be won.

Co-ordination and Charges

These operating trends set their own question mark about the future. But there are other more fundamental issues of policy which are briefly and tantalisingly referred to in the report which are of much greater importance. The Commission has got off to an indifferent financial start. But what progress has it been able to make towards its real function of integrating and co-ordinating the various forms of transport so that they can be made to work as an efficient and economical whole? The most urgent issue, which arises directly from the lagging earning power of the railways and the adequate earning power of the road services, is the extent to which the Commission might seek to assist the one out of the profits of the other. The point is covered in a somewhat perplexing passage in the report:

The degree to which one form of transport or one service can and should be called upon to support another will vary from time to time, but, within reasonable limits, bold application of the principle may be essential to any adequate system of facilities for the country as a whole.

There are, of course, some particular transport services which are necessary for the public interest which cannot be made to pay. There are ancillary services which bring in traffic, but do not cover their own costs. There is the classic case of internal subsidy in using profits from London's buses

to pay for the underground railways, which were incapable of paying for themselves. There is, as the Commission claims, nothing new in the acceptance of the principle. But what would be new would be the application of a principle devised to cover the difficulties of particular and subsidiary means of transport, or the unremunerative character of certain specific services, to balance the deficit of one means of national transport out of the surpluses of other means of national transport. Put bluntly, would it be within "reasonable limits" to use profits from road services to bolster the deficiencies of railway earnings? The Commission obviously sets great store by the proposition which is enshrined in the Transport Act that its transport businesses are declared to form "one undertaking." But as the chairman has emphasised on an earlier occasion, it could not acquiesce in the proposition that the railways can never be made to pay their way. The question of what are "reasonable limits" therefore hangs on what progress can be made towards a rapid reduction of railway operating costs. The report shows only too clearly that wage costs and fuel and stores are still rising, and the discussion above suggests that some of the favourable efficiency factors to which the report draws attention may not necessarily be permanent. Thus, until more far-reaching efforts have been made to improve railway operating efficiency and to reduce unit costs of service, the issue of what subsidy is appropriate for the railways must be left open. It follows that there would be no justification for precipitate action in increasing road charges in order to produce a bigger surplus for the assistance of the railways. Road fares outside London remain roughly at prewar levels, because the improvement in operating factors has offset the rise in costs of wages and supplies. The public is entitled to the benefit of this improvement, unless convincing proof is shown to the contrary.

The report lays down the principle that "charges policy will be a key to effective integration" of all forms of transport. That indeed is so, but the process of reformulating transport charges is a long and detailed one. Already the two years allowed for this purpose in the Act have expired, and it is doubtful whether the task will be completed in the further two years which have recently been allowed. Committees are sitting; much progress has been made with the formulation of the "preliminary principles" which are involved. As time goes on, the Commission intends to take traders into its confidence, so that a common measure of agreement can be reached before the charges are submitted. But in the public mind, at present, there is a lively apprehension that the Commission may seek the approval of the Minister for alterations in charges designed less with the idea of "effective integration" than with the aim of balancing the books. The report states quite openly that, given the present volume of traffic and the present level of charges, the Commission cannot meet its costs. And the implications of this meticulously phrased passage are clear enough:

So long as the trends of traffic did not unmistakably declare themselves, and so long as the unexpected increases in costs did not add too heavily to their burdens, the Commission have been reluctant to avail themselves of these special powers and to make or apply for increases in charges in those many directions in which increases could be made without detrimental effect upon their revenue. A general increase in railway charges, indiscriminately applied, might not benefit railway traffics and revenues and would tend to increase the cost of production. But it is not possible that any undertaking which is to pay its way should submit to constant increases in the cost of the services and commodities which it needs and yet refrain indefinitely from raising its prices to its customers.

subsequently from the budget surplus and Marshall aid) were applied to achieve a substantial further cancellation of TDRs. The total dipped momentarily to only £1,003 million early this year, and on the eve of the latest move stood at £1,258 million, with the ratio of clearing bank holdings to deposits at under 20 per cent.

The Treasury has now resumed the switching process which was virtually stopped after the end of 1947. Since July the weekly offering of bills has been raised successively from £170 million to £230 million (the amount offered yesterday), so that by the end of next week the total of tender bills will be £2,490 million and the TDR issue is already down to about £1,075 million. It is generally assumed that the weekly bill offer will be raised still further, but that it may be more susceptible to variation than in the past. Even if it were to settle down at an average level no higher than £200-220 million a week (compared with the current flow of maturities of £170 million a week), this would mean an aggregate increase in the total supply by from £390 to £650 million, with a corresponding reduction of the TDR issue below whatever amount would otherwise have been necessary. Evidently this switch will be comparable in magnitude to the major movement of 1945-46. If it could be assumed that the Treasury will not need to increase its total borrowings on floating debt, the prospective level of the TDR issue might not be much more than half the total at which it stood before the present reduction began.

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It will be apparent that this time the switch cannot have been dictated by the considerations which necessitated it four years ago. For some time now the supply of money

market assets to the banking system has been at least as large, in proportion to deposits, as it was in the prewar quinquennium, and there has been no sign that the banks were in real need of further supplies. This has led to suggestions that the reduction in the TDR issue is merely an instance of *reculer pour mieux sauter*; that the authorities are envisaging the possibility that conditions next February may not enable them to re-finance, by a new bond issue, the £787 million of Exchequer bonds which mature then; and that the repayment may therefore involve them in large borrowings from the banking system. In that case, a large part, and perhaps the whole, of this year's reduction in the TDR issue might be reversed next year—apart from the large decline to be expected in the tax-gathering season.

Such a sequence of events might well arise, but it would probably be wrong to regard this as a sufficient explanation of the switching process. Although the banks now have no pressing need for additional liquidity, there is no doubt that monetary trends are likely to require more rather than less banking flexibility in future. The further the economic system moves from the wartime pattern of direct controls and rationing and the greater the scope for the functioning of the price mechanism—whether in home or external trade, or both—the more desirable will parallel changes in the monetary structure become. If the way out of Britain's crisis lies by way of retrenchment, devaluation and eventual relaxation of restrictions on international trade, the consequential changes in the industrial structure will inevitably have an important impact upon the banks—notably through their effects on the gilt-edged market, the new issue market, and the composition of bank advances. The precise incidence of such changes is not predictable even for the banking

system considered as a whole; still less is it predictable for individual banks. For that very reason, it is desirable that each bank should feel itself to have greater scope for manoeuvre. Within the framework of overriding monetary policy, it should feel free to make its own choice in the distribution of those of its assets which are not, like gilt-edged portfolios and advances, inevitably inflexible. Those of its assets which provide floating finance for the Government can all be flexible, and at least the greater part of them should be so.

By reducing the proportion of TDRs, the authorities have evidently perceived the wisdom of enlarging the area of flexibility. By so doing they will facilitate not only the func-

tioning of the commercial banking system in a phase of economic change, but also their own task as central bankers. The further the authorities move from the habit of borrowing direct from the banks by what is virtually a weekly edict, and the more they finance themselves by open bill tender instead of TDR quota, the more surely will they be able to feel the pulse of the monetary system and to frame their overriding policy accordingly. It is for such reasons as these, it seems, that the drift is away from TDRs. They are unlikely, however, to be wholly abandoned in the foreseeable future. The TDR, relatively new though it is, has shown itself to be too valuable a weapon of discipline in the central bank armoury to be allowed to grow rusty.

Business Notes

Mr Snyder on the Dollar Talks

The Ministerial talks in Washington have opened this week with the preface of yet another public refusal by Sir Stafford Cripps to contemplate even the possibility of a devaluation of sterling. Apart from this, the Chancellor was reticent in his eve-of-conference remarks. Not so Mr John Snyder, Secretary of the US Treasury, who is presiding at the talks. In a speech before a war veterans' organisation last week-end, he devoted the bulk of his introductory remarks to the problem of encouraging the investment of American capital overseas and particularly in under-developed areas. The choice of this subject seems to be a fairly clear hint of what, in the eyes of official America, appears to be the most promising channel through which the present dearth of dollars in the world outside the United States might be corrected. Mr Snyder laid down three conditions for foreign governments wishing to receive assistance under President Truman's "Point 4" programme for encouraging investment in under-developed areas. First, there must be reasonable terms for the investor. Secondly, there must be an assurance of convertibility into dollars of the profits yielded by the investment. Thirdly, there is need for assurance of adequate compensation if the property in question were nationalised. Enlarging on these prerequisites, Mr Snyder pointed out that "foreign governments must recognise that the right to do business in their countries on reasonable terms is considered of paramount importance by our potential investors." This seems to imply a fourth condition—that there shall be no discrimination against US goods in the countries to which the United States is exporting capital.

Mr Snyder was also able to suggest ways in which the United States itself might and would encourage the export of capital. He pointed out that legislation now before Congress would authorise the Export-Import Bank to guarantee US private capital invested abroad against three risks peculiar to foreign investment. The first was inability

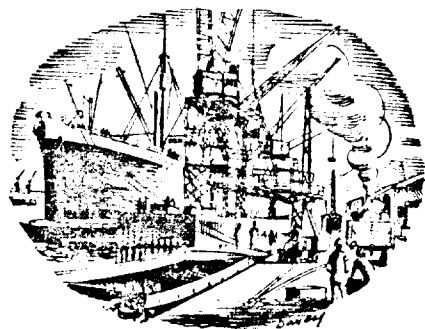
to convert earnings into dollars, the second expropriation of property without adequate compensation, and the third, destruction of property in war. To these helpful suggestions Mr Snyder might have added yet another, namely that the United States, having eased the dollar shortage by exporting capital, having done its full duty in raising production and the standard of well-being in under-developed countries, should then complete the logical sequence of its constructive initiative by being prepared to provide an adequate market for the additional goods it had helped to bring into being. Only on that condition can the capital in question earn its dollar keep. Only on that condition will the guarantees for which legislative power is now being taken remain unused.

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France Invites Dollar Capital

Following the hints from the United States that the encouragement of the export of capital ranks high in the official list of short-term measures to ease the present balance of payments difficulties, the French Government has hastened to announce measures to attract the hard currency investor into France and its overseas territories. The gist of this plan is a promise that capital invested in the franc monetary area after August 31, 1949, will be effectively convertible into the currency of the country from which it came. Certain conditions, however, must be fulfilled. The first of these is that the investments are made by persons or companies resident in countries which allow transfers to the franc area on terms as favourable as those granted by France. The second is that the investments have been duly authorised by the French authorities. Such investment may take the form of purchases of existing French securities, subscriptions to new issues, purchases of land or commercial property, or loans to persons or companies domiciled in the franc monetary area.

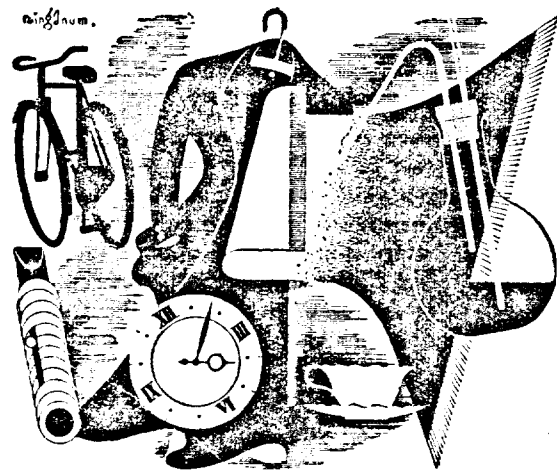
The measure is not to be retroactive and will not allow foreign holders of French securities acquired before August 31,



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1949, to realise their assets and convert the proceeds into their own currency. Steps have been taken to prevent abuse of the regulation through sales of property already held by non-residents to new foreign investors, a device which would in fact have secured convertibility of pre-August 31 holdings. This is to be guarded against by restricting sales of securities or properties to those held by residents of the franc zone. It will be seen that the terms offered by the French authorities for the attraction of capital from the United States, Belgium and Switzerland—the only three countries which satisfy the conditions laid down by the French Government—go considerably further than Mr Snyder's points. Mr Snyder merely asked for convertibility of the profits earned on American capital invested abroad. The French Government has in fact offered complete convertibility of the capital itself.

* * *

Re-entry to the Fund

Among the many measures which have been propounded as an immediate means of easing the dollar pressure, and which could be implemented without reference to US Congress, is the readmission of Britain and the other countries participating in the European Recovery Programme to the facilities of the International Monetary Fund. It will be recalled that in April, 1948, despite the opposition of prominent member countries, the Fund decided to cease sales of dollars to all countries which were recipients of Marshall aid. The reasoning put forward by the Fund was that the essential dollar needs of these countries were being satisfied by ECA and that the Fund's resources should be reserved for the period that would follow the end of the Marshall Plan when, on all available evidence, there would still be a considerable dollar shortage over most of the world. If the Fund could be induced to go back on this decision, an immediate source of additional dollars would become available and some highly interesting incidental developments would follow.

At the end of June, 1949, the Fund's holding of dollars amounted to \$1,340 million compared with the \$2,062 million which it originally derived from that part of the United States quota which was paid in US currency. In little more than two years, therefore, the Fund's holding of dollars has fallen by 35 per cent, and this despite the embargo on purchases of dollars during the past year by member countries in the ERP group—members with the keenest appetite for dollars. If these members were re-admitted to full participation in the facilities of the Fund, the resulting diminution in the Fund's holding of dollars would be very long—and for the first time—bring into effect the "scarce currency" provisions in the Articles of Agreement of the Fund. There is a dignified orderliness about the steps envisaged in that agreement to deal with the scarcity of a member's currency. First, if the Fund finds that such a scarcity is developing it may so inform members, may issue a report setting out the causes of the scarcity and may then make recommendations to bring it to an end. If this does not avail, the Fund may take action to replenish its holdings of the scarce currency. This it can do either by inducing the member in question to lend its own currency to the Fund, or by buying that currency itself with gold. Finally, if the scarcity still continues, the Fund may then make a formal declaration that such currency is scarce. Such a declaration would have the effect of authorising the other members to impose limitations on the freedom of exchange operations in the scarce currency. This means that, if the dollar were formally declared to be in scarce supply, the other countries of the world would be free to discriminate against the United States without the limitations imposed by clauses in loan agreements or by any other international obligations. It will thus be seen that the re-admission of ERP countries to the full facilities of the Fund might kill two birds with one stone. First, it would make available urgently needed dollars. Secondly, it might before long cut through all the difficulties which now arise from the various obligations under which European countries have undertaken not to discriminate against dollar goods.

No Desinflation for Australia

Judgment upon the Commonwealth budget for 1949-50 presented by Mr Chifley on Wednesday must perhaps be tempered by the reflection that it is a pre-election budget. But it is still regrettable that Australia should this year be complacently envisaging a deficit after two years of surpluses—and of increasingly inflationary conditions. In the twelve months to mid-1950 net governmental expenditure, at £A567 million, is expected to exceed revenue by £A35 million, after allowing for the substantial tax relief announced earlier this year and the further slight relief disclosed in the budget. The deficit is to be met from the loan fund. Evidently the authorities are more impressed by the possible internal repercussions of the incipient fall in export prices than by the need for trimming the whole economy to a prospectively less favourable export situation. Doubts about the wisdom of this policy are strengthened by the review of the past year contained in the annual report of the Commonwealth Bank which became available in London this week. Like the Prime Minister, the Commonwealth Bank emphasises that in the last quarter of 1948-49 prices began to fall. Thus the export price index was 4 per cent lower last June than in June, 1948. But for the whole of 1948-49 it was still a full 17 per cent above the 1947-48 average. Meanwhile, signs of over-expansion have become apparent in certain secondary industries, notably in light engineering. Total factory employment is 50 per cent higher than in 1939, and in the metal and engineering industries it is 80 per cent higher.

The current inflationary pressure in Australia has been partly caused by the persistent influx of money, much of it "hot," from Britain. During 1948-49 the international currency reserves of all Australian banks rose from £A273 million to £A452 million after repatriating some £12 million of government and semi-government sterling loans. Yet only a moderate part of this increase resulted from Australia's favourable balance of current payments. In 1948-49 exports worth £A547 million exceeded imports by £A133 million, but an adverse invisible balance reduced the surplus to £A51 million. Roughly £A130 million of the increase in Australia's sterling assets thus seems to have been attributable to capital transactions—a movement which almost bears comparison with South Africa's absorption of capital in 1946-47. The Commonwealth Bank suggests two explanations for this accumulation of sterling resources. The first is that speculation on a revaluation of the Australian pound in terms of the pound sterling has been causing Australian importers to delay payments and exporters to Australia to accelerate them. Secondly, there has been a large inflow of capital from Britain, much of it for permanent industrial investment. The Bank regards part of this movement, however, as "hot" money "transferred to Australia for temporary refuge or for speculative purposes" and considers this to be "a source of considerable instability to Australia's international reserves." According to the Bank, up to £A100 million might be withdrawn at short notice. While Britain itself still shrinks from domestic retrenchment as a means of correcting external disequilibrium, and also continues to benefit from Australia's willingness to hold ever rising funds in London—to be reduced once again by a gift of a further £A10 million—it is hard to be too critical of Australia's policies. But it is disappointing to learn from Mr Chifley himself that the full expected cut of 25 per cent in dollar imports will not prove possible in 1949-50. In any case, budget deficits and import cuts do not make good bedfellows.

Finance and Investment

Intra-European Payments

The new Intra-European Payments Scheme covering the year to June 30, 1950, was signed in Paris on Wednesday. The drawing rights recommended for the year are shown in detail in the first of the accompanying tables. The second table (on page 578) shows the effect, as between the individual

ERP recipients, of the consequent subtraction or addition of this intra-European mutual aid upon the provisional gross net allocations of Marshall aid for 1949-50. It also shows the very significant changes compared with last year, which have taken place in the distribution—still provisional—of the available dollars between the participants.

It is at first sight a little surprising that the signature of this intra-European payment agreement, with its apparently firm and irrevocable commitments, should have preceded the final Congress vote on Marshall aid appropriation for 1949-50. Unless there are some hidden reservations to the IEPS, the countries which signed the agreement this week would appear to be beating the gun. They might have to retreat later if something goes wrong with the final Congressional vote on ECA appropriation. The details of the scheme are also subject to the distribution of the \$150 million pool to which reference is made in next column.

Quite apart from the question of the total aid allocation, a few other points inherited from the first Intra-European Payments Scheme have yet to be finally settled. It has not been decided, for example, what is to be done with the drawing rights which were left unutilised on June 30, 1949. They are not being carried forward, but remain in suspense as an existing asset of the countries to which they were granted. They are not assets to which any very specific value can be given, but there is no question of paying back any of these dollars to ECA, although they were received in 1948-49 on the assumption that they would later be designated as "conditional grants" against drawing rights granted to other participating countries. A joint committee of OEEC and ECA has been set up to look into this and other problems raised by the Intra-European Payments Agreement.

The final allocation of available Marshall aid, it should be emphasised, is still subject to the ultimate distribution of a \$150 million pool which the Economic Co-operation

Administration has seen fit to earmark out of the available funds. This will be used for special purposes of which ECA itself will be the judge, and its distribution will not, therefore, be left to OEEC. The earmarking of this pool has caused some surprise in Paris and also some confusion—the latter because the \$150 million in question has been quite erroneously

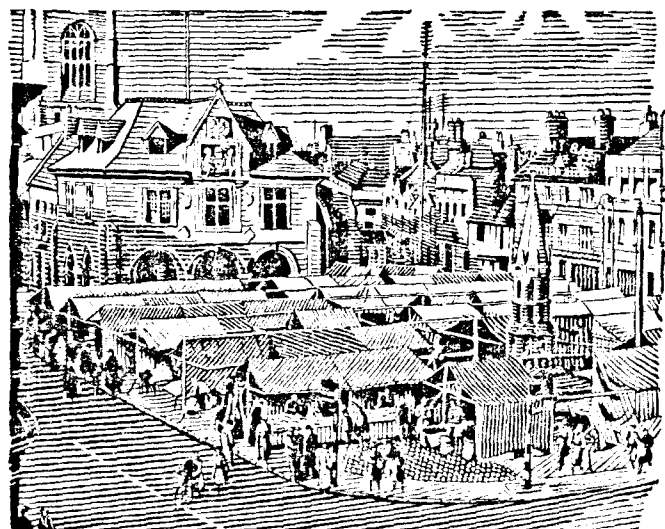
I.E.P.S. DRAWING RIGHTS RECOMMENDED FOR 1949-50 (b)
(\$ Million)

Countries in Favour of which Drawing Rights are Established	Countries Granting Drawing Rights (Note: Numbers indicate countries as numbered in vertical column)												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Austria (1)...		9		5.5			0.3	1				20	50
Belg.-Lux. (2)...		14.6		8									
Denmark (3)...		79				11						108	80
France (4)...	1	19.4	2.8	8		6	2	1		9.3	8	27	13.8
Greece (5)...													
Italy (6)...		139											17.5
Netherlands (7)...		17.6		6.8		0.5	5			34.3			12.6
Norway (8)...	0.7	12.6	1.1	4.1		2.0	3	1.5		2.2			
Portugal (9)...													
Sweden (10)...	1	6.8	3.8	2		5	6	0.5				16	10
Turkey (11)...		102											
UK (12)...													
Trizone (13)...													

(a) Norway-Bizone.—It is recommended that the drawing rights should be fixed at \$12.6 million and that the two Governments should discuss the possibility of consolidating the repayment of Norway's debt of \$8 million to the Bizone. If after these discussions it should appear that more than \$2.6 million must be paid during 1949-50 on account of repayment of this debt, this would provide a *prima facie* case for the revision of the Norwegian drawing right.

(b) Drawing Rights include \$87.5 million of Belgian credits in favour of France, Netherlands and the United Kingdom.

confused with a similar figure which was provided for the loan portion of the Marshall aid appropriation for 1949-50 as authorised by the Senate. For the year 1948-49, it will be recalled, the American legislation laid down that 75 per cent of the amount made available to OEEC countries should be given in grants and 25 per cent in loans. Those proportions



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have disappeared in the new legislation, which provides that the whole of the aid except for this amount of \$150 million shall be given in the form of grants.

The ECA pool is something quite apart from the \$150 million loan. It is set aside for three purposes which have been described by ECA in the vaguest of terms only. The first is Colonial development. The second is the financing of the "liberalisation of trade in Europe" (whatever this vague formula may mean). The third is the establishment of a reserve to finance "planned European projects"; this, at least, is familiar ECA phraseology. The amount which has been allocated by OEEC includes the \$150 million which is to be made available on loan terms and also the \$150 million to be set aside for the ECA dollar pool. In viewing the figures set out in the accompanying tables it should be realised,

DIRECT AID AND I.E.P.S. CONTRIBUTIONS IN MILLIONS OF DOLLARS					
Country	Proposed Direct Dollar Aid	Proposed I.E.P.S. Con- tributions (+) or Receipts (-)	Net Aid Proposed	Per Cent of Total	Per Cent Allotted in 1948-49
Austria	174.1	+ 83.1	257.2	6.8	5.8
Belg. Luxburg.	312.5	- 400	- 87.5	- 2.3	0.9
Denmark	91.0	+ 14.9	105.9	2.8	2.4
France	704.0	+ 223.6	927.6	24.6	27.1
Germany	165.5	+ 104.3	269.8	7.1	4.4
Greece	407.0	- 24.3	382.5	10.1	11.9
Netherlands	270.0	+ 136.5	406.2	10.7	11.6
Norway	94.0	+ 71.8	165.8	4.4	2.4
Portugal	35.0	+ 26.2	59.2	1.6	...
Sweden	48.0	- 48.0	...	...	0.4
Turkey	51.7	+ 45.3	107.0	3.1	0.6
U.K.	962.0	- 69.0	893.0	23.6	20.1
Brazil	261.7	...	...	...	...
French zone of Germany	86.5	- 163.9	184.3	4.9	10.5
Ireland	7.3	...	7.3	0.2	0.2
Indonesia	39.2	...	39.2	1.0	...
Ireland	47.0	...	47.0	1.2	1.6
Trinidad	14.0	...	14.0	0.3	0.4
TOTALS	3,716.5	...	3,776.5	...	...

therefore, that the provisional allocations announced by OEEC may have to be revised as a result of the ECA decisions on the use of the dollar pool.

Argentina Speculates in Sterling

Irritation has been rising fast in the past week or so at the continuing delay in the issue of Argentine import licences for purchases from Britain, and at the absence of the expected release of funds to discharge the arrears of financial and commercial remittances due to British investors and others. Thus, although Argentine exports are now moving towards Britain, further doubts have been raised about the future of the hard-won Anglo-Argentine trade agreement. On this occasion, the delays do not seem to be due to the customary casual—or purposeful—dilatoriness on the part of Argentine officialdom, but rather to a deliberate speculation on the future value of sterling. Paradoxically, this hold-up arises from the possibility of sterling devaluation. While all the world is going short of sterling it suits Argentina at the moment to accumulate sterling.

The explanation is that the value of the Argentine sterling balances is safeguarded by exchange guarantees. If the pound is devalued in terms of dollars, then, irrespective of what happens to the peso, the Argentine sterling balances will be increased sufficiently to maintain their dollar equivalent at the same amount as before devaluation. This guarantee must now be giving much comfort to Argentina's financial experts. Not content with what they already have standing to their credit in London, they are using every device to enlarge these sterling balances. For Argentina this is a riskless speculation. If there is no devaluation, nothing will have been lost except time in making purchases. If devaluation takes place, Argentina's purchasing power for sterling goods will have been almost correspondingly increased. The British Ambassador in Buenos Aires is reported to have protested to the authorities there about the financial and trade delays; if this explanation is correct,

the Argentine delaying tactics will be excused and explained in various ways, but will continue—until devaluation uncertainties are removed.

The Fate of Ultramar

The promise held out for Ultramar when the ros. stock units of the company stood in the market at over £4 only fifteen months ago has dwindled to the point at which the future existence of the company is in jeopardy. The critical position now revealed in the 1948 report has caused a slump in the shares this week to around par. Indeed, the price might well have fallen further but for the announcement appended to the report that negotiations for the provision of new finance had been resumed since the document was printed. Negotiations with four mining houses to provide substantial funds necessary to continue the enterprise had broken down earlier this year. The terms demanded for advancing new money were that it should rank before the existing prior charges and that a readjustment should be made in the interest and redemption dates of these charges. Apparently no agreement could be reached with the Finance Corporation for Industry, from which a loan of £1,750,000 at 3½ per cent repayable by September 30, 1952, is outstanding, or with holders of the £3,500,000 4½ per cent Unsecured Loan stock 1949-57. The notice that negotiations have been resumed for the provision of new capital does not reveal the principals.

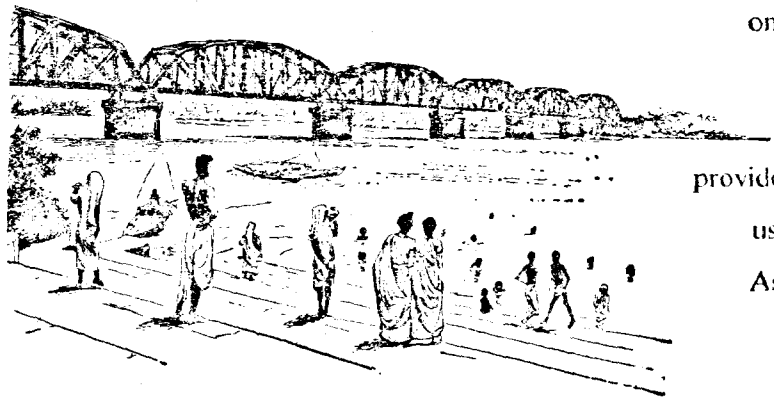
The extent of Ultramar's requirements of liquid funds is not confined to the ultimate needs of continuing its interests in Caracas Petroleum, through which, jointly with the Texas Company, it controls the Venezuelan producing company Mercedes. In the past year it has been unable to furnish its half share of the required advances to Mercedes through Caracas Petroleum. This money has been furnished by Texas Petroleum, a subsidiary of the Texas Company. In discharge of these payments Texas Petroleum has had the right to take as from July 1, 1949, 25 per cent of each oil cargo loaded until the debt is cleared. This drain on Ultramar's potential income is a serious factor in its present crisis since its commitment to Mercedes is a continuing one. But there is the possibly more onerous duty of the company to provide more money to Mercedes for further exploration, drilling and extending production. Here the disappointing results of the oilfields to date have called in question the wisdom of continuing the whole enterprise. Production in the twelve months to June, 1949, amounted to only 5,000,000 barrels compared with the estimate of 11 million barrels; as a result the revenue of Mercedes was \$12 million below expectations.

This poor performance "has called for a complete reassessment of the economic possibilities of the venture on the basis of present experience and such data as is (sic) available." In the meantime Mercedes has cut its drilling operations in order to keep revenue and expenditure in balance. So far \$70 million has been spent in bringing Mercedes to the present stage of operations, but for technical reasons the present operating wells are not producing sufficient oil to justify such a heavy capital outlay. It is the intention, if sufficient funds are forthcoming, to push on with a bigger programme of exploration and development despite the hazards involved, for it is the board's opinion that only by discovering more productive fields than those which are at present being exploited can the venture justify itself.

The Rise in Japanese Bonds

The rise in recent weeks in the prices of Japanese sterling bonds quoted in London is not the first speculative movement in these issues since the war, but it is certainly the sharpest. As a peace treaty with Japan comes nearer, it is doubtless justifiable to place a higher valuation on Japan's foreign debt. Various pronouncements, admittedly encouraging, on the status of this debt have emanated from Japanese sources, from

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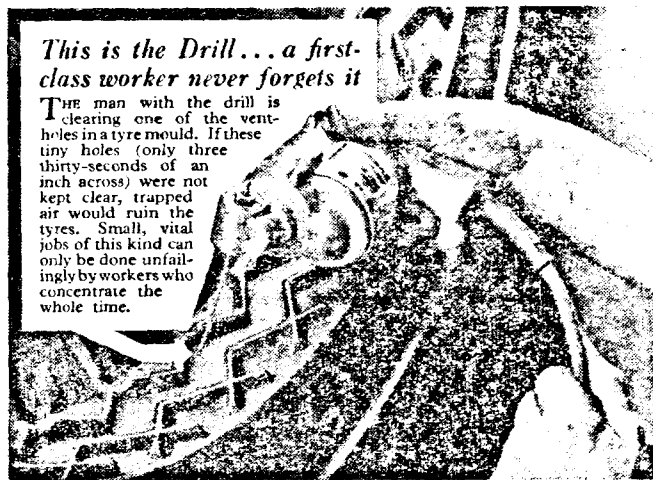
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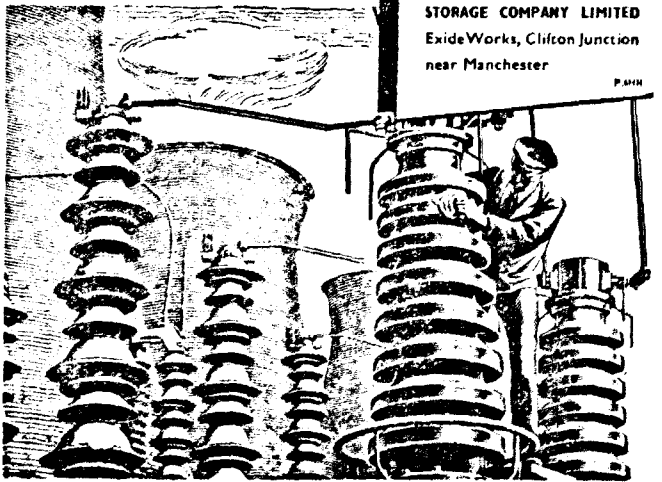
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General MacArthur's headquarters and from interested circles in New York ; but it is hard to feel that they justify so rapid an advance as that shown in the following table.

	Price, June 1, 1949	Price, Sept. 6, 1949	Increase Per Cent
Japan 4% 1899.....	21	28	33
" 4% 1910.....	21	28	33
" 5% 1912.....	25	35	40
" 6% 1924.....	24	35	46
" 5½% 1930.....	31	46	49

It is tempting to cite by comparison the valuation placed on German sterling bonds. But if pushed too far, such a comparison would be misleading. The German foreign debt is incomparably larger, and was in default before the war. Japan, on the other hand, serviced its foreign debt fully until 1941 ; in addition, large portions of it have been repatriated. In both cases, it seems that the chances of resumption of service will depend largely on the attitude of the American authorities without whose financial support the two countries could not contemplate financial transfers abroad for some time ahead. In this context, too, Japan is in the better position. The total of dollar bonds outstanding is relatively moderate. According to recent Japanese official estimates, only \$67,529,000 is still outstanding and not repatriated ; the latest prewar estimate was \$283 million.

The sterling debt is larger, as the table below shows but it is difficult to see how the dollar debt could be tackled without the sterling debt. The second column of the table gives Japanese official estimates of the amounts still held outside Japan. The estimated total of £61 million is almost certainly too high. Well-informed quarters in the City do not put the figure at more than £50 million. Interest arrears calculated on the larger figure would amount to £16,750,000. The

JAPANESE STERLING BONDS OUTSTANDING		
Loans	Amounts Outstanding	Amounts Outstanding and not Repatriated
	£	£
4% Loan, 1899	9,155,450	6,875,200
5% Loan, 1907 (due Mar. 12, 1947)	22,807,180	17,909,240
4% Loan, 1910	10,798,580	7,183,140
6% Loan, 1924	19,720,995	10,498,640
5½% Loan, 1930	10,543,490	5,619,460
South Manchurian Ry. Co., Ltd., 5% Loan, 1923	4,000,000	3,465,100
City of Nagoya 5% Loan, 1909 (due Jan. 31, 1945)	80,000	75,160
Osaka 6% Loan, 1902	241,222	184,617
" Tokyo 5% Loan, 1912	2,371,120	1,704,620
" Tokyo 5½% Loan, 1926	5,011,500	4,122,020
" Yokohama 5% Loan, 1924	515,120	499,380
Tokyo Electric Light Co., Ltd., 6% First Mortgage Loan, 1928	3,137,700	2,957,100
	88,582,151	61,073,677

British authorities, no longer influenced by the indifference shown by Dr Dalton towards foreign bondholders, are believed to be anxious to arrive at a settlement. Japan, for its part, has set aside yen funds to meet its obligations. But proper valuation of the bonds must await more concrete proposals for action to convert the yen into sterling and dollars.

Trade and Commodities

Export Competition in Coal

It is early to speak of an immediate problem of selling British exports of coal ; the mining industry has not yet mastered the task of producing enough coal to meet urgent demands and keep Britain in the market as an exporter. But the representatives of the National Union of Mineworkers who, at the TUC this week, urged an international coal conference were anticipating a difficulty which will inevitably come. To anticipate difficulties, is however, one thing, and

to approach them in the right spirit is another ; the spokesmen of the NUM demonstrated this. Mr Ernest Jones pointed out that, while coal with high coking properties, gas coal and dry steam coal still found a ready market, the lower qualities were increasingly hard to sell abroad. Although the present export target (which, he might have added, Britain will indeed be fortunate to attain unless output improves quickly) was less than half of the 1937 export of 52 million tons, the reconstruction programme for the coalfields suggested a future export figure in the region of 55 or 60 million tons. He was concerned as to how these exports were to be sold in view of the "grave threat" from Poland. He pointed out that the Polish mines employed 25,000 women on the surface and 18,000 German prisoners of war below ground ; if British trade union morality were to permit such practices, British coal output could be expanded by 14 million tons a year, but that was undesirable. Polish miners worked longer, and the average wage in the Polish mines was about £3 a week.

No one would defend the employment of prisoners in the Polish mines ; but it would be silly to pretend that the Polish effort in the production and export of coal since the war has primarily been obtained by such practices or is likely to cease when they cease. There remain the employment of women above ground, the longer hours, the lower wages. The remedy proposed for these was that "the coal-producing countries

MAIN COAL IMPORTS INTO EUROPEAN COUNTRIES				
	Thousand Metric Tons			
	Reported Arrivals of Solid Fuels from :			
	UK	USA	Germany	Poland
1947 :—				
1st quarter	72	5,124	1,642	692
2nd "	...	8,432	2,545	1,375
3rd "	76	10,673	3,138	2,532
4th "	215	9,710	3,503	2,771
1948 :—				
1st quarter	826	6,534	3,229*	2,740
2nd "	2,238	3,498	3,629*	3,716
3rd "	2,182	4,955	4,388*	3,819
4th "	2,587	2,516	4,488*	3,789

* From January 1948, Germany excludes Saar.

should get together to examine the situation." Mr A. Moffat, who seconded the proposal for an inter-Governmental conference to formulate an international plan for the production, export, and price of coal, mentioned the threat of competition from the Ruhr.

The moral seems to have been to find some way of "getting international understanding to avoid cut-throat competition in coal." But when is competition "cut-throat" ? The National Coal Board is still charging substantially higher prices for export for most qualities than it is charging at home. Its prices at home are themselves so high as to be an unreasonable burden on the British economy, and the widespread feeling of the importing countries of Europe against the high prices they have to pay for their coal is well known. British coal can still—with the exception of certain qualities—be sold readily enough abroad, but this is because of the persistent general shortage in European coal output, which can only be made up by marginal American exports which have to bear the heavy transatlantic freights. The accompanying table, taken from the last annual report of the National Coal Board, shows how far this deficiency had been restored up to the end of 1948. It shows how rapidly Polish and Ruhr coal exports expanded when British coal exports were kept to a miserably low level by the deficiencies of output and the exigencies of home consumption. From it the cause of the present high prices—namely, a deficiency in European supplies—can be deduced. So far as Britain is concerned, the deficiency has not been made up. Is this the moment to talk of international arrangements to maintain prices and restrict exports ?

Keeping down the Cost of Living

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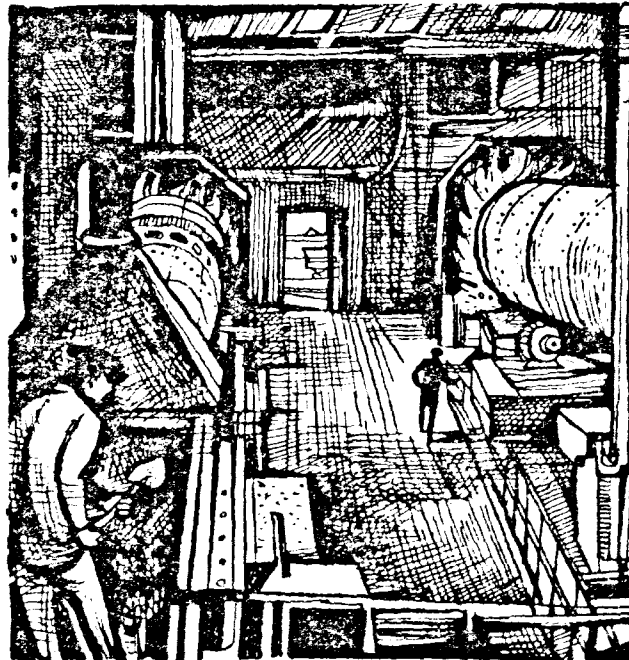
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Russia to Send Coarse Grain

The Russian grain contract is to go forward at last, and the first shipments are expected to arrive in Britain soon. The Ministry of Food agreed some months ago to buy 1,000,000 metric tons of coarse grain from the Soviet Union—500,000 tons of barley, 400,000 tons of maize and 100,000 tons of oats. But after the contract was signed the Russian authorities wanted it to be incorporated in a general trade agreement. The discussions for the general agreement have been taking their usual protracted course, and are still proceeding in London. Evidently the Soviet grain export corporation appears to have realised that Britain might buy substantial quantities of American maize with ECA funds—the American crop, though slightly smaller than last year's, is again of bumper proportions—and came round to the British idea of implementing the grain contract separately. There may, of course, have been another motive in deciding this on the eve of the Washington talks, especially as the United States will have a large export surplus of coarse grains this season.

The agreed prices have not been officially announced. In December, 1947, when 750,000 metric tons of coarse grain were purchased from Russia (450,000 tons of barley, 200,000 tons of maize and 100,000 tons of oats), prices were fixed at the level (a postwar peak) then ruling in the Chicago market. By the time the last shipment was received, American prices had fallen by 40 per cent. It will be interesting to see if the new prices are also determined by reference to the American market. Maize is now \$1.22 a bushel, against \$2.69 twenty months ago. Even if Russia has accepted current prices, it may well find the sale profitable before final shipment takes place.

The main advantage for Britain is that farmers will now be assured of adequate feed supplies. In 1948 Britain imported 780,000 tons of barley, 294,000 tons of oats and 1,330,000 tons of maize. For the first seven months of this year imports of barley totalled 184,000 tons, oats 49,000 tons and maize 620,000 tons. But Britain is to get between 1,000,000 and 1,250,000 tons of Argentine maize and smaller quantities of other coarse grains, so that with the coarse grain from Russia, imports this year should be at least as great as in 1948, and possibly greater. The amount of maize available, however, would still be only half the prewar quantity, though supplies (including home-produced supplies) of barley and oats should equal, if not exceed, the prewar level.

* * *

Stability for Rubber

The rubber market has improved in the past three weeks. The spot price in London is now 11½d. a lb., compared with less than 10½d. at the beginning of August. Though world consumption of natural rubber in July declined by 12,500 tons to 107,500 tons and world production increased by 5,000 tons to 120,000 tons, stocks at the end of the month were unchanged; they were, in fact, 90,000 tons less than at the beginning of the year. Sir Eric Macfadyen, chairman of Golden Hope Rubber Estate, Limited, said in his statement circulated with the annual report that "in normal circumstances" the stock position pointed to a rise in prices. But circumstances in rubber were not normal; owing to the existence of the American synthetic rubber industry the United States "can at will turn shortage into surplus." Synthetic rubber has clearly come to stay, and Sir Eric suggested that there is room for both the natural and the synthetic product, just as in textiles there is room for both rayon and natural fibres. The main thing is to allow the two types of rubber, which in some fields are complementary and in other competitive, to settle down together to find their own levels on their merits. But such a process is only deferred by discriminatory measures such as have been imposed in the United States in favour of synthetic production.

Sir Eric Macfadyen's advice was sound; perhaps it will be listened to in the United States during the Washington talks.

But synthetic rubber production is only half of the story. The other half is American purchases of natural rubber for the strategic stockpile. The favourable stock position at the present time is, of course, almost entirely due to these purchases. World production of natural rubber totalled 817,500 tons in the first seven months of the year; consumption was 840,000 tons. The difference of 22,500 tons came from stocks, but reported stocks declined by 90,000 tons during the period. The discrepancy of 67,500 tons represents in the main purchases for the strategic stockpile, and, but for these purchases, the rubber market would be looking much less healthy than it is. Long-term stability in the rubber industry can be assured, therefore, only if natural and synthetic rubber can freely compete with each other, and also if the demand for each type bears a more direct relation to consumption. If both these conditions obtained, rubber producers might stand to gain.

Industry

The New British Aircraft

With the tenth exhibition of the Society of British Aircraft Constructors at Farnborough this week, the gas turbine has entered the field of civil aviation. The general significance of the advance made is discussed in a note on page 582. The rate of development of British aircraft may create some difficult questions for the operators. Among the piston-engined aircraft which BEA and BOAC have been buying are the Airspeed Ambassador (British) and the Boeing Stratocruiser (American). Much was expected of these two aircraft, but for various reasons neither has yet been delivered to the British corporations. Of the five gas-turbine aircraft demonstrated this week, two, the de Havilland turbo-jet Comet and the Vickers turbo-prop Viscount, are to be built for BEA and BOAC. The Viscount was actually shown with BEA markings, and will be used by BEA for European routes. BOAC are buying 14 Comets for their long-distance Empire routes and negotiating for Viscounts for the British West Indies routes. Two other turbo-prop aircraft shown, the medium-range Armstrong-Whitworth Apollo and the much larger Hermes V of Handley Page, are so far being built only for the Ministry of Supply, but it would be surprising if neither was to be ordered by the British corporation. But delivery of the new piston-engined types is long overdue, and these may not have completed more than a small part of their economic life before the corporations are asked to take delivery of the new gas-turbine aircraft which will replace them.

Devices for assisted take-off are beginning to be of interest for civil aviation. It is clear that because the cruising power of turbo-jet engines and their maximum power are not far apart, difficulties may be met under certain conditions in the take-off of a fully laden turbo-jet aircraft. The De Havilland Company exhibited a "cold" rocket—a rocket which does not use combustion—designed to provide the Comet with the extra thrust needed in those circumstances. An alternative method—"re-heat"—was demonstrated on two fighters. Fuel is added to the exhaust gases before they leave the jet pipe; the effect is somewhat like that of a supercharger. This device is still in too crude a form for civil applications, but refinements to it might prove worth while.

Gas-turbine civil aircraft hardly exist on even the drawing boards of manufacturers in any other country. Representatives of most of the world's airlines have been to Farnborough to see them flying and the manufacturers are prepared to discuss estimates, delivery dates and guaranteed performances with them. In particular, Dutch and North and South American airlines are talking as if they meant business. But, surprisingly enough, there is a feeling among business. But, manufacturers that the talk is unlikely to lead to contracts. Aviation industries tend to be protected by considerations of prestige and strategy, and it remains to be seen whether the world-wide American companies will find it possible to adopt some of the new British aircraft for their international routes.

This may not prove true of the American internal services. What is certain is that by 1952 the British international air lines will be operating with gas-turbine liners. The passenger will experience such an improvement in comfort through the absence of vibration that he may well be reluctant to face piston-engine travel again.

* * *

Tankers for Haifa

The attempts that are being made to get the Haifa refinery working again are to be welcomed; there has lately been no more flagrant example of economic waste arising from political ill-feeling than the continued idleness of this plant. Some recent press reports have been so confused that it is perhaps useful to explain what the position is. It is true that two tankers are approaching Haifa from the Dutch West Indies with cargoes of Venezuelan crude oil; they are due to arrive about September 18th, and will (together with a third tanker which is under orders to make the same voyage) deliver about 30,000 tons of crude. It is not true that (as was reported) they are to pass through the Suez Canal, either to "test" the willingness of the Egyptian Government to let them through, or for any other reason; a glance at the map would show how absurd and costly such a proceeding would be. They are taking the direct route from Curaçao to Haifa—across the Atlantic and through the Mediterranean.

Even this is an expensive way of supplying oil to Haifa, but it will be worth while if it helps to break the deadlock. Its contribution in bulk will be small—less than three days' throughput if the refinery were working to its full capacity of 4,000,000 tons a year. But it will permit work to be started when the decision to start work is taken, and it may assist the Iraqi Government to realise the folly of keeping the pipeline from Kirkuk indefinitely closed.

In normal times, although the pipeline was its largest single source, the Haifa refinery drew some of its supplies from the Persian Gulf by tankers which passed through the Suez Canal. The question of resuming shipments via Suez to Haifa is, therefore, bound to arise. It has not formally arisen yet; no oil has been despatched to Haifa through the Canal since the Israeli-Arab war. The Egyptian Government has not stated formally that it would refuse to permit such shipments; there is merely a presumption that shipments might arouse Egyptian feelings and might, therefore, meet with difficulty. Perhaps too much weight has been given to these presumed Egyptian feelings. Egypt as well as Iraq is losing revenue through the present position, and, once it is demonstrated to either country that the refinery can in any case be operated, it is reasonable to suppose that their objections might be overcome.

* * *

Textile Machinery Prices and Re-equipment

A revision of the prices of British textile machinery was probably overdue, since with the passage of time the costs of producing various types of machinery have changed in different degrees, while the price structure has remained static since 1946. During that time two influences have been at work on production costs; the makers of textile machinery have made improvements in their methods and organisation of work, and their employees have gained increases in pay. The wage increases (the last was an increase of 5 per cent in engineers' wages last autumn) have not yet been reflected in higher prices for machinery, but neither have the economies gained through the reorganised methods of work. The Textile Machinery Makers' group has now notified the cotton spinners of a revised price list which makes a number of the changes that might have been regarded as logical; certain machines are raised in price, and others are reduced, but the net effect is estimated by the cotton spinners to be an average increase of 7½ per cent.

This has aroused some unfavourable comment, and Sir Frank Platt, managing director of the Lancashire Cotton Corporation (the biggest customer for new spinning machinery), is reported to have said this week that the changes "are taking away the advantages of the subsidy." It is true that an increase of 7½ per cent in machinery prices takes a big slice out of the subsidy of 25 per cent of the cost of re-equipment, which is provided under the Cotton Spinning (Re-equipment) Act. It may in some cases call in question the calculations on which schemes of re-equipment were worked out. No doubt the impact of the new prices will vary in accordance with the individual requirements of firms. It is unfortunate that the changes should be announced at the moment when the first payments of the re-equipment subsidy have begun to be made. The committee of the Federation of Master Cotton Spinners' Associations has expressed some concern, and is to meet the Textile Machinery Makers' group to discuss the new price list.

Shorter Notes

Dealings started on Wednesday in the new W. H. Smith shares for which 30,000 applications representing approximately £33 million were received last week. The "A" 4s. ordinary shares opened at 2s. 1½d. premium on the issue price of 40s., but reacted to 2s. 6d. early on Thursday before recovering to 3s. premium. The "B" 4s. ordinary shares issued at 8s. were at first 1s. premium, but have shed 4½d. The opening premium of the 4½ £1 preference shares was 7½d. on the issue price of par. This issue subsequently improved to 1s. 6d. and later fell to 1s. 1½d. premium.

*

The Cement Makers' Federation has announced that cement prices in the United Kingdom are to be reduced, on average, by 2s. a ton. The chief reason for the change is a decline in the price of the Kraft paper used for cement bags, but there have also been economies in costs arising from the industry's current volume of production. The price changes will not be uniform; in some areas changes in costs and freights will offset, wholly or in part, the general price reductions.

*

The agenda for the general meeting of Companhia Hispano-Americana de Electricidad (CHADE), which is in liquidation, called by a Spanish judge for September 27th in Madrid, is held by the liquidators to disregard the decisions taken at the general meeting held at Luxembourg in January this year. The liquidators further consider that the decision by the judge that deposits of shares to be made in respect of the forthcoming meeting will be accepted only in Spain, contravenes the bye-laws of the company. In these circumstances the liquidators state that the meeting cannot validly deliberate on the company's affairs.

*

Coal output last week was 4,201,300 tons. This is 434,700 tons more than in the preceding week; the improvement is attributed to the simultaneous ending of the holidays and settlement of the windingmen's strike. Output for the first 35 weeks of the year is now 141,766,600 tons. In this period over 1,000,000 tons of coal have been lost by strikes compared with just over 700,000 tons in the same period last year.

*

Switzerland was the only European country to which gold was transferred from the United Kingdom during August, receiving £3,226,000. Settlements with countries in the Intra-European Payments Scheme for July and August will be held in abeyance pending signature of the payments agreements for 1949-50.



Food in Pubs

It is the aim of the brewing industry to encourage the serving of food in public houses by providing facilities for catering wherever it is practicable to do so. The licensee is, however, obliged to secure a permit from the food authorities before he can serve even sandwiches made with lettuces and tomatoes from his own garden, and to do this he must produce evidence of genuine consumer need.

Where consumer need has been proved "the trade" can point to evidence of remarkable progress. For example, one brewing firm recently announced that an average of more than 141,000 main meals were served weekly in its houses. Again, to quote an independent

observer (Mr. Maurice Gorham in his new book "Back to the Local"): "Before the war it could be claimed that London pubs provided as good food of its kind as you could get in England . . . Food is a problem now for the pubs as for everybody else, but the machinery remains the same. You can still find everything varying from the separate restaurant to the dish of sandwiches on the bar."

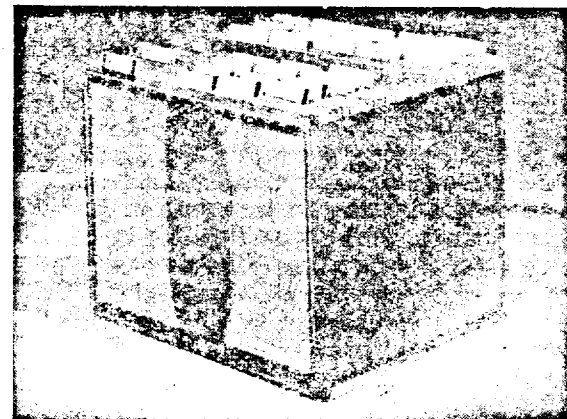


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(10) Property.

(Attach this to your letter heading)

COMPANY MEETINGS

GEORGE NEWNES LIMITED

ANOTHER PROGRESSIVE YEAR

SIR FRANK NEWNES'S REVIEW

The fifty-second annual general meeting was held on September 1st at the company's office.

The following is the statement circulated with the accounts:—

The year's results again reflect a progressive and healthy state of affairs.

The combined profits of the organisation, now comprising twelve publishing companies, amount to £968,443 as against £712,052 last year. After providing for taxation of £442,351, the net profit amounts to £526,092, as compared with £396,064 last year. The increase is largely due to our acquisition of a substantial interest in Temple Press, Limited, the benefits from which first show in the figures now under review.

Of the above total net profit of £526,092, the amount attributable to the parent company, George Newnes, Limited, is £205,096, the balance of £320,996 remaining in the accounts of the subsidiaries. It is interesting to note how the overall profit figure of £526,092 is deployed. Dividends, paid and proposed, take £168,966; general and capital reserves, £98,747; development and reconstruction reserves, £70,000; staff sick and pension funds, £23,500, and supplementary pension accounts, £135,000, leaving a residue of £29,879 to be added to the undistributed profits of the various companies, making that figure £269,319. It will thus be seen that the amounts distributed by way of dividends are of a modest order having regard to the total net earnings. A larger dividend on the Newnes ordinary shares would have been amply justified, but in conformity with the generally accepted practice of dividend limitation the distribution remains as last year. Two of our companies—C. Arthur Pearson, Limited, and Country Life, Limited—both of which issue balance sheets to their preference shareholders, have paid higher ordinary dividends to Newnes, but this is purely a question of internal policy, as Newnes own the whole of the ordinary shares of both companies.

NEWNES' BALANCE SHEET

As already indicated, the net profits of George Newnes, Limited, the parent company, amount to £205,096 against £199,831 last year. With the amount of £65,896 brought forward from the previous year, and after deducting dividends on the preference shares and the interim dividend of 5 per cent. on the ordinary shares there is an available balance of £204,719. The directors propose that a final dividend of 10 per cent. be paid on the ordinary shares together with a bonus of 5 per cent., making with the interim dividend a total of 20 per cent. as for last year. This will absorb £75,000, and after transferring £6,500 to employees' sick and pension fund, £50,000 to supplementary pensions account, and £15,000 to general reserve, there remains a balance of £58,219 to be carried forward to next year's accounts.

Certain items in the balance sheet show marked changes. "Shares in subsidiaries" is increased by approximately £300,000, this mainly representing Newnes' proportion of the group's investment in Temple Press. For similar reasons the items "cash" and "tax reserve certificates" together show a reduction of approximately £260,000. "Freehold premises" has increased by £42,000 due to additional purchases to meet the needs of the business. The increase in "trade investments" by £30,000 represents an interest acquired in another large organisation with

whom in the ordinary course of business we have large and regular dealings. "Stocks and work in progress" has risen by over £90,000, this being largely due to actual printing production having now commenced on *Chambers's Encyclopædia*—an important new enterprise to which further reference is made later.

GROUP'S FINANCIAL STRENGTH

The consolidated balance sheet, setting out the financial affairs of the group as a whole, discloses a position of great strength and solidarity. The various reserves, including £249,799 capital reserves and £494,146 for development and reconstruction, amount to no less than £1,516,211, in addition to which a sum of £387,289 is provided as reserves against future taxation liability. Undistributed profits held by the various companies amount to £269,319. The combined cash resources stand at £986,771, in addition to which an amount of £443,400 is held in tax reserve certificates.

PAPER POSITION

During the year under review the permitted paper consumption for periodicals was 45 per cent. of prewar. Recently the percentage has been raised to 70 per cent.—a very welcome increase, although bringing in its wake new problems on the production side owing to shortage of skilled printing labour. But because the step is welcome it must not be thought that more paper necessarily means more profit. Better quality paper, better production and better reading values, long held back by rationing and restrictions, must be the natural outcome as larger paper supplies are made available; and costs must increase accordingly. On the other hand the price of paper should be substantially reduced, notwithstanding that a modest reduction took effect on July 1st last. The price today is still roughly between three and four times what it was prewar, a state of affairs that helps to frustrate or discourage a publishing house from taking the steps it feels to be desirable in the long-term interests of its publications. As a matter of national interest British publications should be further helped to discard their remaining wartime austerities and one of the ways the Government can do that is to cut down the excessive cost of paper by passing on to the publisher the benefit of price reductions in raw materials as soon as they take effect. Not only do British publications play an important part in the home life of this country, but large quantities go to countries overseas where they have to compete with productions produced under more favourable conditions, and where they are called upon to play an important part in helping to show the British way of life.

HEALTHY STATE OF PUBLICATIONS

As to the publications owned and published by the group—now more than fifty in all—it is not possible to refer to each individually. Suffice it to say that we have a variety of healthy properties widely spread in their appeal, many of them in their respective fields holding a leading place both with reader and advertiser. *Woman's Own*, our colour gravure women's weekly, has recently enjoyed a further notable success in passing the "million a week" circulation mark with a very handsome margin.

CHAMBERS'S ENCYCLOPÆDIA

Over the past five years reference has been made from time to time to the great publishing enterprise upon which the company has been engaged in producing an entirely new edition of the world famous *Chambers's Encyclopædia* by arrangement with W. and R. Chambers, Limited, of Edinburgh. As a work of the first order of importance, unimpeachable in authority and scholarship, it brings together the most up-to-date knowledge in every field of human endeavour, contributed by foremost authorities under the guidance and collaboration of fifty-two associate editors. With the immense amount of editorial work all but completed, printing production is now actively proceeding and plans are being made to launch the new edition in the spring of next year. The company expects to reap a rich and long-continuing reward from these efforts, not only in the home market but also in all countries overseas. Necessarily, a large initial expenditure has been involved in this undertaking, and following the usual conservative policy of the company, very considerable sums have been charged against the company's accounts year by year during the period of preparation. The benefits from this policy will, of course, accrue to the company in the years ahead.

TEMPLE PRESS, LIMITED

As was mentioned briefly last year, we have acquired a substantial interest in Temple Press, Limited, proprietors, publishers and printers of fourteen technical and specialised journals. The group, which includes such well-known journals as *The Motor*, *The Aeroplane*, *The Commercial Motor* and *The Motor Ship*, ranges from *Cycling*, founded in 1891, to a new periodical, *British Farm Mechanization*, first published this year. It is of particular interest to note that Temple Press prints and produces all its publications in a modern building designed specially for the purpose and completed in 1939. The management of Temple Press remains in the same hands as before, with Mr. Roland E. Dangerfield as chairman and managing director. He is the son of the founder, and has been a member of the board of Temple Press, Limited, for over thirty years.

PENSION FUNDS

Last year reference was made to the necessity of inaugurating Pension Funds for our various companies on a more comprehensive basis than hitherto. The existing non-contributory sick and pension funds, although admirable in their purpose and to which, since they were founded many years ago, over £400,000 has been contributed by the various companies, do not, in the opinion of the board, meet the changed economic conditions of recent years, particularly in the case of the higher grades of wage-earning and salaried personnel. Further, it was stated that to institute a suitable scheme a considerable initial sum would be required; and as a beginning a total sum of £200,000 was allocated last year from the profits and reserve funds of the various companies. It is proposed this year to allocate a further £135,000, bringing the total amount, including a sum previously provided, to £365,000. This is still insufficient for the initial needs, but subject to the trading results for the current year being reasonably maintained we should be able at the time of our next balance sheet to have the required amount available to bring a suitable scheme into operation. If this can be done, as we sincerely hope it can, it will, we feel sure, give every satisfaction to all concerned—staff, directors and shareholders.

In conclusion, the board again pays high tribute to the staffs of our various companies for another year of able, energetic and loyal service.

The report and accounts were adopted.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

CONTINUED EXPANSION IN ALL BRANCHES

MR H. K. GOSCHEN ON ECONOMIC DIFFICULTIES

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on September 27, 1949, at the company's chief office, 25-31, Moorgate, London, E.C.2.

The following is the statement by the chairman, Mr Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1948. This year I am circulating the usual chairman's statement with the directors' report and accounts and propose, with your permission, to take this statement as read at the annual general meeting. That meeting will therefore be confined to purely formal business. I trust that this procedure, which conforms with the practice now adopted by most companies, will commend itself to you.

THE LATE CHAIRMAN

It is with great regret that I have to record the death of our late chairman, Mr Richard Sidney Guinness, on January 14th last. Mr Guinness was virtually the founder of our company and presided over it for 33 years; from modest beginnings he brought it to the eminent position it now holds in the reinsurance world, and up to the day of his death watched over its fortunes with a fatherly interest. By his death the company has lost a great chairman and his colleagues and the staff a good friend and a great leader.

Your directors honoured me by electing me chairman of the board on January 31, 1949.

I have also to record the sad loss which the company has sustained by the death of Mr Henry Pattison Hewitt, an alternate director, on May 16, 1949. Mr Hewitt had rendered inestimable services as secretary of the company, a post which he occupied for nearly 30 years. He will be much missed.

To the regret of his colleagues, Mr Edward Douglas Guinness, C.B.E., resigned his seat on the board. Mr Ian Watson Wardlaw Shepherd (previously an alternate director) has been appointed a director in his place. Mr Shepherd brings to the board a specialised knowledge of investments, an aspect of our business which becomes more and more important as we grow in stature.

You will be aware that, where it is proposed to re-elect a director who has attained the age of 70, special action is now called for under the Companies Act of 1948. The requisite special notice of a resolution concerning Mr C. M. Woodbridge has been received. We value the wide experience and wise counsels of this elder statesman.

A vote of thanks to the staff will be proposed at the meeting. This is no formal matter, but a sincere tribute to the untiring efforts in the company's interests of Mr Calburn, our general manager, of the managers and of the whole staff.

THE ACCOUNTS

The accounts for 1948, now submitted for your approval, show a continued expansion in every branch.

This applies particularly to the fire department in which the premium income has increased at a high rate, due not only to a very satisfactory acquisition of new business, but also to the general adjustment of insured values which has brought them more nearly into line with new price levels. Notwithstanding the heavy charge for additional premium reserves and a number of serious losses, the working of this department has closed with a profit.

In the accident department the motor and general liability business still give cause for some anxiety; the rates have not yet caught up with postwar experience and awards for damages in the Courts are continually in-

creasing. Aviation has shown a small loss. The remainder of the accident account has given satisfactory results.

The marine accounts for 1945 and 1946 can now be closed; together they show a profit, after deduction of tax, of £34,305. The business has, however, expanded considerably during the year, and it has therefore been considered prudent to leave these profits in the fund, which now stands at 103 per cent. of the premiums.

During the year the life department completed 8,940 new life reassurances, the net sums assured retained being £4,837,507. This represents an increase in our new business figures not far short of the average of the previous three years of conspicuous advance. Between 1944 and 1948 the total of net sums assured in force has almost doubled and has been accompanied by a constant increase in the number of our connections both at home and abroad, testifying to a widening appreciation of the expert services which we afford in this highly specialised department. It will be easier to assess the progress after the quinquennial valuation to be carried out as at December 31, 1949, but in the meantime it can be stated that the department's mortality experience continues to be favourable.

HEALTHY POSITION

From the foregoing it will be seen that the position of the company itself is healthy. The income continues to expand in all branches, and with expansion comes an ever-greater spread of risks and a more balanced business. Competition is growing, but the technical services which we are able to provide to our ceding companies, and ventures such as the pool for diabetic lives in the life department, continue to bring us new friends.

We must not, however, be too optimistic about the next few years. The economic difficulties with which the country is now faced, particularly the rapid exhaustion of the gold and dollar reserves, overshadow the whole business world. Our company has active business relations with ceding companies in 36 different countries and a net premium income of over three and a half million pounds. Transferability of currency over a wider area is, therefore, essential to our business. While it must be the aim of the country's financial policy to maintain and expand the use of sterling as the most generally accepted medium of international exchange, the deterioration in the country's balance of payments will almost certainly delay this progress.

We might be more optimistic if we felt that steps were being taken to deal with the balance of payments position in the right way. The measures to rectify the position which have been announced so far are concerned almost entirely with further restriction of imports, which can only mean the balancing of the account on an ever-decreasing volume of trade. Meanwhile, our exporters meet ever-growing sales resistance in overseas markets, their difficulties are not lessened by the heavy burden of taxation at home and the Government schemes for social services which, desirable as they are in themselves, cannot but increase the costs of production and so make their products less competitive in world markets.

NATIONALISATION: EFFECT UPON OVERSEAS BUSINESS

It is hardly credible that the Labour Party has chosen this time to issue a manifesto, which presumably will become their programme for the next election, containing proposals which can only be interpreted as a

threat to nationalise the insurance industry. The manifesto refers only, it is true, to the nationalisation of industrial assurance, but the proposals for implementing this policy speak of the taking over, wholesale, of companies who not only transact industrial assurance, but are responsible for probably one-third of the overseas life business of the London insurance market as well as substantial overseas business in fire, accident and marine. When our managers travel abroad, the first questions they are invariably asked are about this threat of nationalisation. Our many friends abroad are seriously worried at this prospect.

A TRAGIC POSITION

The London market has a reputation for the prompt payment of claims, even ones which may not be strictly enforceable in law, and for a healthy competition within itself which enables foreign insurers to obtain the finest rates. Our friends abroad cannot believe that these advantages would remain if the London market were to become largely a State monopoly.

They will inevitably seek other markets and the valuable foreign exchange earnings, largely in hard currencies, will dwindle. It is tragic that at a time when the country is fighting for every dollar this threat should be hanging over the industry. Happily there are signs that these fears are being heeded; we can only hope that the wiser counsels will prevail and that the real interests of the country will not be sacrificed to purely doctrinaire socialism.

I ask our many friends abroad to believe, as I do, that these troubles are temporary ones, the troubles of a nation trying to raise the standard of living of its people at a time when, impoverished by a great war, it cannot really afford to do so. We will overcome these troubles as surely as we have conquered our other difficulties in the past.

LISBON ELECTRIC TRAMWAYS, LIMITED

INCREASE IN PASSENGERS CARRIED

The fifty-first ordinary general meeting of the Lisbon Electric Tramways, Limited, will be held on September 28th in London.

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

The profit and loss account shows an increase in operating revenue of £99,532 and an increase in expenses amounting to £105,261. The operating surplus thus shows a decrease of £5,729 compared with 1947.

The number of passengers carried again shows an increase. Passengers carried on the tramcars and elevator were 262,658,741, which is practically the same number as in 1947; the motor-buses carried 14,307,070, an increase of over 9 million compared with 1947.

The mileage run by trams increased by 404,803 miles or 2.48 per cent. and buses by 1,181,250 miles or 155.03 per cent. These statistics of passengers and mileage indicate that the Companhia Carris de Ferro de Lisboa's efforts to relieve over-crowding on trams are at last bearing fruit and I am happy to feel that with co-operation between that company and the authorities, which is indispensable, we are now in a position to offer greatly improved travelling facilities to the public of Lisbon.

The delivery of buses, which had been held up in 1947 owing to various causes, improved in 1948. In addition nine new tramcars have been put into service during the year. In consultation with the authorities 12 new bus routes have already been installed and many districts which previously had no public transport service are now linked up by an efficient bus service. In addition to these normal weekday services, a new Sunday and Holiday route from Marques do Pombal to Alges was inaugurated.

LINTAFELT, LIMITED

DOWNWARD TREND OF PROFIT MARGINS

INCREASED FACTORY EFFICIENCY

MR B. M. LINDSAY FYNN'S STATEMENT

The annual general meeting of Lintafelt, Limited, will be held on September 28th in London, when the following statement will be made by the chairman, Mr B. M. Lindsay Fynn, F.C.A.:

My circular letter to shareholders, dated August 8, 1949, will already have acquainted you of the decision of your directors to change the accounting period of the company to bring it into line with the planning period of those Government Departments responsible for the allocation of import licences covering the main raw materials used by the company. The effect of this decision is that the accounts now presented to you cover a trading period of 15 months to June 30, 1949, as against the previous accounting period of 12 months ended March 31, 1948. The comparative figures given in the balance-sheets and profit and loss accounts are, however, in respect of a twelvemonth period only.

INCREASED SALES

To achieve a similar annual rate of net profit it has been necessary for the company to increase its sales by approximately 38 per cent. During the period reductions aggregating approximately 6 per cent. have been made in the selling price of Lintafelt, the main product of the company. This indicates that the company is experiencing the general downward trend of profit margins as a return is made to the buyers' market. To a certain extent these reductions have been offset by an increase in factory efficiency.

From January 1st of this year the Government allowed the importation of cotton liners to return to limited private trading subject to the user industries accepting the stocks then held by the Government. The prices at which the trade was required to accept these stocks were well in advance of the then current world market prices, and since these stocks represented the accumulated residue of a number of years' bulk purchases, the quality was well below the normal standard. In so far as your company is concerned, the proportion of these high valued stocks which were allocated to us have been accepted and used, and any loss taken during the period covered by the accounts now presented to you, and in this respect we therefore face this new financial year with well bought stocks only and our forward purchases represent current market values and quality.

The return to private trading has also necessitated the provision of large additional sums for the finance of forward purchases and for payments in advance against shipping documents, a position which is also reflected in the higher stock figure at June 30, 1949.

CONSOLIDATED ACCOUNTS

From the consolidated accounts it will be noted that the value of the fixed assets has increased over the period by £62,508 after allowances for obsolescence and depreciation of £25,690 have been made. This figure compares with an amount of £10,579 provided for in the accounts to March 31, 1948. Your directors have decided for administrative reasons to change slightly the method of calculating the depreciation on the fixed assets. In future the depreciation will therefore be calculated on the valuation figures at March 31, 1947, or on the costs of additions since that date, at an annual rate which will eliminate the fixed assets on the following basis:—

Freehold land and buildings ...	50 years
Machinery, plant, fixtures and fittings and furniture ...	10 "
Motor vehicles ...	5 "

These rates have been adopted for the accounts to June 30, 1949, and applied retrospectively to the accounts for the year ended March 31, 1948. In comparing the figures calculated on the old and the new basis for depreciation a decrease of £1,685 is revealed in respect of the current period, and this together with an over provision of £1,000 in respect of the accounts to March 31, 1948, has been adjusted in the accounts to June 30, 1949. Despite that our total charge for the 15 months for depreciation and obsolescence in the group amounted to £25,690—a substantial provision.

DIVIDEND RECOMMENDATION

In considering the recommendation for the payment on our ordinary share capital of a final dividend of 35 per cent., making a total of 50 per cent. for the 15 months, or 40 per cent. per annum as against 50 per cent. per annum for the year to March 31, 1948, your directors have been influenced by several factors. Firstly, the higher provision necessary for taxation in accordance with the following comparative figures:—

	1949	1948
	£	£
Income tax	27,866	18,247
Profits tax	12,820	11,000
	40,686	29,247

Secondly, the larger capital involved in the financing of our stock forward purchases and debtors, the latter being partly due to the rather longer credit taken by customers. Thirdly, the increasingly uncertain economic position as the company relies to a large extent on imports for its raw material requirements. While up to the present the priority accorded its products has resulted in sufficient supplies being made available to meet its needs, we cannot but view the position which faces the Government in meeting the country's economic difficulties as one which may result in overall reductions in imports with the consequent effect upon your company's trading prospects. I must, however, state that those responsible for finding the company's raw materials are using every endeavour both to locate alternative materials and to develop new materials which are available either at home or in the sterling area.

DEVELOPMENT PROGRESS

During the 15 months under review the company has continued to develop along the lines previously indicated to shareholders and has at York successfully converted redundant Air Ministry buildings into an up-to-date and profit-contributing fillings plant. The planned alterations of premises and additions to plant at Loudwater have been completed and this factory is now among the finest of its type in the world.

Our Ulster venture has not been without its vicissitudes and the accounts before you include the cost of moving the original plant of Lintafelt (Ireland), Limited, from the Corporation Street, Belfast, premises and consolidating with the Unity Manufacturing

Company, Limited, in premises leased by them at Whiteabbey, near Belfast. This latter company, a small spring making business, was acquired by your directors early in the present financial period. These changes should result in a profit contribution from these two Ulster subsidiary companies during the current trading year.

NEW MANUFACTURES

The products of your company still continue to enjoy recognition as the foremost of their kind in the many industries served and I am looking forward with pleasure to the introduction of new manufactures resulting both from research carried out internally by our own organisation and from further research resulting from visits to the U.S.A. and elsewhere abroad by members of the company's staff. During the past few weeks your company has acquired the whole of the issued share capital of Unicorn Latex Industries, Limited, which it is proposed to use as a pilot plant from which to develop an interest for your company in the many and varied industrial and other applications for the use of foam latex.

I am sorry to have to record the loss which the company suffered during the year by the death in January of Mr A. C. Nash, who since the inception of the company has been its auditor and latterly joint auditor, and whose guidance and help are reflected in the strong position of the company today.

Our thanks and grateful appreciation are due to our managing director, Mr Harold Turnbull, Mr Hynds, our sales director, and to our excellent and hard-working executives and staff for the part they have played in the successful results of the 15 months. They are all keen to keep Lintafelt in the forefront of upholstery interiors.

SEAGER, EVANS AND COMPANY, LIMITED

CRUSHING BURDEN OF TAXATION

The fifty-first annual general meeting of Seager, Evans and Company, Limited, was held on September 1st, in London, Lieut. Colonel the Hon. Michael T. Henderson (chairman and managing director) presiding.

The following is an extract from his circulated statement for the year to March 31, 1949.

The profits of the parent company amount to £146,498 as compared with £170,783 for the preceding year. We have left undistributed in the accounts of subsidiary companies profits of £8,117 as compared with only £84 in the preceding year, so that the fall in profits is approximately £16,000. The directors propose that the total dividend for the year be 17½ per cent. with a bonus of 5 per cent. The revenue reserves and undistributed profits total over a million pounds.

With the reduction in the spending power of the public, the full impact of the crushing burden of Customs and Excise duties is now being felt. The distilling trade, especially Scotch whisky distilling, is of national importance and it is to be hoped that the Chancellor will not allow it to be crippled under the burden of taxation.

We are pleased to report that since the close of the financial year we have been able to reintroduce to the market our well-known Egg Flip; this was always popular with the public and that which we are now making is of the same high standard of quality as our prewar product. Stockholders can materially assist the company by asking for our products when ordering wines and spirits.

Our subsidiary companies enjoyed a good year's trading. Licences to distil whisky were granted on a scale nearly equal to prewar. Licences for 1949-50 are on a similar scale. The report was adopted.

JAMES HOWDEN AND COMPANY, LIMITED

INCREASED PROFITS

MR CRAWFORD W. HUME'S REVIEW

The forty-third annual general meeting of James Howden and Company, Limited, was held on September 7th at 195, Scotland Street, Glasgow, Mr. Crawford W. Hume, M.I.N.A. (the chairman) presiding.

The secretary (Mr. James S. Niven) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to April 30, 1949:

The accounts this year are drawn up on the lines we have followed for a number of years and are, of course, in accordance with the provisions of the Companies Act, 1948. In dealing with this year's profit of £278,822 which exceeds last year's by £18,677, the directors have further consolidated and increased the reserves and recommend a final dividend of 22½ per cent. keeping the total dividend for the year at the previous rate of 30 per cent., which requires £45,045 net.

APPROPRIATIONS

In the appropriations made by the directors you will have observed that £65,000 has been transferred to the general reserve account, increasing this reserve to £310,000, which, as will be seen from the balance-sheet, is now somewhat greater than the issued capital of the company. £15,000 has been utilised to write down goodwill and £5,000 to write down patents, and the amount carried forward has been increased by £5,919 to £42,780. Under revenue reserves, the amount set aside for income-tax, £217,000, covers the taxes due till January 1, 1951, while the balance of taxation up to April 5, 1949, and the profits tax on profits for the year ended April 30, 1949, together amounting to £41,600, are shown under current liabilities.

On the assets side it will be noticed that the stock in hand and work in progress has increased considerably. This is a direct and necessary result of the growing order book and increasing capacity and output of the company's works. For, as you may remember was said last year, the company is benefiting from the demand for its special equipment for power stations and ships, not only in this country where the programme for new stations is as extensive as ever, but also overseas, where there is a substantial demand for its products.

EVER-GROWING DEMAND FOR POWER

The growing consciousness throughout the world that in order to maintain a reasonable standard of living each man will require to produce more goods is making it clearer to us all that in order to produce more each man needs more power not only to, but at, his elbow. The result is an ever-increasing demand in industrial centres and also in the agricultural areas for more and yet more power.

The buildings and plant have been well maintained, additional plant has been installed and new research buildings with appropriate equipment to ensure the highest quality and efficiency of the company's products are being constructed. The new factory premises acquired last year, covering 120,000 square feet, have now been equipped and are in production. There the lighter products and certain parts which are required in large quantities are now being turned out.

During the year senior executives have travelled to Europe, South Africa, the Far East, India and Australia to extend and consolidate the company's market in these parts, and visits here have been made by the company's Canadian and South African and South American representatives. The results

of these strenuous journeys have been most satisfactory from the company's point of view.

FREEDOM FROM INDUSTRIAL DISPUTES

For more than 27 years the company has been free from serious industrial disputes, and it is gratifying again this year to record that the company continues to enjoy the loyal support of the administrative and executive staff and the workpeople. On your behalf I should like to take this opportunity of thanking all the employees for their faithful and friendly service.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr. P. H. N. Ulander, M.I.Mech.E., F.Inst.F., and Mr. Henry L. Paul, M.B.E., were re-elected and the remuneration of the auditors, Messrs. William Hart, Jnr., and Wilson, was fixed.

WM. CORY AND SON, LIMITED

IMPROVED COAL EXPORTS

The Rt. Hon. Lord Leathers, P.C., C.H., chairman of the company, presided on 6th September at the 53rd annual general meeting of Wm. Cory and Son, Limited, held at Cory Buildings, Fenchurch Street, London, E.C.3.

The following is an extract from his statement circulated with the report and accounts: The net profit for the year is £630,758 as compared with £679,207 for the previous year.

During the year the volume of coal distributed in this country by your company has fallen below that of the preceding year, which was a peak tonnage, and we are back to our normal tonnage of war and prewar years. Quantities of coal discharged at our river stations and carried by our lighterage departments were correspondingly lower.

Our fleet of coasting colliers was employed to the full throughout the year.

The export of coal has shown a considerable improvement, in which your company has appropriately shared. However, if further progress is to be made, or indeed the present markets maintained, prices will have to be reviewed, before other coal-producing countries make inroads into business which should remain with this country. The National Coal Board is fully alive to the price trends.

OIL TRADE MAINTAINED

The company's oil trade, of which I recorded a new high level for last year, has been more than maintained. Supplies are ample, and since December last fuel oil prices and subsequently diesel oil prices have been substantially reduced.

One of the Cory Group's subsidiaries in South Africa, has entered into a long-term contract with the South African Iron and Steel Corporation to comply with which important extensions will be required.

In the year 1948 the output of our Natal collieries was appreciably lower by reason of shortage of railway wagons, but our output is now satisfactory, and there is a demand for all we can produce.

The coal available for shipment at Lourenco Marques from the Transvaal Coal Owners' Association, for whom we have long acted as exclusive shipping representatives, was greatly reduced by wagon shortage. The position is substantially restored and shipments proceeding normally, the demand for export coal remaining in excess of supply.

We acquired one half interest in the share capital of John Kelly, Limited, of Belfast. The results of their trading for the year 1948 have been well maintained.

The report and accounts were unanimously adopted.

TATA IRON AND STEEL

MR J. R. D. TATA ON THE POSITION

At the annual general meeting of the Tata Iron and Steel Company, Limited, held at Bombay on August 25, Mr. J. R. D. Tata, the chairman, said that while the second year of India's Independence had brought calmer political conditions, the economic sphere was still gloomy.

ECONOMIC POSITION

There had been complete stagnation of the investment market. It was practically impossible for any industrial concern to raise money for any purpose.

The company's production of saleable steel had increased from 664,000 tons in the previous year to 671,000 tons—a negligible increase.

The Government had awarded an average price increase of Rs. 18 per ton, to be effective for two years from May, 1949. A substantial part of this had already been utilised, and there was no margin for further increase in costs or more concessions to labour.

LABOUR SITUATION

The labour situation, while slightly better, still caused anxiety. The authority of the workers' union, which had secured valuable benefits for labour, had recently been challenged by radical groups. Both the industry and the workers might be harmed by a struggle for power between rival groups.

The average labour cost per ton of finished steel had gone up from Rs. 31.54 in 1939-40 to Rs. 92.80 in 1948-49, and the average output per employee had declined from 24.36 tons in 1939-40 to 16.30 tons in 1948-49. The number of men employed, several times the number required for the same output in America and Europe, far exceeded those required even under Indian conditions. The output per man in the company's structural shops was ½ ton per month, whereas the average in similar shops in the U.S.A. was five tons.

PROVISION OF AMENITIES

Indian labour was no longer cheap. Apart from wages, dearness allowances, etc., which had greatly increased, the company was asked to provide amenities, such as housing, roads, sanitation, water supply, education, hospitalisation, etc., the costs of which had all risen.

FINANCIAL PROBLEMS

One of the principal recommendations of the Tariff Board, accepted by the Government, was that the company should convert the deferred shares into ordinary shares. A minority of deferred shareholders had blocked this scheme. The directors were willing to take steps to put through a conversion scheme if there were enough evidence that the scheme would go through. If not, they would have to inform Government that they were unable to carry out their directive, leaving further action to Government themselves.

GOVERNMENT REQUEST

At Government's request, a programme for expanding the output by about 200,000 tons at an estimated cost of Rs. 15 crores had been submitted.

It had been made clear to Government that such a project could only be implemented if they advanced a substantial part of the cost.

Even assuming that the expansion scheme were dropped, a little over half the cost mentioned represented necessary replacements and, in addition, a little over Rs. 1 crore would be required each year for routine renewals.

It appeared that the company would need to raise additional capital of the order of Rs. 3 to Rs. 5 crores. Whether such amount should be raised as share capital, debentures or borrowings, was a matter still to be decided by the directors.

The report was adopted.

LAND SECURITIES INVESTMENT TRUST

PROGRESS CONTINUING

The eighteenth annual general meeting of this company was held on September 7, in London, Mr. Harold. Samuel, F.R.I.C.S., F.A.I., chairman and managing director, presiding.

The following is an extract from his circulated statement.

The value of properties at cost to the group, after providing for amortisation to date, stands at £2,391,908, as compared with a figure of £1,604,324 for the previous year. This substantial increase has been brought about by the acquisition of additional office properties in the West End of London and in the City of London, and by the inclusion of the properties owned by the United City Property Trust Limited.

Current assets amount to £324,729, including cash at bank of £240,898, and compare with a total of current liabilities amounting to £201,944. The bank overdraft, which last year amounted to £98,655, has been repaid during the year under review, and the current liquid position of the group is considerably more satisfactory than at the date of the previous accounts.

THE RECENT ISSUE

During the year a further 10,000 ordinary shares of 10s. each were issued, at £5 per share, such issue being made to existing shareholders on a "rights" basis. The share premiums arising on this issue total £45,000, and partly as a result of this, and partly as a result of profits, which it is proposed to retain within the group, the total figure for share capital and reserves now stands at £268,632, as against £192,665.

The item "Minority interests in two subsidiary companies" has increased to the substantial figure of £765,144, and relates to the Preference share capital of Lansdowne

House (Berkeley Square) Limited, and the preference and ordinary share capital of the United City Property Trust Limited to the extent that these are not held within the Land Securities Group.

The profit arising on sale of properties is £50,955, as against £38,089 last year, and the rents receivable less expenses have increased from £89,902 to £214,319, such rents including the rental income of United City Property Trust Limited for a period of nine months only.

INCREASED NET PROFIT

The net profit for the year attributable to the parent company, after allowing for all charges, and after providing the sum of £97,810 for taxation as compared with £44,039 for the previous year, and after deducting the sum of £17,494, being the proportion of the profits attributable to minority interests, amounts to £57,042, compared with £31,014 for the previous year. The amount brought forward is £11,925, making a total of £68,967 available for dividend.

An interim dividend of 32 per cent., less income tax, has been paid on a share capital of 140,000 shares of 10s. each. In accordance with the policy that your directors have followed for several years of maintaining the ratio of the interim to the final dividends of 1:1½, they now recommend the payment of a final dividend of 48 per cent., less income tax, on the existing issued share capital of 150,000 ordinary shares of 10s. each.

It should be gratifying to shareholders that after the payment of a dividend of 80 per cent. the company is in a position to increase the carry-forward by approximately £25,000. Since the end of the financial year under review the affairs of the group have progressed satisfactorily, and your directors hope that the accounts for the current year will in due course disclose a further expansion in the net revenue.

The report was adopted.

NOTICES

UNIVERSITY OF SYDNEY

Applications are invited for the position of Senior Lecturer in Economics. The salary range is £750 (Aust.) per annum rising by annual increments of £50 to £1,000 (Aust.) per annum and is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience. The successful applicant will be required to take up duties as early as practicable in 1950. Applications, supported by testimonials and giving the names of three referees, should be forwarded to the Registrar, University of Sydney, New South Wales, Australia, not later than October 14, 1949.

Further particulars and information as to the method of application, may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

CHARTERED Accountants with experience of Financial Control and Standard Costing are invited to submit an application for a responsible appointment with an industrial firm of national repute. The successful candidate will be required to take energetic action and will be given the fullest support. The position calls for a man of first-class technical quality and personality. Scale of remuneration up to £2,000 per annum. Applicants should be between 30 and 40 years of age, and a University Degree is desirable although not essential. Please send full particulars, in confidence, to Box 196.

WRITER, full time, with first-class style, age 25-30, wanted for distinctive type of overseas trade review published in London. University degree and interest in economic and financial affairs essential. Applicants must have adequate writing experience.—Box No. A.B.C., c/o 95, Bishopsgate, E.C.2.

FOR SALE Economist from December 1937 onwards, three dates missing.—Box 198.

SUDAN GOVERNMENT

The Finance Department requires Qualified Accountants, aged 30 to 45, for service in the Sudan. Candidates must be either Chartered or Incorporated Accountants or Associates of the Institute of Municipal Treasurers and Accountants or of the Certified and Corporate Accountants. Costing experience is an advantage.

Appointment will be on Long Term Contract on a salary scale of £E 600 to £E 925 with special post-service gratuity; or on Provident Fund Contract or Short Term Contract, at higher rates of pay and different post-service benefits.

Cost of Living Allowance varying between £E 180 and £E 290 per annum according to the number of dependents is at present payable, and, subject to certain limitations, an Outfit Allowance of £E 60 is payable on appointment. There is at present NO INCOME TAX in the Sudan. Free passage on appointment. Full particulars and application form may be obtained on application to: Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Accountant, F.S."

GOLDEN HOPE RUBBER ESTATE, LIMITED

The annual general meeting of The Golden Hope Rubber Estate, Limited, will be held on September 27th, in London.

The following is an abstract of the address of the chairman, Sir Eric Macfadyen, circulated with the report and accounts:—

The crop of rubber harvested was 5,815,507 lbs. yielding a profit of £34,608 after providing £37,405 for taxation in the United Kingdom and Malaya. From the balance we recommend the payment of a dividend of 7 per cent.

Up to a few years before the war I had kept in touch with the estates by regular visits. It was therefore very interesting to me to see something of them again during a visit to Malaya last winter.

We own some old rubber but no bad rubber and some that is very good. Of our total planted acreage of 9,622 acres the proportion of modern rubber is about one-third. Our costs are below average and I look to see them lower. I feel that the condition of our estates, in the difficult circumstances of the times, reflects great credit upon those who had the job of bringing them back into cultivation since the war. The Board mean to back up the men on the spot by continuing to pursue a progressive replanting policy within the limits of financial prudence; and replanting will to some extent—where the land is suitable—be in oil palms.

The subversive campaign of which I spoke last year now manifests itself in most parts of Malaya as undisguised banditry. On our estates some damage to property has occurred but I am thankful to say that no loss of life has been sustained.

SOCIAL SCIENCE RESEARCH IN THE COLONIES

A limited number of post-graduate studentships tenable at British Universities in preparation for field research in one of the social sciences in the Colonial Empire is now available. The purpose of these studentships, which will normally be tenable for a period not exceeding twelve months, is to provide potential research workers with an opportunity to study the sociological background of modern Colonial problems and techniques essential for modern field studies. It will be a condition of the award that the student undertakes, if so required, to carry out research in the field under a further grant from the Secretary of State for a period of not less than two years after the completion of training. The studentship will carry a personal allowance appropriate to the qualifications etc. of the holder. Fees will be paid and a grant made towards the purchase of recommended books. Applications should be made in writing, not later than the 1st December next, to the Under Secretary of State, Research Department, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1 giving an indication of the type of project which the applicant feels he is best qualified to undertake in the Colonies, together with details of career and academic qualifications.

£2,000 p.a. derived from one lease Shops, Garage, Flats and premises main road Sussex Town, Excellent covenant. £30,000 secured.—William Ridgway, Salisbury Square House, London, E.C.4.

STATISTICIAN for research organisation. Degree essential. Kindly state age, education, experience, present post, references and minimum salary required.—All applications in confidence, reply Box 184.

SUDAN GOVERNMENT

The Finance Department requires candidates aged 23 to 35 for service in the Sudan, to fill posts of Establishment Officers. Duties will be to act as Establishment Officers in certain Departments or in the Establishment Branch of the Finance Department. The duties will be administrative and executive, dealing with all aspects of Personnel Management. Candidates must have an Honours Degree.

Experience in Personnel Management or in an appointment with the Armed Forces dealing with personnel matters would be an advantage but is not essential.

Appointment will be on Long Term Contract on a salary scale of £E 600 to £E 925, with special post-service gratuity, or should the candidate prefer, on Provident Fund Contract or Short Term Contract at higher rates of pay and different post-service benefits.

Cost of Living Allowance varying between £E 180 and £E 290 per annum according to the number of dependents is at present payable, and, subject to certain limitations, an Outfit Allowance of £E 60 is payable on appointment. There is at present NO INCOME TAX in the Sudan. Free passage on appointment. Full particulars and application form may be obtained on application to: Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Establishment Officer, F.S. Dept."

Investment Statistics

Company Notes

Tate and Lyle (sugar refiners and distributors).—Insufficient proxies necessary for a quorum at the special meeting of Tate and Lyle, fixed for September 15th to approve the capital segregation scheme, have so far been received from ordinary and preference shareholders. The final date of receipt is September 13th.

Blackwood, Morton and Sons (carpet and rug manufacturers).—Consolidated net profit increased from £228,762 to £302,059 in the year to June 30, 1949. A final dividend of 35 per cent, plus a bonus of 10 per cent, is recommended, making a total distribution of 65 per cent for the year (same). A bonus issue is also contemplated.

Head Wrightson (plant and machinery).—Consolidated net profit increased from £110,800 to £134,800 in the year to April 30, 1949. A final dividend of 6 per cent is recommended, making 10 per cent for the year (same). It is also proposed to capitalise £118,125 of reserves by a bonus issue to holders of ordinary shares of one fully paid £1 ordinary share for every four existing shares held.

H. A. Saunders (motor distributors).—Group profit for the year to March 31, 1949, amounted to £67,225 (£64,360). The ordinary dividend of 25 per cent is repeated.

Ransome and Marles (ball-bearing manufacturers).—Net profit increased from £286,548 to £300,487 in the year to June 30, 1949, after deduction of depreciation £100,006 (£101,145) and taxation £309,000 (£345,000). A final dividend of 12½ per cent and bonus of 5 per cent is recommended, making the total distribution 25 per cent for the year (same).

Spiers and Pond (hotels and catering).—Consolidated trading profit declined from £298,148 to £189,543 in the year to March 31, 1949, and net profit from £104,676 to £32,926. The dividend has been reduced from 10 per cent to 7½ per cent. Net current assets are lower at £188,750 (£264,621) and bank overdraft up from £18,833 to £26,343.

George Cohen, Sons and Company.—Consolidated trading profit fell from £1,019,445 to £697,614 in the year to March 31, 1949. Net current assets have increased from £2,711,152 to £3,065,441.

Whitworth and Mitchell (makers of "Wemco" fabrics).—Group trading profit has increased from £275,580 to £324,109 in the year to June 30, 1949, and consolidated net profit from £124,791 to £182,353. General reserve has been allocated £70,000 (£50,000) and stock reserve £30,000 (£20,000). Stocks have risen to £912,895 (£667,768) and debtors to £337,200 (£239,497). Liquid funds are down from £314,019 to £124,675.

Ultramar (oil).—The consolidated deficit for 1948 was £157,395. Advances to the principal subsidiary Caracas Petroleum S.A. were increased by £1,241,683, while CP&A advanced £1,953,634 to Mercedes during the year. Net loss of Mercedes for the year was £2,958,128. Average daily production for the year to June, 1949, was 13,000 barrels, compared with the estimate of 30,000 barrels. Negotiations for the provision of further finance for Ultramar have been resumed.

Neepsend Steel and Tool Corporation.—Net revenue for the year to March 31, 1949, amounted to £118,814. A final dividend of 9d. is recommended on the 5s. units, making a total dividend of 1s. 6d. for the year, plus a bonus of 1s. per unit. A free bonus of 1,223,388 ordinary shares is to be issued to ordinary stockholders on a one for one basis to capitalise £305,847 of reserves.

Capital Issues

Associated Fisheries.—Shareholders are to receive 2,600,000 5s. ordinary shares in the proportion of two new shares for each share held. The issue will capitalise £650,000 of reserves.

Montague L. Meyer.—Shareholders' approval is to be sought for a 300 per cent bonus issue.

Hattersley (Ormskirk).—Shareholders are to receive, by way of a free bonus distribution, £250,000 5 per cent cumulative £1

preference shares in the proportion of one preference share for each four ordinary shares held.

Scottish Agricultural Industries.—The Capital Issue Committee has approved the placing of £750,000 4½ per cent £1 second preference shares, and an issue to ordinary shareholders of 453,200 £1 ordinary shares at a price to be determined later.

Tecalemit.—Shareholders are offered 500,000 5 per cent cumulative redeemable £1 preference shares at 21s. per share.

Lancashire Cotton.—Treasury approval has been obtained for an offer to 5 per cent non-cumulative preference shareholders and to ordinary shareholders of one new £1 ordinary share for each £3 of stock of either class held on August 18th.

Lintafelt (padding manufacturers).—Group net profit for the 15 months to June 30, 1949, was £71,840 (£59,074 for previous year). A dividend of 50 per cent or at an annual rate of 40 per cent is recommended for the period (50 per cent for 1947-48).

New Issue Prices

Issue	Issue Price	Price, Sept. 7, 1949
Amber (A. Deb. £50 paid) ...	100½	51-52
Arthur, Prof. ...	21 0	20 3-20 9
Assoc. Fisheries, Pref. ...	21 0	18 9-19 3
Babcock & Wilcox ...	57 6	51 6-52 6
Do. 4½, Pref. ...	20 0	19 4-19 7½
Barbados Elec. Prof. ...	20 6	19 9-20 3
Fattorini, Prof. ...	20 0	20 0-21 10½
Cons. Zinc, Pref. ...	20 0	17 6-18 5
Goldthorpes, L. ...	2 3½	2 4-2 7½
Gray's Carpets, Deb. £10 paid ...	100	15-48
Guest, Keon (20 0 paid) ...	37 6	21 10-22 4
Hanser Porter Paints, Pref. ...	21 6	21 0-22 9
Do. Ord. 5½ ...	10 9½	10 3-11 3
Libbes, 4½, Pref. ...	20 0	20 10-21 4½
London Asiatic Rubber ...	97	4 4-4 5½
London Asiatic Rubber ...	2 1	4 4-4 5½
Rotary Hoes, 5½ ...	16 0	12 0-12 9
Smith, W. H. (Hld.) A 20 0 paid ...	40 0	22 9-23 0
Do. B 4½ paid ...	8 0	4 7-4 10½
Do. 4½, Pref. (10½ paid) ...	20 0	11 1-11 4½
Do. 7½, Pref. ...	20 0	29 6-30 6
Standard Fireworks, Pref. ...	21 9	19 6-20 6
Teleph. & Gen. Trust, 3½, Deb. ...	101½	95-100
Whitbread, Deb. £20 paid ...	100	17-17½
Wilmot-Bredon, Pref. ...	20 6	19 3-20 3
Yorkshire Dyeing, Pref. ...	20 0	13 6-20 0

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: A. C. Cossor; Spiers and Pond; George Cohen Sons & Co.; Whitworth and Mitchell.

Prices, Year 1949				Prices, Year 1949				Prices, Year 1949			
Jan. 1 to Sept. 7				Jan. 1 to Sept. 7				Jan. 1 to Sept. 7			
High	Low	Name of Security	Price, Aug. 31, 1949	Price, Sept. 7, 1949	Yield, Sept. 7, 1949	Gross Yield, Sept. 7, 1949	Net Yield, Sept. 7, 1949	High	Low	Name of Security	Price, Aug. 31, 1949
BRITISH FUNDS											
100½	100½	War Bonds 2½ Aug. 1, 1949-51	100½	100½	1 0 2	2 3 9	1 0 2	106½	106½	Australia 3½ 1955-59	97½
101½	99½	Exch. Bonds 1½ Feb. 15, 1950	101½	101½	0 5 1	1 3 1	0 5 1	103½	103½	Birmingham 2½ 1955-57	96½
102½	99½	War Bonds 2½ Mar. 1, 1951-54	100½	100½	1 4 10	2 7 5	1 4 10	103½	103½	Anglo-American Corp. 10½	61
103½	99½	War Bonds 2½ Mar. 1, 1952-54	100½	100½	1 6 3	2 8 10	1 6 3	103½	103½	Anglo-Iranian Oil, £1	71½
104½	99½	War Bonds 2½ (after Dec. 1, 1952)	95	95½	2 0 5	3 13 9	2 0 5	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
105½	99½	War Bonds 2½ Aug. 15, 1954-56	99½	100½	1 7 5	2 10 1	1 7 5	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
106½	99½	Funding 2½ June 15, 1952-57	101	101½	1 6 10	2 12 2	1 6 10	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
107½	99½	Nat. Deb. 3½ July 15, 1954-58	102½	102½	1 7 3	2 14 5	1 7 3	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
108½	100	War Loan 3½ Oct. 15, 1955-59	102½	101½	1 8 11	2 15 4	1 8 11	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
109½	96½	Sav. Bonds 3½ Aug. 15, 1955-65	98½	99½	1 13 8	3 0 11	1 13 8	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
110½	96½	Funding 2½ April 15, 1956-61	98½	97½	1 11 6	2 14 1	1 11 6	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
111½	96½	Funding 3½ April 15, 1959-63	97½	96½	1 16 9	3 4 1	1 16 9	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
112½	96½	Funding 4½ May 1, 1960-70	108½	109½	1 7 4	3 3 4	1 7 4	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
113½	96½	Sav. Bonds 3½ Sept. 1, 1960-70	95½	96½	1 17 3	3 4 1	1 17 3	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
114½	96½	Sav. Bonds 2½ May 1, 1964-67	92½	93½	1 17 2	3 1 3	1 17 2	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
115½	96½	Vict. Bonds 4½ Sept. 1, 1960-76	109	109	1 10 9	3 4 8	1 10 9	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
116½	96½	Sav. Bonds 3½ Aug. 15, 1965-75	94½	94½	1 18 6	3 6 7	1 18 6	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
117½	96½	Consols 4½ (after Feb. 1, 1957)	104½	105½	1 18 4	3 5 11	1 18 4	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
118½	96½	Cons. 3½ (after Apr. 1, 1961)	96½	96½	1 19 10	3 12 5	1 19 10	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
119½	96½	Treas. Stk. 2½ (after Apr. 1, 1957)	71½	72½	1 18 2	3 9 4	1 18 2	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
120½	96½	Treas. Stk. 3½ (after Apr. 1, 1957)	86½	86½	1 18 1	3 9 2	1 18 1	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
121½	96½	Redemp. Stk. 3½ Oct. 1, 1966-96	90½	91½	1 18 5	3 7 1	1 18 5	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
122½	96½	Consols 2½	72½	73½	1 17 6	3 8 1	1 17 6	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
123½	96½	Brit. Ill. 3½ Gd. Apr. 1, 1968-73	94½	95½	1 18 1	3 5 9	1 18 1	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
124½	96½	Brit. Ill. 3½ Gd. Mar. 15, 1971-77	93½	94½	1 18 6	3 6 8	1 18 6	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
125½	96½	Brit. Tpt. 3½ Gd. July 1, 1973-88	91½	92½	1 18 11	3 7 9	1 18 11	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
126½	96½	Brit. Tpt. 3½ Gd. Apr. 1, 1968-73	91½	92½	1 18 4	3 6 1	1 18 4	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½
127½	96½	Brit. Gas Gd. 3½ May 1, 1950-95	91½	92½	1 18 7	3 7 9	1 18 7	103½	103½	Assoc. Port. & Gen. Ord. Stk. £1	74½

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'P'. To this rule there are two exceptions (Funding 4 per cent and Consols 4 per cent) on which yields are taken to earliest date and marked 'E'. (a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To latest redemption date. 1 Free of tax. (s) Yield basis 12%. (p) Plus tax free bonus 24%.

Statistical Summary

EXCHEQUER RETURNS

For the week ended Sept. 3, 1949, total ordinary revenue was £58,883,000, against ordinary expenditure of £99,055,000 and issues to sinking funds £2,903,000. Thus, including sinking fund allocations of £7,507,000, the surplus accrued since April 1st is £20,057,000 against £250,384,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 4, 1948	April 1 to Sept. 3, 1949	Week ended Sept. 4, 1948	Week ended Sept. 3, 1949
ORDINARY REVENUE	149,000	369,319	353,333	17,345	21,996
Income Tax	105,000	22,950	31,000	450	700
Surplus Tax	176,000	79,300	78,500	2,650	3,700
Stamp Duties	48,500	24,685	21,200	1,100	700
Profits Tax	240,000	49,310	101,660	3,600	6,100
E.P.T.	1,000	51,250	19,900	1,850	400
Other Inland Rev.	25,000	90	60	...	...
Special Contributions	25,000	11,450	12,100	950	300
Total Inland Rev.	208,500	608,354	617,773	27,945	33,896
Customs	829,650	350,107	336,400	18,038	20,038
Excise	663,600	329,320	309,219	3,039	4,022
Total Customs & Excise	1493,350	679,427	645,619	21,077	24,060
Motor Duties	54,000	9,454	9,016	311	...
Surplus War Stores	44,000	22,371	46,759	73	16
Surplus Receipts	18,000	826	4,043	...	...
From Trading	...	...	660	400	200
P.O. (Net Receipts)	12,000	3,300	3,550	...	650
Wireless Licences	1,000	390	280	...	30
Crown Lands	...	...	...	...	...
Receipts from Sundry Loans	20,000	9,035	7,560	...	...
Miscellaneous	50,000	73,894	22,634	533	31
Total Ord. Rev.	377,775	1,407,711	1,358,821	50,339	58,883
SELF-BALANCING	159,630	64,400	65,800	1,800	2,200
Income Tax on E.P.T. Refunds	5,700	3,371	4,174	109	468
Total	394,305	1,475,582	1,428,795	52,248	61,551

Expenditure	Estimate, 1949-50	Issues out of the Exchequer (£ thousand)			
		April 1 to Sept. 4, 1948	April 1 to Sept. 3, 1949	Week ended Sept. 4, 1948	Week ended Sept. 3, 1949
ORDINARY EXPENDITURE	485,000	233,570	229,434	38,176	37,851
Int. & Man. of Nat. Debt	30,000	8,792	13,035	938	...
Payments to N. Ireland	12,000	3,225	5,029	25	12
Other Cons. Fund Services	...	...	...	...	...
Total	527,000	245,587	247,498	39,139	37,864
Supply Services	280,207	904,231	108,375	43,495	61,191
Total Ord. Expd.	332,907	1,149,818	135,873	82,634	99,055
Sinking Funds	...	...	...	7,507	2,903
Total (incl. Self-Bal. Expd.)	332,907	1,157,327	138,786	85,579	101,958
SELF-BALANCING	159,630	64,400	65,800	1,800	2,200
Income Tax on E.P.T. Refunds	5,700	3,371	4,174	109	468
Total	349,563	1,225,998	140,876	87,488	104,26

After increasing Exchequer balances by (£56,841 to £162,828), the other operations for the week increased the gross National Debt by £60,127,658 to £25,375 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 26	72
NET ISSUES (£ thousand)	
Post Office and Telegraphs	300
E.P.T. Refunds	671
Local Authorities Loans Act, 1945, s. 3(1)	13,050
Cinematograph Film Prod. (Special Loans) Act, 1949, s. 7(1)	100
Coal Industry Nationalisation Act, 1946, s. 34(1)	1,000
Overseas Resources Development Act, 1948, s. 17(1)	600
Colonial Development	347
Finance Act, 1946 and 1947, Post-war credits	16,968

CHANGES IN DEBT (£ thousand)

RECEIPTS	
----------	--

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)
 Capital Issued and Fully Paid Up £20,000,000
 Reserve Funds Sterling £6,000,000
 Reserve Liability of Members £20,000,000

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 Chairman and Managing Director: Sir Arthur Mordaunt, G.B.E.
 London Office: 9, Gracechurch Street, E.C.3
 London Managers: S. A. GRAY, A. M. DODMAN WALKER

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EUROPE	Hankow	Yokohama	Manila
Amoy	Hankow	Yokohama	Penang
Canton	Hankow	Yokohama	Singapore
Hong Kong	Hankow	Yokohama	Singapore
India	Hankow	Yokohama	Singapore
Japan	Hankow	Yokohama	Singapore
Manila	Hankow	Yokohama	Singapore
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Tientsin	Hankow	Yokohama	Singapore
Yokohama	Hankow	Yokohama	Singapore

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ANNUAL INCOME EXCEEDS £18,000,000
 ASSETS EXCEED £107,000,000
 CLAIMS PAID EXCEED £198,000,000
 (1948 Accounts)

THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be CLOSED from September 15 to September 28, 1949, both days inclusive. By Order of the Board.

C. L. MANNING, Secretary.
 2 & 3, Crosby Square, London, E.C.3, August 31, 1949.

AN INTERESTING EDUCATIONAL APPOINTMENT IN INDUSTRY is about to be made by a large industrial concern near Chester which has established an educational and training organisation on a considerable scale.

A lady of good general education is now required to organise and conduct the training of typists, comptometer operators and junior office staff. Previous office and teaching experience would be an advantage.

Applicants should write sending full details of education and experience to Box 3023, c/o Charles Barker & Sons, Ltd., 31, Badge Row, London, E.C.4.

INCORPORATED ACCOUNTANTS THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS EXAMINATIONS

The next Examinations will be held at London, Manchester, Leeds, Birmingham, Cardiff, Glasgow, Dublin and Belfast as follows:—

Final Examination: November 15, 16 and 17, 1949.
 Intermediate Examination: November 16 and 17, 1949.
 Preliminary Examination: November 15 and 16, 1949.

Application forms may be obtained from the Hon. Secretary of the local Society of the District in which the candidate resides.

Completed forms should reach the Secretary, Incorporated Accountants Hall, Victoria Embankment, London, W.C.2, not later than Monday, September 19, 1949.

Candidates are requested to make their own arrangements for accommodation.

OFFICER (man) required by a public organisation to control various existing administrative activities and to develop and control a new one. Qualifications: good education (degree preferred); ability to gain confidence and co-operation of senior staff; at least 5 years' experience in an administrative post of senior responsibility including a period in industry or commerce. Temporary appointment (approximately 2 years). Starting salary £1,000 per annum. Apply, giving age and full particulars of education and career, to Box 180. Only those required for interview will be written to.

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

THE position of Secretary-Accountant advertised under Box 168 has now been filled. The Research Association wishes to thank all those who applied for the position.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for research and working in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of a Volsey Hall tutor. Modern fees payable by instalments, if desired.

Prospectus from Dept. P17, WOLSEY HALL, OXFORD

Printed in Great Britain by ST. CLAYTONS PRESS, LTD., Portland St., Kingway, at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. FOLEY, 111, Broadway, New York, 6. (Saturday, September 10, 1949.)

UNIVERSITY OF LONDON

DEPARTMENT OF EXTRA-MURAL STUDIES (UNIVERSITY EXTENSION COURSES)

The following evening courses are included in the University Extension programme for the session 1949-50, commencing in September, 1949.

Ancient Greek Drama
 English Folk Song
 Modern Drama
 Plant Science and Horticulture
 Pond Life
 The Cultural Pattern of the 20th Century
 The Honey Bee
 Youth in Society

Many other University Extension courses will be held at suitable centres in London and the Home Counties, some of them leading to University Extension Diplomas in the Humanities. Further information may be obtained from the Director, Department of Extra-Mural Studies, University of London, Senate House, W.C.1.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Economics, with Special reference to Banking and Currency, tenable at the London School of Economics and Political Science (salary £1,950-£1,250-£1,450). Applications (10 copies) must be received not later than October 5, 1949, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF QUEENSLAND

Applications are invited for the post of Professor of Economics, Salary £A1,350-£A1,600 p.a., plus cost of living allowance (at present £A23 10s. p.a.). Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is 15th October, 1949.

WOMAN Assistant (preferably aged 25-35) required for senior officer of a public organisation. Duties: secretarial and administrative in connection with organisation of training courses. Qualifications: University degree; shorthand and typing speeds 100-40; good secretarial-administrative experience. Salary £350, or more if exceptionally well qualified. Reply with details of age, education and career to Box 189.

PROGRESSIVE organisation should consider man bored by unenterprising present job. Is a Wrangler who specialised in statistics and has had considerable experience as manager of a market research department. He is 32, has held responsible position in Government department and has more than a nodding acquaintance with advertising. Considers he has analytical and constructive brain and is a potential bargain as congenial job more important than present £2,000 salary. Reply Box 190.

REQUIRED Immediately: Assistant to Managing Director of large industrial organisation in North West. Must be well educated, preferably with knowledge of at least two European languages. Salary according to age and experience—minimum £500 per annum.—Box 192.

COMPLETE SET OF THE ECONOMIST, October, 1947, to May, 1949 inclusive, for sale, together or in parts.—Box 185.

QUALIFIED Accountant, age 35-40, for Executive post requiring financial experience, especially in relation to company formation and taxation. Continental experience and knowledge of French desirable. Salary £1,500 per annum or according to qualifications, with good superannuation benefits. Reply to the Secretary, Aspro Limited, Slough, Bucks.

NORMAL OPEN COMPETITION FOR THE (1) ADMINISTRATIVE CLASS; (2) SENIOR BRANCH OF THE FOREIGN SERVICE; (3) SPECIAL DEPARTMENTAL CLASSES; (4) STATISTICIAN CLASS; (5) GOVERNMENT COMMUNICATIONS HEADQUARTERS; AND (6) THE UNIVERSITY GRADUATES COMPETITION FOR THE EXECUTIVE CLASS

The Civil Service Commissioners announce that as an exceptional measure applicable to the above-named Competitions in 1950 the upper age-limit will be raised to 26, i.e. candidates must be born on or after August 2, 1924, and on or before February 1, 1930; and the only persons above this age who will be admitted in 1950 will be (a) candidates for competitions (1), (2), (3) and (4) who have served or are serving in H.M. Forces on a regular or short service engagement, if their age after deduction of such service will be under 21 on August 1, 1950; and (b) certain candidates born on or after August 2, 1923, and on or before August 1, 1924, who traded civilian service otherwise than under the National Service Acts, who may be admitted to any of the six competitions at the Commissioners' discretion. After 1950 the normal age limits of 20 and 21 will be restored, i.e. candidates for these Competitions in 1951 must be born on or after August 2, 1927, and on or before February 1, 1931, subject to age deductions in the following cases: (a) for persons who have served in the Forces on a regular or short service engagement, for whom the age deduction will be the same as in 1950; (b) for civilian national service; the exact form which this will take is under consideration, but the Commissioners hope to announce the final decision in the Autumn.

Note. The closing date for the receipt of applications for some of the 1950 competitions is November 15, 1949.

M.A. (HONOURS) German, with subsidiary French. Age 21, desires position with prospects. Scholastic or commercial.—Box 181.

EX-OFFICER (20), B.Sc. (Econ.) Scandinavian languages, German and Italian, seeks progressive appointment.—Please write, RM 101H, W.C.1.

OTHER NOTICES APPEAR ON PAGE 589

The Economist

Established 1843

September 17, 1949

One Shilling

LEADING ARTICLES

- After Washington - - - - 593
- "Japanese Comeback" - - - - 595
- The English Landowner - - - - 597
- Europe in Council - - - - 599
- NOTES OF THE WEEK - - - - 601

The National Interest Prevails; Railway-men's Dilemma; A Word of Wisdom; M. Queuille Begins Another Year; Germany's New Start; Bullies in the Balkans; Colonial Investment; More About Murder; National Assistance; A Language is Made; A New Foreign Ministers' Meeting?; Amber Light for Mr. Clapp; Uneasy Syria; Finnish Strikes Fade Out; The War in Indo-China; Truth and Professor Bernal.

LETTERS TO THE EDITOR - - - - 608

BOOKS AND PUBLICATIONS - - - - 611

AMERICAN SURVEY

- Pattern in Steel - - - - 613
- California's Century - - - - 614

THE WORLD OVERSEAS

- Wages and Prices in France - - - - 617
- In Memory of Jinnah; Another Round in Egypt; Austerity in Norway; Resettlement in South America; Canada's Defence Problems.

THE BUSINESS WORLD

- Fund's Plea for Devaluation - - - - 625
- The Canadian Market - - - - 627

BUSINESS NOTES - - - - 629

Britain's "Manageable" Deficit; Relief through Stockpiling; Larger American Rubber Consumption; More Flexible Marshall Aid; Trade Deficit Widens Again; Export Licensing for Wool; Egyptian Cotton as a Substitute; Prospects for Base Metals; Gold at the IMF Meeting; The New IBPS; Peso Loses its Gold Backing; Incentive for Dutch Dollar Exporters; Scottish Bank Merger; Bankers at Oxford; Mr. Butler Takes Over; Moody's Anticipation Factor Index; Tunnel Cement and Nationalisation; Anglo-American Cotton Trade Talks?; Engineers' Initiative; The Cost of Coal; Clouds on the Shipbuilding Horizon; International Comparisons of Labour Costs.

COMPANY MEETINGS - - - - 640

INVESTMENT STATISTICS - - - - 646

STATISTICAL SUMMARY - - - - 647

Vol. CLVII No. 5534
 THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
 BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
 Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

After Washington

LAST Monday, the financial talks in Washington—"perhaps the most momentous of all time" as Mr. Bevin described them when he left these shores—ended with the publication of a three-thousand word statement from the three Finance Ministers. The conclusions are in every way as satisfactory as the British delegation had any right to expect. There is scarcely an overtone of the harsh line of criticism of British economic policy which was widespread in the United States before the talks started. On many points which might have been expected to lead to difficulty, the statement is bland. Not a single suggestion in it comes within a mile of wounding British susceptibilities. If the occasion was momentous, the conclusions seem to consist largely of polished and well-balanced commonplaces.

It is this impression which has left the British public puzzled and sceptical. It seems, after all, not to have been so very difficult to bring "our reserves position into a manageable condition," which is Sir Stafford Cripps's estimate of the result of the consultations. But he also cited the agreement as an example of the determination and ability of the free democracies to deal with the cold war. And Mr. Bevin, echoing the same thought—which, after all, comes more appropriately from a Foreign Minister than from a Chancellor—declared that the dollar problem was not an isolated subject.

The reservations which exist in the public mind about the agreement do not stem from any doubts about such basic political issues. There was never any fear that the American and Canadian Ministers would abandon the role of constructive co-operation which they have assumed in their attempts to link the dollar and sterling worlds. But their viewpoints on the fundamentals of economic policy are so different from the premises on which British action is based that "success" in a conference of this kind could only mean a friendly accommodation, not identity, of views. It is the fact that the concessions in the agreement seem so largely to be a one-way traffic from North America to Britain that has caused mystification. It is one thing for British politicians to put out for home consumption the doctrine that the dollar crisis is "not our fault"; it is an act of considerable diplomacy to have succeeded, to all appearances, in implanting something of the same idea in the shrewd minds of Mr. Snyder and Mr. Abbott.

Yet, when the proposals for remedial action which the sterling area should undertake are examined, they give some support to this otherwise fanciful idea. Cuts in dollar imports by the sterling area are recognised to be temporary expedients, painful for all the countries concerned. More fundamental action, based on the assumption that Marshall Aid will end in the middle of 1952, is promised. If the sterling area is to pay its way in dollars by that time "appropriate incentives" must be created for exporters to the dollar area, and a "vigorous attack" made upon costs of production in the sterling area. This is good if familiar doctrine and its implications have long been clear—the end of inflation in the sterling area, the reduction of excessive public expenditure, and a limitation upon the ready-made

market in the sterling area on which British exporters are now largely content to rely. The prescription is familiar, but the patient has never screwed up sufficient courage to swallow it. The United States and Canada, for their part, accept the responsibility for reducing obstacles to the entry of goods and services from debtor countries. On every point in this analysis of a freer flow of competitive trade towards the dollar area, the conference has expressed broad views of principle. But principle has to be translated into action not only by the Governments whose representatives were meeting, but also by other sterling area countries not directly involved in the talks. The agreement poses the old problem of stiffening unexceptionable proposals by sanctions which will make them work.

But it has been widely asked since last Monday whether there is one implicit sanction in the agreement which is unmentioned—namely, the devaluation of the pound. As this article goes to press, the International Monetary Fund is still in session, and Sir Stafford Cripps is on his way home. It may be that the American viewpoint on devaluation has prevailed, not perhaps as a result of the formal discussions among Ministers, but in a tacit understanding on each side that the Chancellor of the Exchequer would no longer resist a demand which is heard not from America alone but increasingly from across the Channel. The views of the Fund and of Mr Eugene Black, the President of the International Bank, on devaluation and Government expenditure, could not have been more explicitly expressed this week, nor more plainly addressed to this country. They have created an impression throughout the world that if devaluation of the pound is not actually imminent, it cannot be delayed a moment longer than is required to save the Chancellor's face. Within a few hours, events may show whether devaluation is part and parcel of the Washington understanding. The decision, if taken, would amount to an acceptance of the argument that the measures outlined in the agreement cannot succeed, largely because costs in the sterling countries are now so much higher than those in dollar countries that even the greatest efforts of productivity and retrenchment are incapable of bringing the two cost levels together in one competitive world. If devaluation is, in fact, to be the next step, there would be no necessity for this country to take it tragically, for it is certain that other soft currencies will be devalued too. But equally there would be no justification whatever for regarding it, even in conjunction with the other measures of agreement reached in the Washington talks, as an easy means of economic salvation. The policies outlined in the agreement would still need to be firmly applied and more strictly defined. To produce any benefit, devaluation would still have to be accompanied by every form of retrenchment, every measure to cut costs and to resist further wage inflation that already underlie—or ought to underlie—the Washington decisions.

★

Of the ten topics on which special attention was focused, two promise some degree of immediate relief to protect the dwindling gold and dollar reserves of the sterling area. These include the use of Marshall dollars to pay for Canadian wheat, and some unspecified increases in purchases of reserve stocks of rubber and tin by the United States and Canada, together with "a substantial additional area of competition" for natural rubber in the United States which can be contrived by a change in the regulations governing the use of synthetic rubber. A deliberately optimistic estimate of these benefits, on page 629, suggests that they might contribute

£100 million towards the dollar gap. But these are, in fact, the only changes which promise to bring more dollars into the sterling area account, apart from those which it earns for itself. For this reason alone, "the assurance of a degree of stability" in the British balance of payments, of which Sir Stafford spoke last Monday, must be qualified either in assurance or degree. Not all readers will interpret this conclusion as carefully as Sir Stafford phrased it. The danger is that it will give rise to public complacency that a balance, lasting and adequate, has been achieved; if so, it will do great harm.

Thus no easy way out of the dollar crisis has been discovered. The immediate concessions may tide over immediate difficulties. But apart from these the British delegation brings nothing back which was not fairly self-evident from the beginning. The high-flown commodity schemes under which, it was hoped, the sterling area might find a guaranteed dollar market for raw materials have not been accepted. The offer of free entry of goods to the British market, limited to those countries with which Britain is not in deficit, is to be tried, though the American view remains quite clear that this wider area of competition will still discriminate against dollar trade. A review of customs procedure in the American and Canadian markets is promised. Even more important, it has been recorded that "high tariffs are clearly inconsistent with the position of creditor countries," though "there have already been significant substantial reductions in United States tariffs during the last fifteen years."

★

There remain, too, the problems which can be solved only by further and prolonged discussion. To establish the principle that a high level of productive investment by North America in under-developed countries could make an important contribution towards equilibrium between sterling and the dollar is one thing; but action clearly waits on the willingness of the debtor countries to provide the incentives and suitable environment to which the statement refers. The implications are quite clear. Dollar investment will not flow towards countries which seek to impede or limit the return in accordance with their own ideas of "fair" yield. The tests to be applied will be commercial tests; that will call for a radical change of attitude among the debtors, Britain not least among them, towards the conditions on which they have hitherto been disposed to accept American capital.

On the question of the sterling balances, the statement seems distinctly mild. No doubt, political factors have played an important part in these particular discussions. There is to be further study of the balances, but within a set of postulates which is clearly kind to the British point of view. The balances, it is agreed, "are an integral feature of the multilateral use of sterling for financing international trade." Although in principle they represent a charge on British output, and are in part being liquidated by unrequited exports which could otherwise be used to pay for imports, "a substantial proportion will continue to be held as reserves by the countries concerned," and the need to provide capital goods for the development of the sterling area countries (which must be largely financed out of the balances) is specifically mentioned. It is here that pressure might have been expected, for if the balances are "an integral feature" of sterling trade they are also the chief element which makes that trade exclusive, and the chief impediment to the extension of multilateral trade which is a primary aim of American economic policy.

Throughout the statement, one limiting rider is evident. The agreement is between Ministers acting for their Governments, but not empowered to commit them. It has been conceived in terms that Britain could publicly accept, and do not—so the Administration hopes—invite a clash with Congress. For this reason, the immediate reliefs do not go beyond a modest application of multilateral and competitive principles. The multilateral use of Marshall dollars for Canadian wheat may even yet cause trouble for the Administration in an America of surpluses. To reduce the required use of synthetic rubber to a new minimum level does not by itself guarantee that natural rubber will successfully compete, though it is offered a wider market.

On the British side, for the same political reasons, the undertakings are of a comfortable long-term character. It is easy to promise that the sterling area will pay its way by the middle of 1952, but the agreement gives no more convincing proof of how it will be done than could be found in the dozens of plans and forecasts which in the last year or two have been dumped on the statistical rubbish heap. None of the tough things that have to be done is mentioned. A "vigorous attack on costs of production" is a resounding cry, but it means nothing at all when it is construed in terms of recent British economic policy. The whole philosophy of that policy has been to stay put, to hope for gradual improvement, to exhort but never to compel, to regard the standard of living as untouchable, and the social services as one of the rights of man. A "vigorous attack" on costs means change, new and better ways of production, the pressure of unemployment and lower profits, a standard of living maintained only because it is earned, with the social

"Japanese Comeback"

POLICY in the Far East has been the subject of Anglo-American consultations in both Washington and Tokyo in the last week. Mr Malcolm MacDonald, the British High Commissioner for south-east Asia, has just returned from a visit to General MacArthur's headquarters, and in Washington, Mr Bevin and Mr Acheson have examined the Far Eastern situation in considerable detail. The need for the closest possible co-operation between the United States and the British Commonwealth is obvious enough. China is already lost to Communism; the whole of south-east Asia is unsettled by the Communist victory in China; and Japan itself could easily become the prey of extremism, given its vulnerable economy and the relentless pressure of its population.

It is, nevertheless, difficult to translate into concrete agreements on particular aspects of policy the general desire of the two nations to dam the flood of Communism and to create stability in the Far East. The fact is that on the two main heads of Far Eastern strategy—China and Japan—there is at the moment a marked difference of approach in London and Washington. Although British policy towards Communist China has not been formally defined, it is an open secret that British merchants would like to defend their large interests in China by working and trading with the Communists to the greatest extent that the Communists themselves are disposed to allow. In the United States, this view would probably not be found outside a corner of the State Department. Although official policy has not been determined—it is, indeed, at this moment being reconsidered by

services as part of that standard and not as a free extra. There is nothing of this in the agreement, but it is undoubtedly the condition of independence by 1952. To suggest anything less may be good electioneering, but it will be dishonest politics. To applaud the agreement, as the Chancellor has done, on the ground (which itself seems dubious) that the condition of the dollar reserves is now manageable, is a grotesque notion of economic policy. Is this the limit of British aims—to be able to survive from month to month, under constant economic pressure, with no resilience and no reserves, vulnerable to the slightest change in the economic breeze which still blows from across the Atlantic, and content with a dull regimen laid down by a body of exhausted and fearful Ministers? There is every reason to doubt whether the Government is capable of making the changes which independence by 1952 really demands. But that achievement itself—remote though it may well be—represents only the most limited economic aim.

The great merit of the agreement is that it gives the British Government and the British people no excuse for failing to take their place in a restored system of world trade. The contribution which the United States and Canada are prepared to make has been clearly set down. There will be no more easy dollars. But there is assurance, as firm as politics can make it, that the responsibilities of creditor status are accepted. Overseas investment and tariffs have been re-defined in terms which allow no real doubt of the sincerity of the dollar world to assist the sterling area towards a new equilibrium. But only if the sterling countries seize every chance of entering and remaining in the dollar markets can this equilibrium be found.

a special committee headed by Dr Philip Jessup—the tendency is to apply to China the kind of reservations and controls which at present hamper trade between western Europe and Russia and its satellites.

The disagreement over Japan is even more immediate. Ever since the beginning of the occupation, the American authorities in Japan have been faced with a dilemma. The Japanese record of aggression is such that a measure of control over future Japanese policy is vital. In particular, there is a strong case for controlling the use which Japan makes of its economic strength, and of preventing the development of its industry for purposes of war. On the other hand, it is equally necessary to permit Japan the utmost peaceable economic expansion, in order to offset the loss of its empire and the continual growth of its population. If Japan is to enjoy a standard of living no higher than that of 1930-1934, American estimates suggest that it will need to export 30 per cent more than it did in 1937, and to import 50 per cent more. To achieve this expansion of trade, the Japanese economy would itself have to be expanded considerably, with greater weight on industry. Such expansion would make nonsense of any attempt to curb future Japanese aggression by limiting the level of Japanese industry.

The threat of Communism has grown and so has the need to relieve the strain of the Japanese occupation on the American taxpayer; as a result, the aim of giving Japan a stable economy has come more and more to replace the aim of checking any future Japanese aggression. During the past

two years, a series of American missions—the Strike Mission, the Johnston Mission, the Dodge Mission, the Shoup Mission—has advised the American administration to remove all controls, domestic and external, on the Japanese economy, to restore Japan as a great trading nation, and to give it a political status in which it can enjoy “peace without a peace treaty.”

Accordingly, in recent months, almost all forms of control over prices and allocations have been removed from foodstuffs and vital commodities. Subsidies for industry are being withdrawn. The Deconcentration Review Board, which has been charged with the task of breaking up the big concentrations of Japanese wealth, the *Zaibatsu*, has completed its work with the suggestion that 11 out of the 325 industries which it examined should be divided up and eight others reorganised. At the same time, in the political field, the American Control Commission is to be drastically reduced by the end of the year. The 45 Civil Affairs teams which used to supervise the carrying out of General MacArthur's policy in the countryside are to be withdrawn, and only eight Regional Offices will remain.

Step by step with these domestic measures, new proposals have been made to restore Japan's international status. The decision to stop sending reparations abroad was taken some time ago. Now the Americans have given their full support to a Japanese proposal to set up trade offices in ten vital centres of trade—London, San Francisco, New York, Hong Kong, Singapore, Calcutta, Karachi, Surabaya, Johannesburg, and Buenos Aires—to re-establish consular links with foreign countries, and to secure admission to the specialised agencies of the United Nations. Should such a plan be carried through, the only remnant of allied control in Japan would be the presence there of General MacArthur and of a small army of occupation. And this, too, would have changed its character completely, for instead of being an instrument of control over the Japanese people, it would have become a safeguard against the risks of Russian aggression or of an internal Communist coup.

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American policy in Japan is thus clear—the restoration of Japan to the status of a friendly nation, and the utmost expansion of Japanese industry and trade. The difficulty lies in the fact that, so far, none of America's colleagues in the Far Eastern Commission, which exercises nominal authority under General MacArthur, is prepared to accept the policy. For the moment, the Russian approach can be left aside. The Soviet Union seeks an early peace treaty with Japan; it hopes that Communist China would replace the Nationalists as one of the negotiating governments and that signature of the treaty would entail the early removal from Japan of the American army of occupation. The Russians believe, as do the Japanese Communists, that the withdrawal of American influence would be the signal for the transfer of Japan into the Soviet sphere of influence.

More disturbing opposition comes from America's colleagues. The nations in the near vicinity of Japan, with Australia and the Philippines at their head, still remember Japanese aggression too vividly to accept Japan as a peaceful neighbour. They are also extremely perturbed about the possibility of renewed Japanese emigration. Australia has refused point-blank to receive a trade mission, and would certainly seek the support of the Commonwealth in refusing to accept the new American political line. The British reaction is more difficult to assess.

On the one hand, British policy opposes the opening of Japanese consular offices and seems to be obstructing, for fear of Japanese competition, the aim of restoring Japan as a great trading nation. On the other, it is quite clear that Britain and the sterling area as a whole are most anxious to expand their trade with Japan. For a time, American insistence that Japanese trade should be conducted in dollars restricted trade with Britain but, for some time past, General MacArthur has realised that Japan cannot be tied to the dollar since its sales to America are strictly limited and its natural markets lie in South-east Asia and in the sterling area. In 1948, agreement was reached for the exchange of about \$240 million worth of goods between Japan and the sterling area and General MacArthur had powers to convert sterling into dollars if he was left with more sterling than he could “reasonably be expected” to spend in the sterling area. As a result of this agreement, the sterling area was, in fact, left with a deficit of some \$35 million. But new negotiations in Tokyo have been opened to increase trade in the coming year to a level of some \$350 million. These figures do not suggest a desire on Britain's part to restrict trade. Britain's political objections to the revival of Japan as a trading nation simply do not appear to square with its economic policy.

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If the hesitations apparent in British policy are dictated by fear of Japanese competition—in spite of the evidence to the contrary provided by British readiness to trade—it must be said that, in the short run at least, such fears can be grossly exaggerated. Neither Communist China nor South-east Asia are “glutted.” On the contrary, the needs throughout the area of industrial development goods are unending and if Japan can supply them, China, Burma, Indonesia and Siam can, in return, produce the foodstuffs and raw materials which Japan needs and cannot, without indefinite dollar subsidies, continue to buy in the United States. The development of such trade, far from exacerbating the problems of European traders, could draw off “harmful Japanese competition” from European markets in Africa and South America. But even if the risk of competition could never be entirely eliminated, the British Commonwealth and western Europe can hardly refuse to agree to American policy since it is clear they have no alternative to offer. The United States cannot continue indefinitely to subsidise the Japanese economy to the tune of \$400 million a year; and when the subsidies cease, Japan must literally export or starve. America can reasonably be asked to modify its policy of trade with China so that both Britain and Japan can find there whatever trade is available. But in return the United States would be justified in asking Britain to bring its economic and its political reactions to Japan into harmony. At present the sterling area proposes a great increase in trade, but no political change in Japan's ex-enemy status. It is an illegal position and should be brought to an end.

American policy might be made more palatable to Britain and the Commonwealth if the new line were accompanied by a firm agreement on future security. The maintenance in Japan of an American and Commonwealth base and an allied garrison would give an assurance against the resurgence of Japanese militarism and would, at the same time, reassure the Japanese that the Allies have no intention of abandoning them to Communism. It would meet the legitimate fears of America's associates and it would permit them to join without reservation in the new American policy of restoring Japanese prosperity.

Landlord and Tenant

THE English rural landlords of the eighteenth century led the way in an agricultural revolution which became the pride of their country and the envy of the world. Their pioneer work ushered in the golden age of British agriculture, a period of rising production and increasing prosperity, which lasted until the influx of cheap food from the American continent depressed home farming in the 1870's. The landowner during this time played a threefold role. He provided the extensive capital on which agricultural expansion was founded; he led the way in improving standards of farming practice both by precept and advice; and he exercised the social leadership of the countryside. In the process he made the English countryside the most beautiful piece of landscape gardening in the world. The landowner without doubt got a good return for his efforts, as much in quality of living as in financial benefit; but at the expense of the last remnants of the English peasantry he laid solid foundations for farming prosperity.

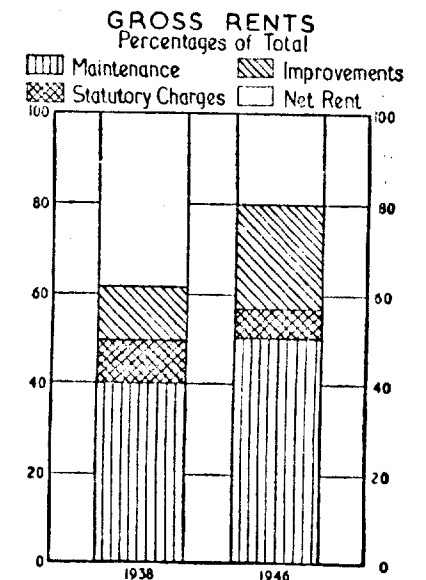
Since about 1875 the fortunes of the English landowner have been in steady decline. In part, his troubles have flowed from the endemic depression from which British agriculture as a whole has suffered; but special factors have hastened the process. The most familiar of these is the toll which death duties have taken of the large estates. Exact statistics of this process are lacking. An indication is given by a survey of landownership in ten eastern counties*, based on the 1941 National Farm Survey, which suggested that the number of estates over 2,000 acres had fallen by a third since 1873; that the large estates remaining in private hands tended to be concentrated on the poorer soils such as the Norfolk Breck; and that their standard of equipment was worse than that of either owner-occupiers or the estates of public bodies. Owing largely, no doubt, to advantages in matters of taxation and the raising of capital, the estates of public and educational bodies were, by contrast, the best equipped in that region. Their rents were also appreciably higher than those levied by private owners, a fact indicative not only of superior equipment but of greater business acumen.

The financial plight of private landowners can be traced in the movement of farm rents. Average gross rentals were in 1946 no higher than they were 20 years ago and appreciably lower than 70 years ago; yet during each period the

value of money fell heavily, and both costs and taxation increased considerably. The prosperity which farmers have enjoyed since 1939 has not been shared with the landowner, whose position has grown worse owing to the extreme rigidity of rural rents. A survey carried out jointly by the Ministry of Agriculture and the Central Landowners' Association† shows that, between 1938 and 1946, gross rents increased by only 8 per cent, although owners' actual receipts rose by 13 per cent owing to the elimination of rent remissions. The increase in costs of maintenance was of a much higher order. In 1938 the owner was still receiving 38 per cent of his gross rent as profit, after allowing for maintenance, statutory charges, and improvements, but by 1946 his return had fallen to 20 per cent, despite a then reduced level of maintenance. At the same time the purchasing power of any net income he contrived to retain had fallen considerably.

It is, of course, reasonable to argue by analogy with industrial ownership that improvements represent fresh capital expenditure which should be raised by borrowing—although it is clearly desirable that there should be some profit available to plough back. Even so, a position has now been reached where maintenance alone, carried out on a prewar scale, absorbs perhaps 80 per cent of gross rents. After allowing for statutory charges, this leaves a negligible margin either for personal profit or reinvestment.

Impoverished financially and at times reviled politically, it is a wonder that the rural landowner survives at all.



* University of Cambridge Department of Agriculture. 6s.

† The Rent of Agricultural Land in England and Wales, 1870-1946, Central Landowners' Association. 6s.

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Nevertheless, the rural economy of England is still broadly based, and necessarily so, on the relationship of landlord and tenant. After the First World War, a number of farms were bought by their occupiers, often at prices which brought mortification to the farmer at a later date. The same process is recurring on a smaller scale today. The National Farm Survey, however, pointed out that in 1941 two-thirds of the farms in this country were rented by tenants, while less than one-third of the cultivated area was owner-occupied. England is very far indeed from becoming a nation of peasant proprietors or even of owner farmers. Nor in the interests of efficient production should it become one.

Agriculture is unique among productive industries in that it is carried on by a large number of small family concerns. The average farmer is not in a position to take the financial risk of an adequate investment in his own holding. Hence the customary distinction between landlords' capital consisting of buildings, water supply, drainage, and other fixed equipment, and tenants' capital, consisting of stock, fertilisers and machinery, makes good economic sense, as long as the landlord is able to perform his part of the bargain. The increased prosperity of the last decade has put many tenants in a position to undertake more improvements on their own account and recent legislation has widened their right to do so. But British agriculture can only be re-equipped and modernised by means of an adequate flow of landlords' capital.

Its economic function apart, landownership has survived in this country for a variety of reasons. Although the pleasures of rural life are now much reduced, the ownership of land carries a social prestige and gives a kind of satisfaction greater than any other form of ownership. The picture of the landed gentry as an inbred aristocracy is a figment of popular mythology. The countryside has been invaded by self-made business men from the towns since the fifteenth century, and the desire to own land bears only a very tenuous relationship to its profitability.

Moreover, there are other special advantages accruing to the ownership of agricultural land, despite the low monetary return which it now yields. Its possession is thought to be a good safeguard against the risks of inflation. The rate of death duties, for all the havoc they have wrought with estates in single ownership, is preferentially low, being only about 55 per cent of the rate for most other types of property. Taxation reliefs in respect of farm maintenance and improvements have been made especially generous in recent years. Secondly, the existence of a rural refuge has obvious attractions to an age living under vague fears of atomic bombardment and widespread starvation. These are reasons enough to explain why the capital values of farmland have not followed landowners' returns on their steep downward path.

Landownership remains, then, an important institution, but its character has changed very considerably. The break-up of large private estates in single ownership signifies more than the crumbling of a social tradition, centred on the "great house," and fervently admired or abhorred according

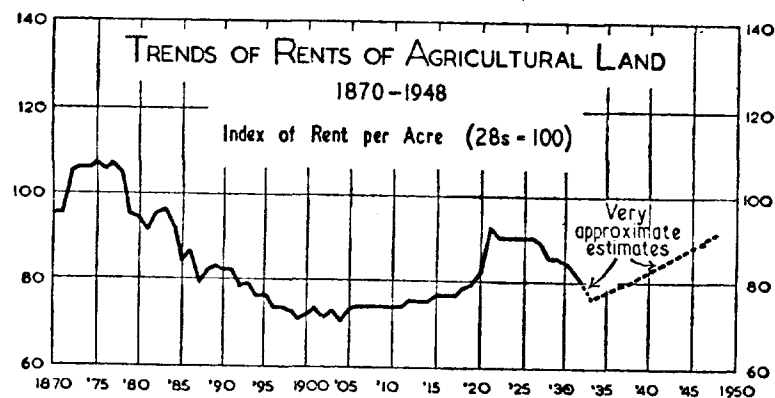
to the beholder's viewpoint. It deprives the farming community of certain economic advantages which are dependent upon unitary ownership of a compact estate. By affording opportunity for the provision of common services, the rational allocation of tenancies, the improvement of farm layout, and the long-term planning of capital investment. The large estate should act as a source of economic continuity as well as of social stability. The fact that some large owners have failed to make good use of their advantages is little compensation for the disappearance of an efficient system.

The reduced rate of death duties on agricultural property is a recognition of its special character. Nevertheless, this official attempt at compromise must be counted a failure. The rate of estate duty rises steeply for the larger estates—still more steeply under the Chancellor's recent adjustments—so that their gradual dissolution becomes inevitable. To a limited extent, public authorities, educational bodies, and special agencies, such as the National Trust, are taking the place once filled by the large private landowner; over 10 per cent of the cultivated land of the country is now in their hands, and their purchases and acquisitions have been considerable in recent years.

Nevertheless, the eastern counties' survey found that a third of the farms had two or more owners—many of them had four or more owners—and that the region contained almost as many separate ownerships as it did separate farms. The survey "Country Planning," carried out by the Oxford Agricultural Economics Research Institute, concluded that the complex pattern of land ownership formed a serious bar to the improvement of farm layout and the rational investment of capital. It is on rich soils such as the Fens that multiplicity of ownership is especially prevalent, and sales of small lots of two or three acres occur frequently. Such a fragmentation of ownership destroys the basis of good estate management. Another result is that the personal relationship between landlord and tenant becomes much weakened. An owner of a single holding, or a part-owner of several farms, is ill-placed for making a successful partnership with his tenants.

The private landowner is today in a very different position from his grandfather. He is a very much poorer man—at least so far as his agricultural activities are concerned. His holding is likely to be a good deal smaller and more fragmentary. His personal relationship with his tenants is weaker and his tenants' statutory rights are stronger. If he is a large owner, he is continuously worried by the impact of death duties. Nevertheless, he still occupies a vital economic position in agriculture. As part of it, he is now called upon to participate in the realisation of a large-scale plan of agricultural expansion. He is asked to overcome the ravages of seventy years' neglect, to improve his holding, and to invest large amounts of fresh capital. Is he capable of meeting these demands? Can the private landowner operate successfully under strange new conditions, or is his gradual extinction inevitable? A subsequent article will examine these questions.

(To be concluded)



Europe in Council

THOSE who went to Strasbourg and watched the Council of Europe's Consultative Assembly at work came away certain that something important was achieved. Yet it is far from easy to describe and define what that achievement was, and to explain it to those who did not choose to spend most of August and part of September in almost continuous and sometimes arduous debate, committee work, corridor consultation and friendly post-prandial conspiracy. No clear pattern of the Council's future or of the Assembly's role has emerged; there is rather a mosaic of incomplete designs from which only the historian will be able to trace what was really significant in this unique, yet undramatic, meeting of a hundred European politicians.

There was the clarifying of common aspirations and ambitions among men with very diverse education, experience and national viewpoints. There was the knitting of new friendships and contacts between personalities who were talking together out of hearing of the party whips. There were intellectual and political revelations for the more parochial delegates, who discovered that it is useful to have a Swede saying publicly things about Europe's economic situation which British delegates hardly dared say; that many Catholics are progressive; that not all Socialists are anti-clerical; that the gulf between planners and non-planners is as deep but not nearly as wide as was thought; that no considerable body of opinion really wants federalism in the accepted sense of the word; and that enthusiasts in committee can work as well as cautious and cynical realists. Also useful was the first effort to simplify and popularise Europe's economic and other problems, in forms which different wings of opinion could accept and pass on to their national parliaments and electorates. Most useful of all was the creation of a new loyalty and *esprit de corps* in the Assembly itself, which will now make themselves felt wherever politicians discuss the problems of Europe.

What answer can be given to those who think little of the intangibles, who regard the aspirations of Strasbourg as a new form of "sublime mysticism and nonsense" and ask what specific results were achieved? In the first place, the Assembly has made to its masters, the Committee of Foreign Ministers, recommendations which should ensure that it will be something more than an annual meeting of European MPs. It proposes to keep in being a small, representative and powerful steering committee which, at its quarterly meetings, will maintain continuity, give point and cohesion to ideas and proposals, and presumably represent the Assembly in dealings with the Committee of Ministers. If the Assembly is to become an organised opposition to the Committee of Ministers—which is both likely and desirable—the steering committee could play something like the role of a front bench. Here is a proposal for something clear-cut, promising and new in Europe which the Ministers can hardly reject; for its existence should make their relations with the Assembly more orderly if not easier.

Secondly, there is the proposal that, by April next, a committee of the Assembly should report on the "changes in Europe's political structure" which are necessary to promote closer unity. Here again is something the Committee of Ministers should welcome. They themselves signally failed

during last winter to find out what they meant by "unity" (translated in the French version of the Council's Statute as "union"); and their permanent officials have since looked askance at the crucial word. If a representative group of European parliamentarians can produce a set of really original and workable proposals, bringing lawyers and scholars in to help, not hesitating to consult American and Commonwealth experience, never forgetting that it is not they, but national governments that will have to sell their plans to the electorates—then the Foreign Ministers will find themselves obliged before next summer's session of the Assembly to bring both courage and precision into their European policies. M. Spaak, on whose skill and vigour as president of the Assembly so much has depended, has given his warning, with all the authority of a former Foreign Minister and joint creator of much that is new in Europe:

In order to unite Europe, everyone, nations and individuals alike, must be prepared to make sacrifices of pride and—what is still more difficult—material sacrifices also.

Next in importance was the work of the committee on economic questions, the debate which it provoked and the recommendations that emerged. In committee, the planners and the non-planners—or, to be more accurate, the British Labour members and their Continental sympathisers on the one hand, and their Conservative-Liberal critics on the other—appear to have got at one another's throats. It was, therefore, much to their credit that they were able to produce an agreed document, even though it provoked a heated debate in the Assembly and a subtly impertinent—but effective—suggestion from Dr Dalton that they should not discuss the crucial dollar and sterling problems, then *sub judice* in Washington. The report was not comparable in authority or documentation to the work of OEEC, and it covered much battle-scarred ground. But it did attempt to provide an answer to the question "Why must Europe unite?" The first indisputable and urgent reason for European unity—the need for a common strategy against Communist imperialism—could not be used, because that would have meant challenging the Ministers' decision that defence should not be discussed. Therefore, the problem of the dollar deficit and of the joint measures by which member nations could contribute to its solution had to be raised to first place. The exercise was valuable, despite the somewhat strident warning against unemployment and hunger, and the virtual ignoring of warnings from Mr Boothby, Mr Mackay and Dr Ohlin of Sweden that Europe could not immediately meet its dollar deficit save by increasing threefold its exports to the United States.

The economic recommendations that will, in fact, reach the Ministers are less clear and less immediately practicable than might have been hoped. The chief issues they raise were discussed in a leading article last week, and there is nothing fresh to say save this: that if the Washington conference has not brought any closer the vision of an "expanding international economy" for the free world, then the western governments—the British and the French in particular—cannot postpone any longer the task of building up subsidiary forms of co-operation within western Europe and its overseas dependencies. These, though they cannot close

the dollar gap, can at least mitigate its effects on their social and economic policies. In other words the Strasbourg discussions have removed from quarantine under OEEC control in Paris issues and ideas which have sooner or later to be explained and justified to voters. Europe's economic problems may not be made more easily soluble by being placed before the public in the simplified and general forms which can alone get the approval of men of diverse parties. But hardly any of the proposed solutions can be undertaken unless voters are prepared to understand their effects. The process of popular education has begun, and it is to be hoped that the Ministers will accept the Assembly's suggestion that its proposals should be debated in the national parliaments.

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In November, the Committee of Ministers will meet to survey the results of Strasbourg. In the next six weeks, therefore, Mr Bevin and his fellow Ministers have to be briefed on what to think and say and do about the activities of the Assembly, which has developed such lusty lungs and limbs in the swaddling clothes they had designed for it. What needs to be done in London stands out conspicuously. First the Labour Ministers must recapture some of their old international spirit and stifle those tendencies towards national socialism (not Nazism) in deed and thought that have been growing in the last eighteen months. They should attempt to ensure that British policy on European unity can become bi-partisan. They must drop their jealousy of Mr Churchill's European Movement and realise that it has now broken the back of its task. Indeed, it may now decline in importance, unless it has the wisdom to turn from propaganda among the black coats and white collars to education in the factories

and the fields. The leadership in Europe which Mr Bevin tentatively offered in 1948 is now thrust upon Britain, and the responsibility can be sidestepped only by evasions and rebuffs that would demoralise western Europe and prepare it for eventual German—or Soviet—hegemony.

Second, there must be a thorough examination of the possibility of getting the sterling area or the Commonwealth to contribute to schemes of economic co-operation in Europe. The basic difficulties and advantages of such a policy have not been fully studied and discussed; until they are, powerful sections of American opinion will remain convinced that western Europe is not seeking its own salvation and that British isolationism is the chief obstacle to greater unity.

Most important of all is the need to bring Germany as soon as possible into the Council. There may be genuine practical difficulties about giving full membership to a government that is not master of its own foreign policy; and it is clear that the French want to steal a march on the Germans by getting the Saar Territory into the Council before questions are asked in Bonn. These are difficulties that can and must be overcome. The next nine months will be a formative time for the Council and the Assembly; political and economic proposals will be debated and taken which no German Government—particularly a coalition government—can be asked to accept some time next year as *faits accomplis*. Moreover, the sooner German politicians are brought into intimate contact with their western colleagues, the sooner will there be formed in the new German parliament a body of men who can draw moral and political strength from experiences and achievements outside their own country. Had there been twenty-five years ago a Council of Europe to which Stresemann could have been invited, the subsequent history of Europe might have been very different.

NOTES OF THE WEEK

The National Interest Prevails

On Wednesday of last week, Mr J. B. Figgins, the secretary of the National Union of Railwaymen, argued before the TUC conference in favour of abolishing compulsory arbitration, but ended by withdrawing his motion. On Thursday he voted in favour of the General Council's policy of wage stabilisation, and that very evening his good faith was put to the test by the publication of the report of a Board of Conciliation set up to review the claims of the railwaymen, which rejected the NUR's main claims. The history of this claim goes back to January, 1947, when the NUR put forward a claim for an increase in wages of 20s. for all their members. This was referred to a court of inquiry, which awarded an increase of 7s. 6d. The award was accepted and went into force on June 30, 1947. A year later the NUR decided to press for the remaining 12s. 6d., which was rejected by the relevant tribunals. In May of this year the NUR decided it was time to start pressing again, and put forward a claim for a flat increase of 10s. and for payment of time and a quarter for work after Saturday noon. After long and involved arguments between the Railway Executive, the NUR and the smaller railway unions (who were interested in other projects than a flat rate increase, and who were dismayed by the prospect of a general evening-up of railway wages), the Ministry of Labour eventually succeeded, in order to avert a railway strike, in getting the Railway Executive and all the railway unions to agree to abide by the decision of a Board of Conciliation.

The Board sorted out all the various claims of the railway unions into nine minor and two major issues. On six out of the nine the employers and the unions succeeded in coming to an agreement, which will raise the Railway Executive's wages bill by £850,000 a year. Of the two main issues, the claim for a flat rate increase of 10s. affected only the NUR, and was based on the assertion that rates of the lowest paid workers are now insufficient for human needs; that railway rates of pay have lagged behind other industries; that "earnings" should not be considered in assessing the adequacy of basic "rates"; and, finally, that existing rates are not high enough to enable the Railway Executive to retain old and recruit new staff.

The Board examined these claims with scrupulous care, and did not accept them. It did not regard the argument from human needs as proven, since it refused to accept the NUR's argument that it was the basic rate rather than the size of the wage packet that must be considered. Although there might be an undesirable amount of overtime on the railways, in fact, the average weekly earnings of the lowest grade of railway workers on a basic rate of 92s. 10d. was 112s. 7d. Nor did it accept the fact that railway earnings in the lowest grades had fallen behind other industries, and it pointed out that to grant an increase in railway basic rates would mean in the end setting a new basic minimum wage for unskilled manual labour.

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The claim for increased Saturday overtime was presented by the NUR and the Associated Society of Locomotive Engineers and Firemen. The concession would cost the Railway Executive £15½ million, and the NUR put forward some ingenious suggestions as to how these might be met—by the restriction of "C" licences to force freight on to the railways, by using the road earnings of the Transport Commission to finance this additional cost to the railways, or by making the Transport Commission's interest charges on its stock chargeable to the Revenue. Very properly the Board refused to entertain these manifestations of naked self-interest, and concluded that it was not possible for the Commission to meet this additional cost.

Railwaymen's Dilemma

The rejection of their claim was a severe shock to the NUR, whose leaders had argued that the Conciliation Board could not very well award less than the 3s. 6d. for their lower paid workers offered by the Railway Executive on a previous occasion. By promptly accepting the award, and giving effect to the agreements reached on the minor points, the Railway Executive have ruled out the likelihood of a renewal of their offer, and the terms of the award would seem to preclude it.

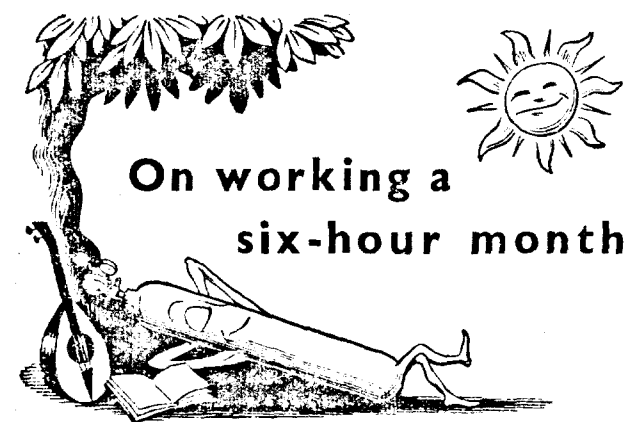
So Mr Figgins and the executive of the NUR have arrived at an impasse. They are morally if not legally bound to accept the decision of the Conciliation Board, but to do so means abandoning the cherished aims for which the union has fought so devotedly and so tenaciously for two years past. At the moment the leaders of the NUR are adopting a policy of wait and see while various local branches make up their mind whether to continue the struggle by the use of "go slow" tactics. Mr Figgins and the union leaders have it in their power to tell their members unequivocally that to flout the arbitration award will lose the railwaymen the respect of the public, alienate the support of the rest of the trade union movement, destroy the earning prospects of their own industry and embarrass their Government. It is only too probable, however, that they will permit resentment among their branches to go unchecked and unguided, and then declare the pressure of resentment too strong for them to resist.

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A Word of Wisdom

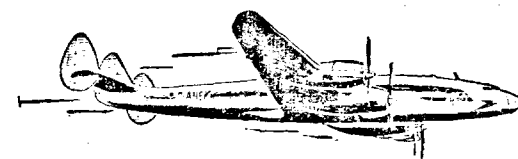
The relations between the NUR and the Railway Executive, and the failure of the former to carry with it the full support of ASLEF and the other railway unions (who by and large had their sights set on longer-term objectives than pay increases—such as pensions and reorganisation of the antiquated wage structure) underline the only really important speech made at the TUC conference. Speaking towards the end of a week which had produced only negative ideas, Mr Bryn Roberts of the National Union of Public Employees moved an amendment to the General Council's motion on wages and profits demanding that it should tackle the problem of increasing productivity and thus eventually make wage restraint unnecessary. The present policy would end by damaging the structure of collective bargaining. "The struggle now will be not only between worker and employer but between the trade unionist and his own executive committee." It would create divisions within unions and between unions. "It provides glorious opportunities for disruptive elements to exploit."

This is a very accurate analysis. There is no general union whose inner cohesion has not been weakened in the past two years; as the railway dispute, among others, has shown, the general unions and the craft unions are becoming increasingly estranged. In a sense national arbitration is bringing the trade union movement back to where it originally started—the Typographical Association has decided to abandon national bargaining in favour of local deals between employers and workpeople. It is true that this is an aspect of over-full employment—and that the unions will be very glad to return to national collective bargaining if employment becomes more difficult. But a mere standstill on wages is undoubtedly corrupting the trade union movement, and Mr Bryn Roberts is entirely right to remind his fellow trade unionists of the importance of working for a return to a healthier economic state which will make the policy of wage restraint unnecessary. As *The Economist* has often pointed out, the difficulty of the British



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economy is not that individuals are paid too high a wage, but that the cost of labour entering into production is too high. If the British trade unions could bring themselves to recognise the difference between labour costs and wages, many of Britain's economic problems would be solved. The tepid reception accorded to Mr Bryn Roberts's speech shows that that recognition still lies a long way off.

* * *

M. Queuille Begins Another Year

M. Queuille's administration has lasted a year. The feat puts the Prime Minister in a small group of French statesmen who probably do not number more than sixteen. If he achieves a second birthday, he will be equalled only by M. Clemenceau and M. Poincaré.

At the moment, his chances of surviving another full year seem slight. In spite of the degree of recovery and stability achieved in 1949—French production has risen 30 per cent above prewar and the franc has recovered one third of its value—the situation is precarious. A great mass of the workers are not much above the subsistence level (their conditions are described in an article on page 617) and any deterioration in general economic conditions could lead to new social unrest. The farmers, discontented by the fall in food prices which relative abundance has brought with it, are hostile to the Government and have threatened a "farmers' strike" if the policy of increasing food imports to maintain low prices is adopted. The parties in the coalition, sensitive to these undercurrents of discontent, and relieved for the time being of the more acute pressure of Gaullists and Communists, may cast around for means of evading responsibility—in which case the coalition could break up.

M. Queuille's chief difficulties are not, however, domestic. France, with thirty to forty per cent of its imports still covered by Marshall Aid, has not yet recovered equilibrium. Above all, the outlook in the western trading area, of which France is a vulnerable partner, is much more uncertain than it was in the first months of the year. Collapse of foreign trade is the chief menace to France's precarious recovery—as it is to that of every other trading nation in western Europe. The Washington talks and the increased flexibility in the use of ECA dollars have postponed an acute crisis, but in Paris as in London, the sense of it is as apparent as the first tang of autumn in the morning air.

* * *

Germany's New Start

Until the middle-aged and the young of western Germany have found the faith and the energy to make their mark in and around the political life of the new Federal Republic, the old men must set the tone of its public life and lay the foundations of its institutions. It is a tremendous task for Professor Theodor Heuss, the 65-year-old President, a liberal and a Protestant and for Dr Adenauer, the 73-year-old Chancellor, a conservative and a Catholic. Their roots lie in the prosperous, self-confident, Prussian-dominated Germany of forty years ago. The roots of the middle-aged lie in the period of Weimar inflation, resurgent nationalism and spiritual anarchy. The roots of the young lie in the period of economic crisis and the rise and triumph of Hitler. Their greatest common experience was disastrous war and the effort of the last three years to recover prosperity and a zest for life amid the ruins. Those who have worked most closely for and with the Germans hesitate to prophesy what can be built out of all this.

The office of President, to which Professor Heuss was elected this week, in face of an unexpected and ill-considered challenge from Dr Schumacher, leader of the Social Democrats, offers few powers but great possibilities. Professor Heuss will represent the Republic in its limited relations with the outside world; he can be an arbitrator between the two main parties,

the leaders of which—incredible though it may seem—met for political discussion this week for the first time for three years. He can establish precedents and practices which will give the President powers not provided for in the constitution.

Professor Heuss has the advantage of having played a major part in creating that constitution, of coming from the liberal and tolerant atmosphere of Stuttgart, of having wit as well as intelligence, of having written on politics in the *Frankfurter Zeitung* when it was dangerous to do so, and of having had his books burnt by Goebbels's orders. He is the kind of man who has the courage to take an orthodox patriotic line against dismantlement of German factories while condemning mob violence as a method of frustrating Allied policy. Socialists and fellow professors may describe his views on economics as old-fashioned; but they are very like the views fashionable among the men who will direct the German economy in consultation with the American High Commissioner, Mr McCloy.

*

By next week the political picture in Germany will be transformed. The *Bundestag*, or federal lower house, will meet; a Chancellor will be elected, a Cabinet chosen. The authority of Military Government will be transferred to the Bonn Government (presumably it will not move to Frankfurt); internal affairs will—broadly speaking—come under German control and external affairs remain under control of the new Allied High Commission. The Government will have to work within the limits of the Occupation Statute, and it remains to be seen whether the Chancellor will call on Sir Brian Robertson and his colleagues to receive it or whether they will call on him. Some quite crucial things will happen in the next few months around the new President and Chancellor. It is to be hoped that the personalities and activities of the new Government will be more fully reported in the British press than has so far been considered necessary.

* * *

Bullies In The Balkans

The most ominous move so far in the Soviet campaign of menace against Tito has been the speech made by Marshal Bulganin in Sofia at the fifth anniversary celebration of the entry of the Red Army into that city in 1944. Marshal Bulganin is a member of the Soviet Communist Party Politburo, and was until recently Minister of the Armed Forces; his visit to Sofia was a sequel to a similar visit of Marshal Voroshilov three weeks ago to Bucharest for the commemoration of the corresponding anniversary for Rumania. Marshal Bulganin was accompanied to Sofia by Mr Lavrentiev, the former Soviet Ambassador in Belgrade, who was recently recalled thence, without being replaced, and appointed a Soviet Deputy Foreign Minister. Addressing his Bulgarian audience, Marshal Bulganin furiously denounced "Judas Tito," and added: "Whatever will be the test which the Bulgarian people have to face, they may always be sure to find in the Soviet Union and Stalin faithful and disinterested friends ready to support them with all their forces."

Such words have to be taken in the context of Balkan politics, in which Bulgaria is divided from Yugoslavia not only by the current ideological schism between two brands of Communism, but also by the older national feud over the possession of Macedonia, for which Bulgaria has already engaged in three wars within forty years. Now, with a raging propaganda from all the Cominform capitals to incite them against their ancient enemy, and the protection of the mighty Soviet Union assured by a Soviet representative of the highest rank, the Bulgarians must be sorely tempted to make still one more bid to win their national irredenta. Since the Cominform-Tito conflict emerged a few weeks ago from the condition of being a quarrel among Communist parties and became a matter of Notes officially exchanged between states, it has

become possible for the Balkan enemies of Yugoslavia to envisage not merely a purge of the Yugoslav Communist Party, but a new break-up of the Yugoslav state and redivision of its territory. Russia is unleashing the dormant, but unassuaged, traditional national hatreds of the Balkans. It is a dangerous game, which should be exposed and checked by a full discussion when the United Nations meets next week.

The Yugoslav leaders appear to be well aware of the possibility that Russia, wary of charges of "imperialism" in dealing with small Communist countries, will refrain from direct attack on Yugoslavia, but will stir up Yugoslavia's neighbours to provoke incidents which will provide Russia with a pretext for intervention as an interested third party. It is, however, Albania rather than Bulgaria which they anticipate will be used in the first instance to launch against Yugoslavia charges of disturbing peace in the Balkans. Mr Pijade, of the Yugoslav Communist Politburo, has alleged in a full-page article in *Borba* that the Cominform plans to use a crisis in Albania as an excuse for action against Yugoslavia, accusing Yugoslavia of causing the disorder. Economic conditions in Albania are indeed so bad (as was shown in *The Economist* of September 3rd) that internal trouble is likely to break out there at any moment, and a pro-Tito faction certainly exists there; on the other hand, the Cominform is inciting the ruling Communist clique in Albania against Yugoslavia by spreading reports that Tito has made a pact with Greece for a partition of Albania. The Balkan pot does not seem far off the boil now.

* * *

Colonial Investment

The first point of the agreement reached at Washington on ways of encouraging private American investment in the sterling area will call for early examination of the prospects of investment in the colonial empire. Sir Stafford Cripps has long supported in principle the idea of dollar investment in the colonies, and the Secretary of State for the Colonies, in the annual colonial report presented to Parliament last July, underlined the same point.

Unless the sterling area as a whole succeeds in restoring the balance of its external payments at a high level, the United Kingdom itself will be unable to provide the overseas capital investment upon which the colonial territories must rely if their development is to be accelerated.

No exact figures exist for the amount of existing dollar investment in the colonies. American aluminium interests have extensive holdings in bauxite development in British Guiana, and there is American capital in timber and manganese interests in West Africa and in other enterprises in Malaya and Southern Rhodesia. But the private American investor who has money to put into the colonies certainly has to face a formidable series of obstacles before he can do so. Some of these arise directly from the dollar problem itself. He can take out his dividends, but his capital will fall under the usual ban on the withdrawal of dollar capital. New enterprises will also have to pass the test of being either dollar earning or dollar saving. These are tests which would arise also in the United Kingdom; but in the case of a colony he must in addition secure the approval of the colonial government, which is charged with the responsibility of securing the welfare of the people of the colony on the wider social and political aspects of the proposed scheme.

The Colonial Loans Act passed some months ago enables colonial governments to borrow from the International Bank, and the Colonial Development Corporation has led the way here by borrowing \$10 million to cover essential dollar needs incurred by their existing projects. But the Bank's rate of interest is a good deal higher than a colonial government is likely to have to pay on the London money market—a factor which is likely to be a formidable deterrent for some time.

Meanwhile the new Anglo-American Economic Council, in its investigations into colonial investment, will be able to refer

to the list of projected colonial development projects which the British Government has recently submitted to OEEC in Paris. These total some £400 million, and contain a number of schemes earmarked as specially suitable for dollar investment. Other information available from the colonial report points out that in 1948 the amount of capital investment projected for the colonies totalled £188 million, of which about £122 million represented the cost of imported capital equipment, the remainder the cost of local labour and materials. The report also points out that about one-third of all colonial investment for the year was devoted to transport facilities. Behind this last fact may well lie the biggest obstacle to any immediate large flow of private dollar capital to the colonies—the fact that the kind of capital developments most urgently needed in the colonies are those on which any quick or substantial rewards are unlikely. The most urgent need of a great part of the colonial empire is capital for roads, railways and harbours, without which other development cannot proceed—as the Overseas Food Corporation has discovered to its cost. Yet this is the type of investment on which returns are likely to be slow and unspectacular—and indeed which is regarded as being primarily, if not exclusively, the province of colonial governments rather than of private enterprise.

* * *

More About Murder

It is becoming increasingly clear that the Royal Commission on Capital Punishment is chasing a hare which was never really worth starting. They are prevented by their terms of reference from discussing the merits of abolishing capital punishment, and they have been left to settle only the comparatively minor questions of whether or not to set up more than one degree of murder and whether or not the present system of pronouncing and carrying out the sentence of death could be improved. All the evidence so far produced before them points to the fact that, with the possible exception of the laws and rules relating to insanity, the present practice of the courts coupled with the exercise of the royal prerogative is sufficiently flexible to ensure that justice is done and needs few, if any, changes.

Indeed, as Sir Theobald Mathew, the Director of Public Prosecutions, said in his evidence last week, the proposal to set up different degrees of murder is in fact an attempt to make the crime fit the punishment. It would mean that the police in charging a man for homicide and magistrates in indicting him would have to consider not only whether there was a *prima facie* case against him for the killing but also whether the killing was of such a nature as to warrant punishment by death—which would be murder in the first degree—or punishment by imprisonment—which would be murder in a lesser degree or manslaughter. The probable punishment, not the crime, would become the deciding factor, and it is obviously undesirable that this should be the concern of the police. A way out of the difficulty would be, as Sir Theobald suggested, to charge a man with "unlawful killing" and to leave the precise charge against him until a later stage in the proceedings. But the legal complexities of such a practice seem hardly worth the small gain, if any, which might ensue.

* * *

National Assistance

The report of the Assistance Board for 1948 reviews its work during the first six months of the social security scheme. It has two main functions, both directed towards the same purpose of preventing anyone's income from falling below a fixed minimum: to supplement insurance benefits where these, together with a person's other resources, are insufficient for his needs; and to provide entirely for his needs, up to the minimum, if he has no resources and does not qualify for insurance benefits. For the unemployed, old age pensioners,

and widow pensioners with children, the Assistance Board had been undertaking these functions for some years before July 5, 1948. On that date it took over from the local authorities the duty of relieving all the other cases previously helped under the poor law—for instance, the sick, the disabled and the deserted—the blind, previously helped under the Blind Persons Acts, and the tuberculous, previously helped under a special wartime system of treatment allowances.

When the transfer took place the Board was paying about 30,000 unemployment assistance allowances and about 512,000 supplementary pensions. The local authorities were paying more than 200,000 outdoor relief allowances under the poor law, about 40,000 allowances to the blind and nearly 20,000 treatment allowances to the tuberculous. Thus the Board began its new duties with 802,000 cases on its books. By the end of the year they had grown to just over a million. About 20,000 of the increase may be accounted for by assistance payments to old people in local authorities' homes and hostels who are now required, under the National Assistance Act, to pay a minimum charge for their accommodation. There were also nearly 4,000 more blind people and over 2,000 more tuberculous people receiving assistance from the Board than were receiving grants from local authorities.

A rise in assistance payments was, in fact, expected. For one thing, the Board's definition of the minimum income necessary to prevent want is, with a few exceptions, more generous than that adopted by local authorities under the poor law; the extent to which it can disregard an applicant's resources in determining his needs is also greater—of those in receipt of assistance at the end of the year, 174,260 owned capital, excluding owner-occupied house property, totalling £19,500,000, of which about half was completely disregarded because it was war savings and the rest only taken into account to a limited extent. For another thing, experience with supplementary pensions had shown that people are far more willing to ask for assistance from the Board than relief from

local authorities. Even if there is no big increase in unemployment, therefore, a steady rise in the cost of assistance can be expected.

* * *

A Language is Made

The desire to abolish all traces of the old poor law has been carried so far that a new vocabulary has arisen to take the place of the old terms that in some cases were as old as the poor law itself. Sturdy vagabonds, tramps, vagrants, casuals—these plain, downright words have been displaced now that, under the National Assistance Act, the ladies and gentlemen concerned have been made the Assistance Board's responsibility, by the circuitous phrase "persons without a settled way of living." They no longer tramp from casual ward to casual ward but proceed from reception centre to reception centre. Similarly, the workhouse (poorhouse in Scotland) *alias* the house, *alias* the union, *alias*, in the mealy mouthed language of the twentieth century, the public assistance institution, is acquiring yet another designation. Accommodation for the deserving and aged poor and shelter for the destitute now has to be provided by local authorities according to the conditions laid down in Part III of the same Act. Therefore the workhouse is now known by the term "Part III accommodation"—surely more dreary than the old workhouse itself. The relieving officer has gone with the old poor law, but his functions in respect of lunatics at large have been transferred to a person called a "duly authorised officer"—there is even some talk about whether an Association of Duly Authorised Officers should be formed. The old phrase "pauper lunatic" disappeared, of course, some years ago and was replaced by "rate-aided person of unsound mind." In this respect, the only change made by the new social service legislation was one that was well in keeping with this egalitarian age—throughout the Lunacy Acts, the word "rate-aided" is now omitted.

It is not only in the old poor law world that a new vocabulary is growing up. When the new social security scheme came into force, there was some speculation whether people receiving benefit would "go on Beveridge" as, a generation earlier, they had "gone on Lloyd George." They do not. Nor do they receive a sickness benefit or retirement pension. Going straight to the heart of the matter, they declare quite simply that they are "getting their twenty-six."

* * *

A New Foreign Ministers' Meeting?

The deputies of the four Foreign Ministers struggled for two months to produce an agreed draft treaty for Austria by September 1st. They discussed twenty-two articles and settled thirteen of them. Nine are still outstanding, and on one of them—Article 35—disagreement proved intractable enough to defeat the deadline, put an end to discussion and leave the western deputies wondering how and when the discussions could be taken up again.

The offending article concerned the disposal of the Danubian Shipping Company, of Austrian rolling stock and of the country's oil assets. Agreement could not be reached on any of the three, and the disagreement on oil is clearly serious since the Soviet manner of handling the question suggests bad faith. The Foreign Ministers agreed that, although two-thirds of the property rights in promising oil lands should be left to the Russians, the Austrian share should be equitable. The western Powers now feel that Russia, by its manipulation of the lands in question, may be claiming two-thirds in terms of area but practically a hundred per cent in terms of likely deposits of oil.

The talks have therefore ceased for the time being, but the western Powers are ready to reopen them on September 22nd in the United States under the respectable shadow of the United Nations. There is some speculation whether the issue might not in fact be referred back to the Foreign Ministers

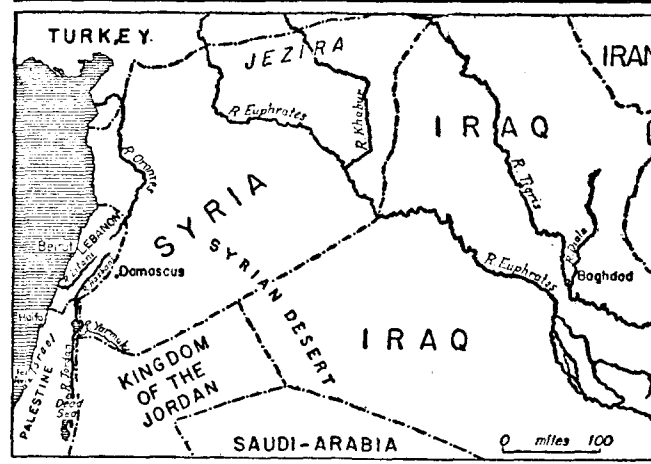
themselves. It is true that geographically they will be assembled in or near New York, but at their last meeting in Paris they did not make any definite arrangement to hold an autumn session. They only agreed to discuss the possibility of arranging a further meeting at some future date.

* * *

Amber Light for Mr Clapp

Before leaving Lausanne for the Middle East last week, an American member of the UN Survey Group for Arab Refugee Settlement, of which Mr Gordon Clapp, of the TVA, is president, asked: "Why must we go? I have two tons of documents and blue prints with me here, and could make my recommendations immediately in Lausanne."

Almost simultaneously, in Beirut, another Uno servant, Sir Raphael Cilento, while acting as chairman of a United Nations Arab Social Welfare Assembly, was grappling with the Arab cry: "Why must they come?" At the closing meeting of that Assembly on September 3rd, Sir Raphael addressed an audience consisting of all the most humanitarian and progressive elements in the Arab states. Speaking from a purely social and economic angle, he said, he must assure them that it was now in their own interests to set politics aside and to accept great power aid with refugee settlement. But he spoke to deaf ears. He was voted down by an audience that would hear of nothing but limitless return to Palestine. The two incidents, juxtaposed, reveal a fundamental flaw in most



American, and indeed United Nations, thinking about Middle Eastern development and welfare. This flaw is the belief that the money and the know-how are all that is necessary to produce progress. In the Arab states this is not so.

British observers know it from experience, but are hardly in a position to run down Uno's methods on grounds of superior knowledge. A man who has tackled a problem, failed at it, and handed it to another to solve is ill-placed for criticising the way that other goes about it. Yet the Clapp team, as it masters the political and the temperamental snags in the way of using its blue prints, would do well to keep consulting its British colleagues about their experiences.

For these were gleaned not only from the long hard years in Palestine. Experience of trying to settle refugee strangers in Arab lands was also gained during the years as mandatory in Iraq. A Special Report to the League of Nations on the progress of that mandate, made just before it ended in 1932, tells of the difficulties they encountered in settling the Assyrian refugees in northern Iraq. The story is one of refugees embittered and truculent as a result of their experiences, demoralised by months of assistance and therefore unfitted to settle as taxpaying citizens, fastidious over sites that they thought less than their due, and ready to let political prejudice override all thoughts of social security in a settled home. It is true that the Assyrian problem was exacerbated by differences of race and religion, but it is a fallacy to think that these do not arise as between Palestinian and Syrian or Iraqi. One may

be a Christian, the other a Kurd. Moreover, even the Moslem inhabitants of a Mediterranean city such as Jaffa would regard as an alien soil and an uncongenial climate the highlands of north Syria or the flats of Mesopotamia. Lastly, it is well to remember that the united forces of the western world failed to solve the Assyrian tragedy which ended in massacre or in flight and a slower death.

* * *

Uneasy Syria

It is a matter for grave regret that the moment at which the United Nations' Economic Survey Group for Refugee Settlement is landing in Beirut should be one of such uncertainty in Syria. In a country which has passively suffered two army coups in five months, no civilian feels stable. Therefore the present Syrian Government, which was carried to power on the epaulettes of Marshal Zaim's executioner, Colonel Sami Hinnawi, is in no position to take firm decisions or to introduce United Nations' schemes to a people long fed on anti-foreign slogans.

It now transpires that Colonel Hinnawi, despite his initial pose as a simple soldier, who was interested only in ridding his country of a tyrant, in fact went back to barracks only—as it were—for a wash and a meal. He now heads a supreme war council which meets almost as often as does the cabinet. Ministers cannot well gainsay it; it therefore severely handicaps a team of men of integrity and repute. Further, one or two of the better men who were said to have entered it—notably the ex-Mayor of Aleppo—have not felt Hashem Atassi's leadership to be sufficiently stimulating or reliable to warrant leaving their jobs in private life.

Meantime, Hinnawi's conduct of army affairs suggests that he is less capable, even, than was Zaim of reconciling opponents and administering a country. Whereas Zaim, at least for some months, kept the army at one and at his back, it is now at sixes and sevens. Its officers make no secret of their quarrels and some have ostentatiously quitted Damascus with a group of supporters. These dissidents are finding plenty of support outside the capital because the Government—arguing that illiterate nomads can have nothing of value to say on national politics and should be content with their tribal councils—is proceeding with Zaim's policy of disenfranchising the bedouin. Tribes whose members used to have the vote were accustomed to vote as their sheikhs directed; naturally all sheikhs are incensed at the prospective loss of power to people whom they regard as town-bred mongrels. To alienate the bedouin is disastrous because they have it in their power to make or mar the security of cross-country travel.

The various units of the Syrian population have therefore only one point in common—nationalist antipathy to the foreigner and to Israel. On all other points they are divided. Some are royalists—particularly among the tribes; they would enthrone a Hashemite king tomorrow if any scion of the Hashemite house were popular. Other groups can think of nothing more constructive to propose than ousting the present Government; others again find relief in reviling Egypt for "coming to terms with Israel." (The Egyptians have this month broadmindedly accepted the presence of an Israeli representative at an international health conference in Alexandria.) Most of the criticisms advanced are alarmingly unconstructive. In a word, Syria presents, in microcosm, all the discussion, uncertainty and waste of breath upon negative criticism that has been the undoing of the Arab League.

* * *

Finnish Strikes Fade Out

The Finnish strikes are as good as over. Their collapse represents the most resounding of the many defeats the Finnish Communists have so far suffered. All that their manoeuvres have achieved is to show still more conclusively that the Finnish people reject their policies, their methods and their claims to speak on its behalf. Tribute is due to the remarkable morale of the Finns and the evident determina-

Can Taxes be Increased?

One of the most discreditable things done of late years, has been increasing the National Debt by the amount of £12,000,000, since 1846 [to £797,793,000] . . . for the relief of the Irish famine, and . . . to make good a deficiency caused, in a great measure, by the same fact. . . . We will not even question the policy of the expenditure in Ireland. Public opinion demanded it. Parliament, without any opposition, voted it. Had we taxed ourselves for our humanity no blame could have attached to our acts. But it was surely a discreditable act of the age to hand our contributions down as a burden to posterity; to increase the debt in times of peace. . . .

But the excuse for thrusting these burdens on posterity, and the excuse for not reducing the National Debt in the time of peace, is the same as it has ever been. "It is with difficulty the current expenditure is provided for. The country is taxed to the utmost possible point, and no greater pressure of taxes could be borne." Judging from the comparative condition of the country, from the enormously increased expenditure on articles of taste and luxury—from the quadrupled numbers of expensive and elegant equipages—from the increase of the highest order of dwellings in all our chief cities—from the thronged watering places, from the pleasure-travelling at home and abroad, from the enormous increase of charitable institutions and voluntary contributions for objects of every conceivable kind, and from all that marks in such striking contrast the habits and expenditure of the country now, compared with past times, and in every grade of life, we are bound to say that there never was a period in English history when there were so many proofs of the ease with which taxation is borne, or when it would have been so practicable to reduce the amount of the National Debt.

The Economist

September 15, 1849

tion with which, unlike some other peoples to whom the doctrine and practice of Communism are no less repugnant, they are prepared, under the able leadership of their Government, to stand up for their beliefs. For, if circumstantial reports from Sweden are true, the Communists at the beginning of this month were within an ace of attempting a *putsch*. They never did so because they realised that the opposition was too solid and too large; and their only action was to make a typically hypocritical complaint about the "wave of terror" directed against the "democratic forces" and "provocative" breaches of the Finnish Peace Treaty by the Fagerholm Government.

The strike offensive failed, then, in its aim of replacing the Social Democrat Government by one in which the Communists would hold office. It has, nevertheless, had a serious effect in both political and economic fields; and its repercussions could become graver in the next few weeks. The direct cost of the strikes is reckoned at at least 2,000 million Finnmarks—over £3,000,000. If the work lost on vital reparations goods—mainly ships and steel tubes—is not made good when the current reparation year ends, fines may be imposed to the total value of all the goods in the categories affected, irrespective of the fact that the bulk of them have already been delivered. Such fines would amount to more than the above sum. Failure to deliver reparations goods promptly could also lay Finland open to dangerous political pressure from Russia.

In home politics, the immediate result of the strikes has been to split the trade union movement along the now familiar division of Communist and non-Communist unions, although the rebel unions may come to heel to avoid showing openly how few of their members are ready to follow their Communist executives. A probable secondary result is a vote of no confidence in the Social Democrats. Such a move was thought to be imminent when the Diet met a fortnight ago. That it has not been made implies that the Communists have been unable to find adequate support from other opposition parties. This would mean that the Agrarian leaders in particular have realised that this is not an opportune time for pressing sectional interests. If so, many people outside Finland will applaud the decision.

* * *

The War in Indo-China

The discussions between Mr Bevin and Mr Acheson in Washington are stated to have covered particularly the current problems of the Far East, and among these no doubt the continuing war in Indo-China, which involves the military potential of France, as well as the general security of South-east Asia, was not overlooked. The public, not only in this country and America, but even in France itself, tends to forget about this war because of the lack of large-scale actions or dramatic events in its unending course, but it remains a very important fact in world affairs. It has never, like the Dutch "police actions" in Indonesia, been subjected to the jurisdiction of the Security Council, nor has there ever been any mediation by a third power; but France has not so far been able to achieve any military result that can be described as a "pacification" of the territory. Some progress has been made by the French in recent months in recovery of key areas from the Viet Minh forces and the principal towns—Hanoi, Haiphong, Hue, Saigon—are firmly held. But approximately half of the total area of Vietnam—the other two parts of Indo-China, Cambodia and Laos, being little disturbed—is wholly in the hands of the Viet Minh, and even where the French have eliminated open opposition, guerilla raids, assassinations and acts of sabotage are of frequent occurrence.

According to figures recently published by *Figaro* the total number of men under arms on the French side in Indo-China is now 230,000, of whom 44,000 are French, 66,000 French African and Foreign Legion troops, and 120,000 Indo-Chinese. The number of French effectives is stated to have

been reduced to its present figure from 72,000 at the beginning of 1947. The direct strain on French manpower has thus diminished, but the part played by the Foreign Legion in the Indo-China war appears to have increased, and France has been charged with recruiting for this force not only numerous displaced Poles, Yugoslavs and Hungarians, but also Germans from the French Occupation Zone who go through a form of becoming Displaced Persons before being enlisted. The war has certainly been unpopular among French conscripts, who have frequently been kept in Indo-China far beyond their proper terms of service, and the Communist propaganda against *la sale guerre* has made the French Government reluctant to commit French troops to it beyond an indispensable minimum—a policy which is also in conformity with the needs of defence in Europe.

For the time being the forces engaged under French command seem to be sufficient to hold their own and make small local advances. But no end of the war is in sight, and the situation might become critical for the French if the Chinese Communists were to complete the conquest of southern China, including the provinces of Kwangsi and Yunnan, and give large-scale aid to the Viet Minh, who have their main stronghold in the mountains just south of the frontier.

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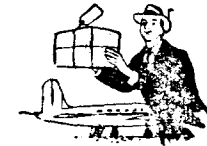
Truth and Professor Bernal

One does not seek figs from thistles, nor a concern with objective truth from Communists. "Right," said Hitler's tame jurists, "is what is useful to the race," and the maxim is equally congenial to all adherents of totalitarianism. It is not therefore really surprising that Professor Bernal should, at the Moscow Conference for Peace, have told the countrymen of Lysenko and Vavilov (not to mention Kapitza) that in the west "the scientist has no freedom" and that "the direction of science is in the hands of those whose only aim is to destroy and torture people so that their own profits may be secured for some years longer."

What is a little surprising is that he should have expected these propositions to command assent, even the assent of silence, from his fellow scientists in the British Association. They, after all, know what freedom they possess or lack. They know that they will not disappear from the ken of their fellows should their researches lead them to some conclusion unwelcome to the academic or official powers. They know that they are not forbidden to leave the country or to correspond with their foreign opposite numbers. If they are not allowed to impart information about armaments to aliens, particularly to aliens holding that war between their respective regimes is inevitable, the last persons to complain should be the Russians, who punish with anything up to the death penalty the disclosure of economic data which the secretive and tyrannous capitalist governments blazon in their official statistics. Not only do British scientists know these things, but they know, and everyone else knows, that Professor Bernal knows them too. He cannot plead ignorance, as might his fellow speaker Wanda Wasilevska, who told her hearers, among other things, that in America the publication of books about the war is prohibited lest the horror of revived memory hamper the warmongers' propaganda.

He knows, too, and they know, how well-founded is his assertion that under capitalism "science can never be employed usefully." He cannot believe, whatever may be the Russian orthodoxy, that the discovery and production of penicillin or antrycide are merely steps in biological warfare, that the sole use of radar or the gas turbine is better bombers, or, for that matter, that the whole cumulative process of technical improvement in industry has come to a halt or is resulting merely in unemployment or lower wages. "Freedom," says the unhappy hero of Mr George Orwell's "Nineteen Eighty-Four," "is the right to say that two and two make four. All the rest follows." It is an abomination that anyone should be deprived of that right. That a scientist should of his own free will abjure it is nauseating self-degradation.

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Letters to the Editor

Currency Unions

SIR,—May I suggest that in some respects the analysis made in your well-timed leader on currency unions is misleading? In practice there might be very little difference between the economic effects of an Anglo-American currency union on the lines sketched in your article, and a return by this country to a conventional gold standard. In either case, the problem involved would be that of protecting the country's ultimate monetary reserves, whether of gold or of US dollars. In other words, we should be thrown back on the well-known disciplines of the gold standard.

In your view, the immediate effect of a currency union with the United States would be a violent internal deflation. This thesis appears tenable only on the assumption that the basis of the new union would be the present sterling/dollar exchange rate. If, however, the union were carried out at some such rate as \$2.75 to the £ sterling, and if similarly realistic rates were applied to the other sterling area countries, the deflation would in effect be over and done with before the union was many hours old. It would be painful only in so far as it entailed cuts in the standard of living not already enforced by circumstances preceding the union. In this respect the immediate effects would be no different from those which would be experienced if the currency of this country and the sterling area were devalued.

As your article indeed points out in another connection, governments cannot create gold and silver out of thin air. On a gold standard, however, they are equally prohibited from creating either currency notes or bank deposits at their own sweet will for they are obliged to protect their central reserves. This, however, in no way reacts unfavourably on the government securities of the country concerned, for redemption is in no important sense ultimately guaranteed by the power to print paper notes or expand credit. It would appear, therefore, that the disciplines which a currency union with the United States would impose on this country, far from threatening the status of British Government securities, as you suggest, would in fact enhance that status materially both at home and abroad.

Amongst the obstacles to a currency union you rightly stress the difficulty of achieving full employment at a time when some other part of such a union (and particularly so important an area as America) is on a deflationary tack. This is the old gold standard discipline again, a discipline which it is now fashionable to side-step by successive devaluations. In the case of ourselves and the United States, there might be a further and immediate threat to full employment from the fact that British wages would then be expressed in dollars and thus be easily comparable with wages in America. The dis-

crepancy would be startling, and might well give rise to such violent and prolonged industrial unrest in this country as would go far towards wrecking the union.

Finally, one must agree with your thesis that under a currency union there would be painful results if long-term equilibrium were not achieved in the balance of payments between the former sterling and dollar areas. But would the results of permanent disequilibrium be so much less painful under any other conditions? And would not the union itself make a substantial contribution towards equilibrium, not only by re-introducing the money techniques designed to make nations cut their coats automatically according to their cloth, but also by throwing the British Commonwealth open to United States investment and American tourists in a way which could not be achieved by a return to even the prewar gold standard?—Yours faithfully,

J. RUSHBROOKE CUTHBERTSON

11 Old Broad Street, London, E.C.2

SIR,—The article on "Currency Unions" in your issue of August 20th goes to the point. Currency union between two countries involves complete economic union, which certainly is impossible without complete political union—as long as we are talking of currencies which can be increased in volume at the will of governments.

What puzzles me is why you do not mention that there is a method of establishing currency union without this sacrifice of the liberty of sovereign nations. Few people seem to remember the condition, but, prior to 1914, Britain, the United States and most other countries did use a common currency. It was a metal known as gold. Since the supply of this metal was limited, and could not be increased by the will of politicians, or in accordance with the theories of economists, the acceptance of gold as a common currency applied adequate discipline to various countries, in connection with their internal budgets.

In attempts to escape from this discipline, the world abandoned the use of gold as a common currency. It might be well worth considering the re-establishment of the gold standard, or the adoption of some similar supernational discipline, as the obvious solution of present difficulties.—Yours faithfully,
P. C. ARMSTRONG
Montreal

SIR,—In your article on "Currency Unions," published in *The Economist* of August 20th, you examined the question of a British-American currency union, but without considering the simultaneous establishment of a customs union between these countries. You did not contemplate the creation of an entirely new currency replacing both the pound and the

dollar. Nor did you suggest that the internal and external public debts of these countries should be merged, and that a large degree of uniformity should be brought about between their systems of taxation and between their customs towards the rest of the world.

You were apprehensive lest Great Britain might become, within this large union, a sort of depressed area, and asserted that "the southern states of the American Union receive large hidden subventions through the ordinary means of paying less taxes and receiving more benefits of one kind or another." It would be interesting to have fuller details about these subventions, of which nobody seems to have heard. I myself was stationed in Washington as a diplomat, but was never aware of their existence. In any case, federal taxation is uniform throughout the United States. In the American Union the standard of living of any citizen entirely depends on merit and exertion. This would and should equally apply to every British citizen within the British-American union.

The creation of a British-American customs and monetary union might become the precursor of a universal customs union and of a single world currency. Whereas to turn the entire world into one trade and currency area is at this stage no more than a pious hope, the British-American free trade union is a practical possibility. Its impact, both upon the countries comprising it and upon international trade between all countries, would be of inestimable benefit.—Yours faithfully,
PAUL DE HEVESY

[Average per capita income in the South is substantially lower than elsewhere in the United States; therefore, under a uniform federal income tax, less is collected from the South than from the non-South. Yet, since agriculture is responsible for a far higher proportion of total income payments in the South than in the non-South, the South obtains more benefits than the rest of the country under the Federal Government's farm price support programme. The same is true, to a smaller degree, of other types of federal assistance to the states.—EDITOR.]

Mandrils or Mechanical Brain?



Amid the mountainous sea of words which the world's presses commit to paper a man might be forgiven for wondering whether a colony of typewriting mandrils was not busily at work somewhere on the banks of the Zambesi or the Limpopo. Or—to leap to the other end of the evolutionary chain—perhaps a giant Mechanical Brain has been set in motion in order to improve upon the works of William Shakespeare. Yet good books are still written. To discover them is the special purpose of *The Times Literary Supplement*. Informed and experienced, discerning in its critical standards, it has never yet wasted a thinking man's time.

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LITERARY SUPPLEMENT

Problems in Rubber

SIR,—It would be interesting to know the arguments on which you base the statement in your issue of August 13th that "Under present conditions a shilling a pound for rubber could only be maintained artificially, and certainly not for any length of time." From the general tenor of your article it might be thought that the consternation of producers at the present price was unfounded and that their desire to see free competition for natural rubber in the United States would lead to a still lower price.

A shilling a pound for natural rubber would not satisfy some producers but it would enable the efficient ones in Malaya to make ends meet and would, I submit, result if the following principal factors making up "present conditions" were brought to an end.

1. American policy requires the use of a prescribed proportion of subsidised synthetic in the fabrication of small passenger tyres and prohibits the import into America of tyres made to any other specification. It does not prohibit the export of such tyres made from natural rubber only. Can it be that, despite the confident assertions of the Americans that their synthetic product is competitive with natural, they are aware that consumers in countries where a free choice obtains prefer tyres made wholly of natural because they are better tyres? Substance is given to this suggestion by the recognition even in America that synthetic is not suitable for the manufacture of heavy-duty tyres.

I should certainly not deny that for certain purposes synthetic rubber is superior to natural, but the consequences which flow from the refusal of the Americans to permit free competition between the two in the large field of small passenger tyres is the biggest factor in keeping down the consumption and, therefore, the price of natural rubber.

2. The insistence of the Indonesian authorities that half the rubber produced on estates and a large part of the smallholders' production must be sold to America, Canada or Japan for dollars, whatever the price, means that the American manufacturer

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3. The premium over the fixed rate of exchange which the dollar commands on the free market in many countries leads to a seepage of rubber through traders in countries such as Siam where exporters are permitted to retain 80 per cent of the dollar proceeds of their sales. This enables them to buy rubber at one price, sell it somewhat cheaper to America and still make a profit.

If, as the producer maintains and as the Americans apparently realise, natural rubber is a superior product from which to make tyres, it might be expected that natural should command some small premium over synthetic. The RFC's recently published operating statement gives the estimated cost of synthetic, based on a production of 458,000 tons for the year to June 30th last, as 19.2 cents, or 11.43 pence per lb., allowing a "profit" on the funds invested in the active plants of 1½ per cent or no profit if the stand-by costs of the inactive plants are taken into account. If, therefore, synthetic were sold at its true cost of production and if free competition were permitted it does not seem unrealistic to suggest that the proper price for natural rubber in America is a shilling a pound.

You rightly stress the importance of stockpile purchases on the statistical position and on the rubber market, but it should not be forgotten that, without stockpile purchasing, manufacturers in America would prudently have to carry larger stocks than they do at present when the policy of the US Government is to turn over the stockpile by selling "spot" and buying "forward."—Yours faithfully,

K. M. G. ANDERSON

52-54, Gracchurch Street, London, E.C.3

[If, as the letter suggests in point (2), an American manufacturer can buy natural rubber at any price "he cares to offer" and if according to point (1) he knows that people would prefer tyres made wholly from natural rubber, why then is the consumption of synthetic rubber in the United States still well above the minimum quantity enforced by law? Secondly, the average cost of production of synthetic rubber given as 19.2 cents a lb includes the cost of butyl (special purpose) which is nearer 30 cents a lb. General purpose synthetic costs 18.1 cents a lb to produce, i.e., 10½d. a lb, and this will tend to set the upper limit to price of natural rubber even in a free market.—EDITOR.]

Ethiopia and Eritrea

SIR,—In an article on Ethiopia, published in your issue of August 26th, your correspondent begins by stating that the Assembly of the United Nations awarded the whole of Eritrea to Ethiopia. In fact, however, the resolution begins as follows:—

"That Eritrea, except for the western province, be incorporated into Ethiopia. . . ."

This is a fundamental difference; for it is the western part of Eritrea in which the majority of the Mahomedan popu-

lation lives, and the part awarded to Ethiopia would contain at least two-thirds majority in favour of union with Ethiopia. The vote on this resolution was not thirty-seven for, eleven against, with two abstentions, as your correspondent states; there were ten abstentions (*cide* the official verbatim report).

Your correspondent greatly exaggerates the financial difficulties of the Ethiopian Government, which are due to the growth of revenue not keeping pace with a growing expenditure, especially on education, whilst earnings of the state gold mines have fallen off, partly on account of a regulation by the International Monetary Fund. He rightly says that Eritrea is a financial liability to any owner; but on his own showing the charge on the British taxpayer has only averaged about £84,000 a year. He does not mention that Ethiopia is due to receive £6,250,000 as reparations from Italy over the next five years. This would help to cover the loss in Eritrea during the period that salaries of foreign advisers and administrators have still to be paid. After five years the country will be governed by Eritreans, with perhaps a few Ethiopians, and revenues will be developed by economic unity with Ethiopia, so that the new territory should cease to be a financial liability.—Yours faithfully,

H. STANLEY JEVONS

Abyssinia (Ethiopia) Association,

Industrial Sickness

SIR,—Your comment in your article "The Nation's Ill-Health" that morale is the determining factor in sickness absenteeism is, I know, fully confirmed by the experience of many good firms which have sick pay schemes for their workers similar, and often more generous, than that of the Royal Ordnance Factories. But your article fails to draw attention to the fact that a good sick pay scheme is an integral part of that morale and not just a rather tiresome adjunct of the Welfare State, which scrimshankers will abuse.

A sick pay scheme which guarantees to all employees if they fall sick the difference between their national insurance and their basic wages for a period of several weeks or months has the following advantages:

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- do their work whole-heartedly without having to worry about what will happen to them if they fall ill;
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- stay away from work till fully fit.

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Books and Publications

A Doubtful Prognosis

"Can Parliament Survive?" By Christopher Hollis, M.P. Hollis and Carter. 148 pages. 9s.

MR CHRISTOPHER HOLLIS is a civilised man with a strong sense of history, an ingrained dislike of cant, a courageous imagination, a command of sinewy and pungent prose style, and a few bees in his bonnet. He views with the deepest pessimism the prospects of survival of Parliament as at present constituted—in his opinion an inept, rigidly regimented, desperately over-worked, and intellectually exhausted agglomeration of lobby-fodder, going through the motions of lawmaking under the scornful gaze of a public well aware that power now resides outside the parliamentary system. He takes an equally poor view of the Cabinet system, which, unless dominated by a single strong character, becomes merely a forum of departmental rivalries; and he attributes the plight of both in part to the tightening, over the last sixty years, of the machinery and discipline of party organisation, in part to the spread (inevitable as he sees it) of legislative control over virtually the whole of the economic field, in part to the ensuing ossification of Parliamentary procedure itself. Much of his book is accordingly concerned with tracing the evolution of the party system and the transition from the comparatively self-regulating, truly competitive economy, to the economy of the large, and of necessity imperfectly competitive, productive unit, requiring public control in one form or another. This latter process is irreversible, and poses two major problems; one technical and economic—how harmonise the claims and needs of the economic Leviathans of today?; one psychological and moral—how provide, in a system of enormous impersonal organisations, for that sense of solidarity, personal responsibility and pride of function which comes naturally to the normal member of a small working team? Socialism and its panacea, nationalisation, provide no solution at all; they merely give new names to the factors of the problems and leave the problems themselves in a mess rather worse than before; and there is no way back to a competitive era now seen to be essentially transitional.

Mr Hollis's solution for the whole complex of dilemmas—the sickness of Parliament, the disharmony of rival industries, the sense of frustration of the workers—is, in a word, corporatism. He would hive off the functions of economic control from those of government in general and vest them in a "House of Industry" whose relations with Parliament would be analogous to those of the Church Assembly. This House, with a membership elected on an occupational basis (directly, not by Trade Unions and employers' associations) would constitute the uppermost level of a whole system of industrial self-government, with smaller organisations from Works Councils upwards filling a role corresponding to that of the local authorities in the political system. Debating matters in which its membership was expert, dividing on lines of genuine opinion rather than irrelevant party or class affiliation, the House of Industry could effectively handle such major questions as relative wage levels in sheltered and unsheltered, or over- and under-manned, industries, or the allocation of capital and of raw materials and such minor problems as the day-to-day shortcomings of rationalised or other utilities; while Parliament itself, relieved of a burden which it is not fitted to carry, could get on with its proper job and regain the dignity and power which it has lost.

The idea is, of course, an attractive one. Quite apart from its appeal to Fascists, Nazis and Communists, it has been in one form or another supported by the Webbs, and Mr Winston Churchill, by Mr Amery and Mr Harold MacMillan—a sufficiently wide scatter of political opinion. But the case against it is formidable. To remove from the competence of the House of Commons—except for a right of veto which, if

exercised, would make for a frightful intestinal discord in the body of government—matters which most vitally affect economic life, is to make nonsense of parliamentary democracy. To elevate the present divisions between the sectors of industry to the dignity of constituency frontiers is to open up a truly disturbing prospect of politico-economic gerrymandering for the future. To encourage still further the producer, as against the consumer, interest is to sanctify sectionalism. The case against corporatism does not rest on its historical association with ethically detestable regimes, but on its own inherent weakness.

None the less, the present plight of Parliament is no subject for complacency. Keynes paid tribute in his General Theory to "the noble army of economic heretics" who insisted, against all the certainties of the orthodox, on the essential instability of the economic system. At the lowest reckoning, Mr Hollis's exposure of the sickness of Parliamentary democracy in its present form has earned a similar tribute from the future architect—if any—of its rehabilitation.

Art or Science?

"Public Opinion and Propaganda." By Leonard W. Doob. Cresset Press. 600 pages. 25s.

IF the lip-service paid to the importance of public opinion and propaganda is considered, it is astonishing how little academic attention these subjects have attracted. The gathering of data about them has been slow and the techniques of measurement and analysis have been surprisingly neglected—especially in this country. Little attempt has been made to formulate any general principles about the determination of public opinion or the efficacy of propaganda. For this the basic dilemma of social science is responsible. If social science is to confine itself to the discovery of verifiable and universal principles—like the physical sciences—it must, because of the diversity of humanity and the impossibility of rigidly controlled and repeatable experiments, limit its scope to an absurd degree. If it is to shed any extensive light on a vast and important area of human ignorance it must abandon the pretence of being scientific. The shadow of this dilemma lies heavily across Professor Doob's book.

Professor Doob systematically discusses the formation of public opinion, its measurement and its social importance and then turns to the nature of propaganda, its processes and the media through which it is disseminated. On the factual side he is at his best. He describes the techniques and examines the validity of public opinion polling with an objectivity which, on that subject, is all too rare. He explains clearly the problems of newspaper content-analysis. He has much that is of interest to say about the American press, radio and cinema. But, when he turns away from the practical side and from allusions to his own experience as a propagandist in the US Office of War Information, he becomes less convincing. He very fairly and modestly points out how tentative any general conclusions must be when drawn from data so dependent on the human element; indeed, when the reader has unravelled the exasperating jargon of the social psychologist, he will find all too often that the theories which Professor Doob offers reveal only "a blinding glimpse of the obvious." Few will set down this book with any greatly increased understanding of the general principles of propaganda or public opinion. Most of what Professor Doob writes is unobjectionable—and unenlightening.

This is the first comprehensive text-book on public opinion that has been published for ten years and as such it must be welcomed, especially for the bibliography and for those parts devoted to the actual techniques of measurement and analysis. But the 557 pages of text—which show clearly the impress of the American lecture-room, the padding and the weary campus

jokes—are, for the most part, prolix, innocuous and uninspiring. Professor Doob vigorously justifies the attempt to analyse public opinion and propaganda and he is certainly right in saying that it is a legitimate field for academic inquiry. But his endeavours show how difficult it is to arrive at general principles about so vast and diverse a subject; he displays a science as yet lacking any substantial structure of accepted theory, a science devoid of adequate systems of measurement or even an agreed terminology, a science attempting to cope with the infinite number of variables presented by human behaviour. Professor Doob has demonstrated the present limitations of his branch of social science more clearly perhaps than he intended.

The Secrets of Advertising

"Advertising Explained." By Dennis Caton. George Allen and Unwin, Limited. 112 pages. 7s. 6d.

It has been said that everybody knows how to do two jobs: his own and advertising. Mr Caton's little book attempts to explain to the beginner the elements of advertising practice, and is not concerned with propounding new theories of advertising or demolishing old ones. The section on the various advertising media—the press, posters, films, wireless, etc.—explains the advantages and disadvantages of each in such tactful terms that few will disagree with the descriptions. The technique of buying space in the press is dealt with in some detail and such curious terms as "a half double," "a semi-solus" and "ear spaces" should no longer perplex the beginner. The chapter on how a modern advertising agency operates should dispel many misconceptions that still linger in the minds not only of the public but also even of advertisers. The functions of an advertising agency have been growing for many years: the old-fashioned agency was little more than a space-buying office, whereas the elaborate modern agency provides so many services that it has become a closely integrated and irreplaceable part of its client's sales organisation. No part of its client's relations with the public falls

outside the agency's function; it will design his notepaper, arrange his displays at exhibitions, or introduce his product into a pantomime scene; and the so-called public relations department will provide the press with "news stories" about the client and his product in the hope that those stories may appear in the editorial columns of the paper. Mr Caton's chapter on "The Mechanics of Advertising" is an ingenious essay in compression of information. Within the compass of some thirty pages he manages to inform the beginner about the various printing processes used in modern advertising. Accompanying his descriptions are a number of useful diagrams and charts.

In some parts of the book, however, Mr Caton does not observe the golden rule when writing for beginners: always explain a technical term or piece of professional jargon on the first occasion that you use it. He is also guilty of rather loose use of words in a book where precision is essential. If these imperfections were eradicated the book could become an introduction to advertising that should be read both by advertisers and by those intending to enter the profession.

Shorter Notice

"Some Problems of Anthropological Research in Kenya Colony." By I. Schapera. International African Institute, Memorandum XXIII. Oxford University Press. 43 pages. 2s. 6d. net.

THIS is a report submitted to the Colonial Office Research Department by Professor Schapera after a visit to Kenya. The reviewer would have wished to know what it has cost; for reading it immediately suggests the questions: Was it really necessary? And what is the point of it? Over a third (17 pages) consists of a comprehensive, but indiscriminate bibliography on "first-hand sources of information on the ethnography of Kenya." The bulk of the 300 odd references are to publications which a good research assistant could have tracked down in the libraries of London. The fifty odd references to unpublished memoranda in Kenya government files must surely be a sop to the local administration. Nothing is said of their value, but many of them are obviously valueless.

AMERICAN SURVEY

Pattern in Steel

(From Our American Staff)

AFTER 17 days of listening to 750,000 words of testimony, the fact-finding commission appointed by the President has made public its recommendations for a settlement of labour's claims against the steel industry. It is a triumph for the board that they are only mildly disagreeable to both sides, though the initial enthusiasm of the companies has been somewhat tempered by second thoughts on the inflexible long-term costs involved in setting up pension and insurance schemes. The employers are relieved, however, that the board, which they at first suspected to be merely a device to force them to accept the union's wage claims, recommends no increase in wages.

The union, on the other hand, which has already announced that it accepts the board's findings as a basis for negotiation, is gratified by the recommendation that a social insurance programme should be put into effect immediately, and that by March, 1950, a plan of company-financed pensions should be drawn up for inclusion in the next contract. These two proposals would give the union, in the end, only about 10 cents of its 30 cents an hour demand, but they would open the social security door at which the unions have been hammering with growing determination.

Mr Murray, for the steel workers, has agreed to an 11-day extension of the strike truce. The negotiations may be stormy and the US Steel Corporation, objecting to bearing the whole cost of pension and insurance programmes, has refused to be bound by the report when the discussions are resumed. However, the industry as a whole is aware that any prolonged stoppage might put a painful crimp in the curve of economic recovery which has gladdened businessmen's hearts in the last six weeks.

The fact-finding board recommended insurance schemes costing (including any present outlays) about \$80 a year for each worker, and calculated that the recommended pension at the age of 65, which would provide each worker with \$100 a month when added to the Government pension, would cost the companies about \$120 a year. The first works out at 4 cents, the latter at 6 cents, an hour for each employee when the mills work full time.

The recommendations, and Mr Murray's willingness to forgo an immediate wage increase, are already having their effect outside the steel industry, and on the queue of unions which have been waiting to follow the leader. The Ford Company proposes to use the report as a basis for negotiation with the automobile workers, though Mr Reuther, whose control of his union is less complete than that of Mr Murray, may have more difficulty in persuading it to give up hopes of an immediate increase in wages. The rubber workers now on strike are expected to follow the steel pattern. The diversion of union energies from increasing the weekly pay-package to an expansion of social security raises a number of difficult questions, such as the extent of union participation in control of the schemes, which will have to be threshed out in the months ahead.

Even more important, in the long run, are the assumptions

on which the new agreements will be based. Lacking the insatiable consumer demand which in recent years has positively invited collusion between employers and workers, both parties arguing their case before the board appealed for justification to economic theory. There is no question that recent steel operations have been profitable, though the companies, emphasising the "prince or pauper" record of their industry, were reluctant to assume a continuing high level of operations.

The controversy is over the division of the profits. The union, emphasising the theory of under-consumption developed during the lean nineteen-thirties, argued that only high wages, coupled with adequate pensions and benefits for those unemployed, disabled, or retired, could assure a demand high enough to sustain full production. Therefore, it insisted, it would be to the employer's interest to use the lion's share of profits to increase wages, pensions, and insurance schemes.

The companies, on the other hand, urged that both the stockholder and the whole economy will suffer if the wage and security bill rises too far. When wages are fixed in long-term contracts, the larger they bulk in total costs the greater is the possibility that a decline in the volume of business may wipe out all profits. And it is to their own profits that the major companies have become accustomed to turn for the funds to replace and expand existing facilities, and to take advantage of the new techniques and equipment developed by research.

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The board, in urging the union to withdraw its wage claim, pointed to the recent decline in the cost of living, and underlined the need, at the present time, for stabilising wages and prices. It thus rejected the union theory, characterised by one member as "an unorthodox version of Keynesian economics," that a wage increase would avert, or reverse, a recession. It also pointed out that present profits, while substantial when compared with those in 1939, must be deflated for the lower value of money, and noted that a large proportion of the industry's recent profits had been devoted to the modernisation and expansion programme which labour considers so urgent. The board concluded, however, that this very modernisation, given no drastic decline in demand, should both allow for lower prices for steel, and help to finance the insurance and pension schemes which it believes should be considered a part of normal business costs, similar to depreciation and insurance charges for machinery.

But if there is still some room to increase the worker's share in profits, many Americans, looking at Britain, feel there is a point beyond which such an increase is dangerous. It may revive the demand for protection against the competition of cheap foreign labour. It may impoverish the professional classes and those living on fixed incomes. A third consequence may be a long and persistent decline in the



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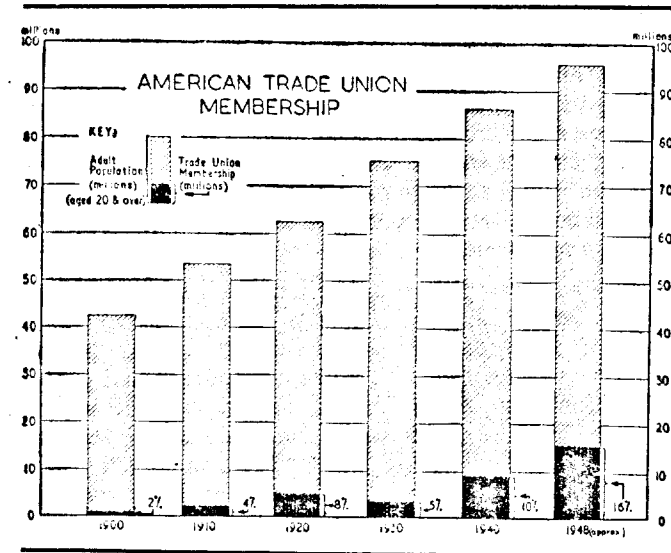
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But profits, as a business incentive, are subject to a curious kind of moral discount even in the United States. Labour is as opposed as capital to government operation of the economy; yet the conviction that profits are the wages of sin is general and persistent. The industrialist, with one eye on the tax collector and the other on the union president, admits his profits somewhat shamefacedly when caught with the goods, but enters a prompt disclaimer to the effect that they will not occur again.



The trade unionists are not the only Americans who, wanting only security untroubled by risk for themselves, nevertheless demand periodically an increased share of the yields of the risk-takers. But today the labour unions have over 15 million organised members, compared with less than five when the steel workers, at the end of the first German war, struck unsuccessfully for the right to organise. Some 69 per cent of the wage earners in manufacturing work today under union agreements. The labour vote has been a major factor in keeping the Democrats in power for 20 years. Moreover, this support, given, or withheld, in the past, union by union, is becoming, and will become, even more effective and united if the Congress of Industrial Organisations succeeds in expelling its already lagging fellow-travellers this autumn.

This political climate, while unfriendly to government operation of the economy, is by no means hostile to government fact-finding boards or government intervention in the dispute over the division of profits and the proper basis of capital formation. It will not be surprising if Mr Truman, having found his way round the Taft-Hartley Act in steel, has recourse to the same device in other controversies, such as that in the automobile industry.

California's Century

HISTORY, as lavish as nature in the Golden West, has given California three centennials to celebrate in three successive years, an opportunity for prodigality which the State is now taking with its usual zest. In 1848, Mexico ceded California to the United States; in 1850 it was admitted to the Union as a full-blown State; during the year between, the Gold Rush, begun in 1848, became a stampede. This was the first and most romantic of the migrations which during the century have increased California's white population from

7,000 to nearly 11 million, so that now it is vying with Pennsylvania for the position of the second most populous State in the country. Nearly half of that 11 million came in the last migration of the century, the flood of job-hunters which began with the growth of war industry in 1940 and has been augmented since 1945 by the veterans who saw, and were conquered by, California on their way to the Pacific fronts.

After the covered wagons, the railroads brought the immigrants to the northern half of the State, where the gold had been found and where the abundant crops, grown in the fertile Central Valley, could be distributed to the world through the great natural harbour of San Francisco, which soon became also the centre of much of the nation's Far Eastern trade. But after the yellow gold came the black gold, the oil that was found at Bakersfield and Long Beach and at many other places, nearly all in the southern half of the State. And after the railroads came the automobiles and in them the tourists, to enjoy the fantastic beauties of a State bounded by half the Pacific coastline of the United States, from which it is so cut off by the mountains and desert that it seems almost like another country—a State which, in European terms, stretches from the North Sea to the Mediterranean, with all, and more, of the diversity of climate and scenery which this involves. To the young this breeding-ground of athletes offered unsurpassed opportunities for sport, while their grandparents could sit in the sun all the year round, with the certainty of a cool breeze at night.

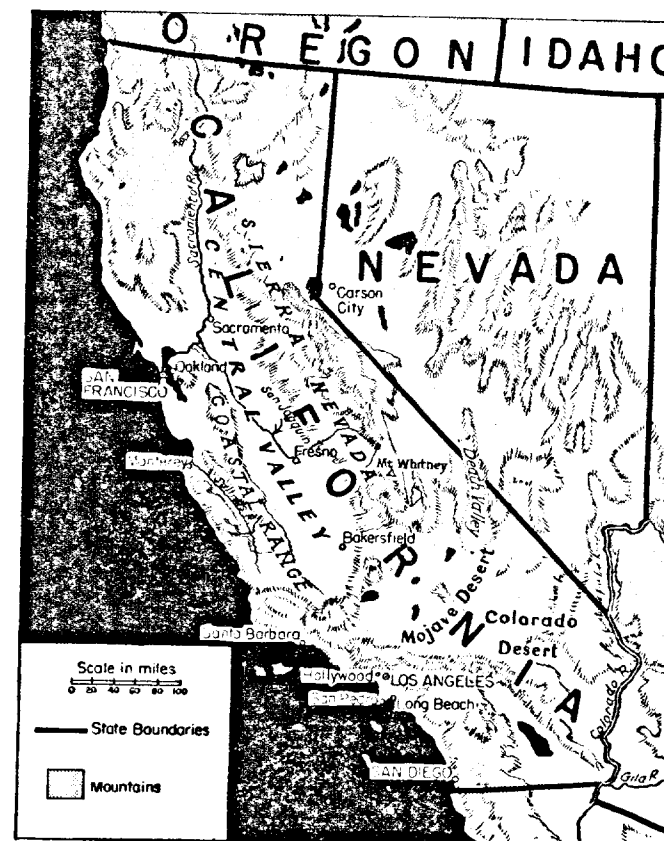
Until the second world war, California's far from negligible industry was almost entirely concerned with processing the State's mineral and agricultural products, apart from the films and the aircraft which the sun had brought to Los Angeles. The State has specialised in the growing of luxury crops for the whole country and in this the arid south, thanks to the irrigation which is so much more easily controlled than rain, has rivalled the north. More than half of the 26 richest agricultural counties in the United States are in California and Los Angeles county, nearly as large as the whole state of Connecticut, is the richest of all. But today it is also the fifth most important manufacturing area in the United States—San Francisco is the tenth—and accounts for more than half the industrial production in California. During the war the city was industrialised almost overnight. It was not a question of converting existing facilities to war production, but of constructing new ones. The same was true of the State as a whole; it obtained over 1,000 new plants under government contracts during the war. Much of this expansion was in shipbuilding and aircraft manufacture, which had little importance once the war was over. But California also gained chemical and light metal facilities, nowadays almost as good a foundation for an industrial system as the coal and iron which the State lacks. Best of all, the war brought the steel industry which California had long desired and, last but far from least, a highly-skilled labour force.

Since the war, secondary industries, such as steel fabricating plants and plastic factories, have grown up round these

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new basic industries. This explains at least in part why continued and even accelerated industrial expansion has confounded those who prophesied catastrophe once peace was restored. More important, during the war California's economy grew to a size and diversity which creates its own needs and generates its own industrial expansion. The State is now a self-supporting unit, an adequate local market for large-scale production. It now, for example, makes its own factory equipment instead of importing it from across the Rocky Mountains, and national corporations have found it worth while to open branch factories in California; Chevrolet is only one of the companies which now assemble its cars in Los Angeles as well as in Detroit. Some foot-loose corporations, Carnation Milk for one, have moved their national headquarters to Los Angeles, attracted amongst other things by the low heating costs and the outdoor storage which the Southern Californian climate makes possible.

Industrial expansion has spoiled the holiday-makers' paradise; the oceans are polluted, the whole coastline from Santa Barbara to San Diego is one long ribbon of development, the



Los Angeles sun is almost permanently obscured by a nauseous "smog," far more unpleasant than San Francisco's recurrent fogs; luckily the talkies drove the films indoors long ago. Natural gas is already being imported from Texas, but, so far, sufficient electric power has been available, except in time of drought. This lack of water, already becoming a serious problem, seems the only long-term check on continued industrial expansion and here attention is turning to what seems a typically Californian fantasy, the use of atomic heat to distil sea-water. But where the atom is concerned, fantasy has a habit of becoming fact.

This year's recession followed last winter's disastrous frosts and a localised depression in the film industry; for these and other reasons, it hit California harder than it hit other States. In the spring the percentage of unemployed was twice the national average; the seasonal demand for agricultural labour has reversed this trend, but not neces-

sarily permanently. Wartime dreams of postwar prosperity for California envisaged an ever-expanding market in China and the Far East, and one of the most remarkable things about the State's steady industrial growth since the war is that it has happened in spite of a virtually complete collapse of Far Eastern trade. The European Recovery Programme, notwithstanding the pressure of the State's dried fruit producers, has done little for California and now the need for exports is becoming pressing. It is not, therefore, surprising that Senator Knowland of California leads China's charity appeal in Congress. California's internationally-minded business men will certainly take an interest in any governmental plans for other underdeveloped areas.

But even if Californian capital and trade is forced to stay at home, there is no reason to suppose that the long-postponed economic collapse is just over the horizon. Industrial expansion continues in spite of the recession. San Francisco has, for the first time in years, real hope of prolonged labour peace on the waterfront. Housing, roads, utilities, service industries, have all still to catch up with the State's industrial and human expansion. There is an abundance of potential and necessary public works available in the State and a Governor, Mr Earl Warren, at Sacramento, who will not hesitate to put them in train if necessary. The Golden State is starting its second century with much of the gilt off its gingerbread, but even in California centenarians may be well advised to try a plainer diet.

American Notes

Peril Points

This year's battle over American tariff policy opened just as the Administration was assuring Sir Stafford Cripps and Mr Bevin that the United States would pursue policies appropriate to a great creditor nation, and would do everything in its power to make it possible for Britain to pay her dollar way in 1952. The vote on the extension of the 15-year-old Reciprocal Trade Agreements Act will inevitably be taken as the first test of the Administration's ability to persuade Congress to fulfil its promises.

A stop-gap extension, for a year, of the Act which expired in June might have been had for the asking. But the Administration wants the Act to run until June, 1951, and is determined to have none of the "peril point" provision which the Republicans exacted as their pound of flesh in 1948 when they were in control of Congress. The House passed the Administration measure seven months ago, but Senator Milliken, unable to comprehend why any safeguard for the American producer should be sacrificed while foreign nations are "strangling our farm exports" with quotas and bilateral treaties, has sponsored a new peril point amendment. It has the aggressive support of Senator Taft, and Senator Vandenberg is puzzled to understand why there should be any objections. The amendment requires that, before any concessions are made, the Tariff Commission set peril points beyond which reductions are likely to injure American producers. There are few concessions which cause pain to no one. If the President decides, nevertheless, to drive past these red lights, he must justify himself to Congress. Obviously only a heroic or foolhardy President would regularly challenge the Tariff Commission before a Congress which delegated the tariff-making power with some reluctance and sometimes hankers after the log-rolling of the good old days.

The place of the Act on Senator Lucas's "must list" is due not only to Britain's dollar gap, but also to the fact that without it the Ancey agreements cannot be ratified. But the rumour that at Ancey the American negotiators in some instances disregarded the peril points set last year has stiffened those

who suspect the State Department of making the American producer a mere "diplomatic pawn." The first suggestions of the hoped-for economic upturn have taken some of the chill from the atmosphere of the Senate debate, but even so the vote on peril points is expected to be close. The Republican ranks are almost united; and they have good hopes of support from Democrats representing oil- and coal-producing States which attribute their unemployment to foreign imports. The watch and fur industries are on their annual warpath against foreign monopolies. It will not be easy for the Administration to convince the Senate that, as the *New York Times* puts it, "the real peril point for the United States lies in stubborn allegiance to this outdated protectionist thinking."

* * *

Receding Recession

The pendulum of the recession, so long on the downswing, oscillated sharply upwards in August for the first time in many months. This encouraging movement displayed itself in two monthly reports, that of the Federal Reserve Board on industrial production and that of the Census Bureau on the labour force. The FRB's industrial index rose for the first time since October, 1948, and recovered all of the seven points it had lost in July, a loss which had been largely due to the "spreading practice of plant-wide vacations." Unemployment, after reaching the highest figure for seven years in July, went down by over 400,000 to 3,689,000, the first important decline this year. Non-farm employment reached 51,414,000, more than it had been since last December; the rise of 1,368,000 during the month was over three times that achieved during the comparable period last year and one of the largest monthly increases for a long time. Farm employment, however, declined by over 1,000,000, as was to be expected during the summer slack period, so that total employment rose by only 227,000. Over 2,000,000 persons were working part-time from necessity rather than choice, about double the number a year ago, but this figure had not changed appreciably since May.

Both new and continuing claims for unemployment compensation have been decreasing during the current month, and business loans by banks have been rising; while personal incomes are declining, they still seem to compare favourably with their level last year, and retail sales are said to have been surprisingly well maintained. The chief impetus behind the present upswing was restocking by manufacturers and retailers of their badly depleted inventories; this is partly a seasonal movement and partly due to the recent tendency of prices to rise. For the next six weeks or so, preparations for the Christmas trade should ensure a fairly high level of manufacturing activity in consumer goods. Whether the upturn continues beyond that time, and whether Christmas trade proves less disappointing this year than last, will probably depend on how soon retail prices come into line; so far they have fallen only 2 per cent, while wholesale prices have dropped 10 per cent. July, however, brought a decline of over a point in the cost-of-living index, which had hardly fallen since February.

The autumn upswing in trade does not habitually affect the durable goods industries, the automobiles, machinery and so on, and it is these which are likely to decide the direction of the pendulum once Christmas is over. Preparations for possible strikes, which if they materialise could halt the normal seasonal trend, explain much of the recent improvement in the demand for steel and the record output of cars and lorries in August, when the 1929 peak was exceeded. But sooner or later the automobile manufacturers, already drawing in advance on future sales, and producers of other heavy goods, will have to deal with the problem of the saturated market which most manufacturers have already faced. At this point the pendulum of recession is likely to swing down again, until the process of disinflation is completed, as Dr Nourse, the President's economic adviser, warns that it must still be.

Entering the 1950 Lists

On Labour Day President Truman mounted his campaign charger and prepared personally to lead his Democratic knights into the tilt-yard where the Congressional tournaments will be fought in 1950. His chivalry had already been purged of the traitors who turned openly against him in 1948: the Democratic National Committee has thrown into Dixiecrat darkness its five members who supported the States Rights' presidential candidate last November. But in the Democratic ranks there are still many who, when jousting in Congress, habitually desert to the Republican side and who thus turn the President's official majority into a practical minority. Mr Truman does not yet want to expel these dastards permanently, but he intends to see that in 1950 sufficient trustworthy Democrats are elected to give him a safe lead over any reactionary coalition.

Speaking at Pittsburgh and Des Moines, the citadels of labour and agriculture, Mr Truman made it clear that he is relying on the united votes of these two basic groups to award him the victor's crown in 1950 as they did in 1948. He made it clear too that he intends to follow the same bold tactics next year as he did last, to appeal straight to the people in down-to-earth speeches and to attack his opponents relentlessly. But last year those attacks could be concentrated on the Republican Eightieth Congress; now Congress is, nominally at least, on the Democratic side. Mr Truman therefore set himself to turn this liability into an asset by polishing the Congressional armour to Fair Deal brightness.

He pointed out that this armour, about which he has been far from enthusiastic in the past, is not as tarnished as has sometimes been suggested and that there will be another chance to burnish it during next year's session. Congress's record already includes not only such international measures as the Atlantic Pact and the Wheat Agreement, but a Housing Act and a Minimum Wage Bill; before Congress adjourns, stop-gap farm price legislation is to be passed as well as the Military Assistance Programme, on which debate is to begin in the Senate before the end of the month. Mr Truman did not, however, attempt to gloss over the stain of the failure to repeal the Taft-Hartley Labour Act.

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The father of this Act, Senator Taft, also chose Labour Day to enter the lists for 1950, when he must again seek the favours of the voters of Ohio. He has begun a three-months' speaking campaign, which will take him into every county in the state and will keep him from all but the most urgent business in Washington. This early girding for battle draws attention to the national importance of this local tournament. The voters in Ohio are the trade unionists and the farmers who, if they can be won permanently to the Democratic side, will make the party invincible and the Republican champion is the able leader of the party's isolationist and conservative wing. If he is defeated next year that wing may be broken for ever; if he wins, he is likely to be the party's standard bearer in the Presidential tourney of 1952. General Eisenhower, speaking to the American Bar Association, also on Labour Day, led many to believe that he would not be unwilling to consider taking up the Republican lance that year, should the party prefer to be led down the middle of the road. Mr Truman is also beginning to show signs of readiness to let the Democrats fight under his banner again in 1952.

* * *

Seducing the Veterans

The Grand Army of the Republic, the Union survivors of the Civil War, now dwindled to a mere sixteen, all over 100, has held its last encampment; its members are too old to attend any more meetings. It was the first veterans' pressure group. Today, the 19 million living veterans of the last two wars have four organisations to choose from, though only

5,000,000 have joined up. But their political importance is attested by President Truman's recent flight which enabled him to speak at three of their conventions. The Legion has over 3,000,000 members, the Veterans of Foreign Wars 1,500,000. The two which accept only men who fought in the last war are relatively small, but proud; they have always looked down their noses at the older groups, as dominated by the disillusioned and reactionary veterans of 1918, and condemned them as seeking to advance only the selfish interests of their members. The American Veterans of World War II has 140,000 members, the American Veterans Committee a mere 40,000, but efforts to bring about a merger have failed, partly because of the latter's left-wing reputation.

With time, however, the younger men have come to the top in the older organisations; this year both the Legion and the VFW are headed by veterans of Hitler's war. The Legion's vote this year against liberalising the law admitting displaced persons has, however, sorely disappointed those who had counted on youth to bring about a speedy reversal of policy. The distinction between old and new has been further blurred by a decision, taken at the Amvets convention, which three former commanders deplore as destroying much of the reason for its separate existence. This was to demand a bonus for every man who wore uniform for 60 days or more in the last war. The value of a day's service in the United States is put at \$3; abroad, at \$4, with a maximum of \$4,500.

When Mr Rankin proposed, and the House passed, a Bill for a general service pension for all veterans at the age of 65, Amvets and the AVC opposed it as an indefensible raid on the Treasury. Its appeal was plainly to the veterans of the first world war, whose average age is 56. It had been hoped that the GI Bill, passed in 1944, would silence the demand for bonuses and pensions by providing the young veteran with free education, assistance in on-the-job training in farms and industry, and unemployment benefits of \$20 a week for a

maximum of 52 weeks. About a third of the eligible veterans have taken advantage of the educational and training schemes, which are still in force; over half have drawn some unemployment benefit. But the latter has come to an end just as the need has begun to mount. Mr Rankin dealt it a death blow, terming it "rocking-chair money" and proposed, in its place, the bonus scheme which has seduced Amvets from its original ideals.

Shorter Notes

Each man, woman and child in the United States paid on an average \$372 last year in Federal, State and local taxes, according to the Commerce Department. \$40.5 billion of the year's record tax total of \$54.5 billion was taken by the Federal tax collector, but this is less than in the peak year of 1945. The rise in the total amount is due to increases in State and local collections.

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Nearly half, 46 per cent, of the total capital assets of American manufacturing corporations were in 1947 controlled by 113 firms; each of them had assets of over \$100 million, amounting to over \$16 billion worth of property, plant and equipment, according to a report by the Federal Trade Commission.

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Terrified by the genii it may conjure out of the bottle of its weather-making experiments near Schenectady, New York, the General Electric Corporation, with the support of the anxious Navy on whose behalf the research is being conducted, has appealed to Congress for protection against claims for damage caused by hail or tornadoes produced as a result of its efforts. But Congress has little time this session and Senator Kilgore at least is afraid that the company may learn how to control the weather and then proceed to patent the process.

THE WORLD OVERSEAS

Wages and Prices in France

(From Our Paris Correspondent)

AUTUMN, the traditional campaigning season of the trade unions, is at hand and the French press is full of the problems of wages and prices which face the Government. The Government itself is without its Minister of Finance, M. Maurice Petsche who is keeping an eye on the tripartite talks in Washington; the National Assembly is in recess until mid-October. M. Queuille, who celebrated (quietly) the first Prime Ministerial anniversary of the Fourth Republic last Saturday, has therefore some weeks of preliminary probing in front of him.

The labour front was last in motion at the end of July when the unions pressed for a holiday bonus of £5 per worker and M. Daniel Mayer, Minister of Labour, gravely embarrassed the Government by himself conceding the principle. Now that the *congés payés* are over, this claim is being reiterated in the form of a demand for a return-from-holiday bonus supported by the three big unions (CGT, the Christians and *Force Ouvrière*) which has occasioned several token strikes. During the last few weeks, moreover, there has been an appreciable rise (perhaps 3 per cent) in the cost of living, which is partly attributable to the exceptional drought. This disappointing increase is a contrast to the considerable fall in the price of foodstuffs between January and June of this year, which was from 1,740 to 1,548 or about 11 per cent on a base of 100 in 1938. (On the other hand, there is no

reason to believe that the substantial general drop in prices, estimated on the retail index, from 1,940 to 1,720 between January and June is seriously threatened by the recent rise to 1,750 in August.) The Government has, however, now decided to increase the price of milk to more than the usual winter price and to withdraw the subsidy on butter, which will, therefore, also become dearer. Nor are household goods and clothing exactly cheap. Nor is the housing programme—admittedly a less vital element in French working-class psychology—advancing very fast. There are more new houses built in Great Britain every month than in a whole year in France.

If this picture is nothing like as black as the outlook in the autumns of 1947 and 1948, it nevertheless suggests that France's working population is far from attaining prosperity. M. Pierre Drouin in a remarkable series of articles entitled "*Où sont les damnés de la terre?*" which has appeared in *Le Monde* has drawn attention to some less well-known facts of the postwar situation. In spite of the many statutory improvements since the liberation (minimum wage-rates, social security, equal pay for men and women, special remuneration for dirty jobs, the new regime for miners and dockers), the standard of living is still definitely and sometimes desperately low. There are many workers in obscurer trades whose wages are little above the vital minimum. Every-

one hears of the miners and dockers and metallurgical workers, nearly all of whom through bonuses and facilities manage to get wages above the statutory minimum for their grade. Less is heard about the cutlers, the chairmenders, the people who make cardboard boxes and fishing nets. France has many of these artisans and workers in small enterprises who are often faced with the alternatives of minimal wages or unemployment. Nor are these elements much helped by union action. M. Drouin remarks: "The strongest claims come generally from the least poverty-stricken." France's industrial population proper amounts to about 7,000,000. Unemployment, although increasing slightly, stands no higher than some 40,000, of which figure two-thirds is represented by Paris and one or two big towns. (In 1938 about 300,000 were receiving unemployment relief.) On the other hand, about 300,000 workers are now under employed; that is, paid for less than 40 hours a week, and a large proportion of these can find work only for 32 hours a week. Nevertheless, France has something like full employment. But the threat of unemployment exists, and the real wages of many do not provide a reasonable purchasing power. Moreover, beyond these concrete elements there is the psychological factor of social jealousy. The French working-class feels that it has not had its just share in the gains in prosperity made during the last year. It is tantalised by the sight of a renascent bourgeoisie which, it must be said, is—even after all France's vicissitudes—singularly lacking in the social graces.

Rival Claims of Right and Left

In face of this moderate discontent the "neutral" Government will try to steer its habitual middle course. While it is certain to reject out of hand the CGT's claim for a 40-hour week at 48-hour wage rates, and is unlikely to accept a return to collective bargaining (at present the Ministry of Labour itself operates a national wages policy), it is doubtful whether the coalition parties will readily find agreement on how to walk the economic tightrope this autumn.

On the side of the producers, there is a serious discrepancy between agricultural and industrial prices. The maintenance of agricultural prices is, in the "Peasants' Republic," essential for the success of M. Pflimlin's plan for the development of agriculture, which his department is carrying through in liaison with the American officials of ECA. But to raise the price of foodstuffs adds to the intractability of labour. Moreover, the current conversations in Washington will also influence French policy. For, if the franc were devalued, a further deterioration in purchasing power within France would result at least temporarily.

The evidence indicates that the attitude of the employers will be stiffer than at any time since the war. The philosophy of the *patronat* appears to be that the national power of the CGT was irreparably broken by the failure of the miners' strike last November; that the members of the other unions, should the Communists attempt to call a general strike this year, will decline to follow a political lead; that the same heads in the movement will realise that, in a relatively depressed economy such as France's, an unsuccessful strike cannot but react unfavourably on the prosperity of the workers. The Government will, therefore, be under pressure from its Moderate and Right elements to hold firmly to its wages policy.

At present Communist propaganda is plugging international issues, notably the campaign for "peace" against the Atlantic Pact and Tito's treachery to the working-class. But there is little doubt that should local opportunity present itself, and if the Kremlin sees fit, the French Communist Party, which has certainly retained its strongholds in the industrial population, will again take the offensive. The pity of it is that, during their seasons of hibernation, there is no imaginative person or group capable of wresting the initiative from them. Meanwhile, year in, year out, French social disunity continues to the righteous indignation of foreigners and to the experienced indifference of the inhabitants.

In Memory of Jinnah

[BY A CORRESPONDENT]

IN a recent poll the Germans voted Bismarck the greatest man of all time. On any standards they were wrong, for even in the same genre Qaid-e-Azam Mohamed Ali Jinnah stands higher. It took Bismarck the same seven years, from the Schleswig-Holstein war to the treaty of Frankfurt, to create the German Empire as it took Jinnah from the Lahore Resolution of 1940 to Independence Day, to make Pakistan. But Bismarck started with all the advantages: a hundred-year old nationalism, the Prussian Army and Civil Service, the Ruhr, 15 years of experience of high office and youth enough still to have 20 years as Chancellor before him in 1870. Jinnah began with nothing but his own ability and the disgruntlement of a religious minority in which he was only an unobservant member of the most heretic sect, at an age so great that he only survived his creation by one year and without any experience of public office until he nominated himself Governor-General.

Jinnah had not begun his career as a member of the Muslim League; instead he had been contented to follow the wheel of Congress and his reputation was made in defending Tilak, first of the great Congress Extremists. So far from his mind was then the idea of Pakistan that, when a friend of the late Mrs Naidu prophesied in his horoscope that he would be a great leader of men, greater than any leader of history, he joined Mrs Naidu in merriment over what seemed a good joke. And so at the end of the twenties, having earned a great deal of money at the Indian Bar and seeing no future scope for himself as a Congress leader, Jinnah sailed for England, settled in a Hampstead house and practised at the Privy Council Bar. Then one day some charitable "friend" repeated to him that Nehru, whom he despised and hated, had imprudently said at a private dinner party that "Jinnah was finished." Outraged, Mr Jinnah packed up and sailed back to India at once just to "show Nehru."

Back in India he became affiliated to a withering organisation called the Muslim League. The Muslims, as a minority community with a traditional respect for existing authority, had been inclined, since the Mutiny, to be supporters of the Government. Stirred into opposition only once, in the early twenties, by the non-Indian issue of the Caliphate, they had relapsed immediately into the position of suppliants for more jobs, more reservations and a larger share of power. Their leaders were correspondingly the pillars of the *status quo*, the big Bombay merchants like Sir Suleman Cassum Mitha, the big UP or Punjab landowners like Sir Sikander Hyat Khan or the Rajah of Mahmudabad. These men had too much at stake. The landowners among them were too ignorant and too corrupt to provide leadership for a revolution.

Revolution in Need of a Name

Yet it was a revolution that was needed. The Muslim was in speech, dress, habit and interests deeply different from the Hindu, so that Jinnah had only to provide him with the name for him to talk of his separate nationhood. The thought of a single democratic state in which the Hindu would necessarily have a majority of three to one was anathema to him. So Muslim thought floundered, until Jinnah cut the Gordian knot by demanding a separate state where the Muslims would be in a majority and the whole tone of life Islamic. The idea was accepted at once by the League leaders, whose minds could see only the bargaining weapon it gave them against Congress in their fight for more seats and more privileges.

Jinnah alone had understood the Muslim subconscious, the aggressive sense of superiority to the Hindu ("One Muslim equals ten Hindus"), combined with a growing feeling that Hindu cleverness—which the Muslim called cunning—had made them better adjusted to the modern world, better businessmen, lawyers and, above all, politicians. For both feelings Jinnah offered a psychiatrist's cure. The theory of a separate nation freed the Muslim from the necessity to identify

himself with the Hindu he despised, and it gave him somewhere where his majority would enable him to see that he held the contracts and the posts.

Campaign Against Congress

The more the Muslims accepted the idea of Pakistan, the more indispensable Jinnah became to them. Only Jinnah could conduct a long distance campaign, only Jinnah could be trusted to outsmart both the Congress and the British, for he alone had learnt from Congress the technique of using concessions not as a basis for permanent compromise, but as a stepping stone towards the attainment of a fixed and unwavering goal. As an old Congress hand he knew exactly how to make them repeat all the mistake into which they had previously forced the British. In a country where almost all the great lawyers were Hindus, he alone among Muslims had made a steady £20,000 a year at the Bombay Bar; in a community whose leaders could always be bought or distracted, he alone was incorruptible. Even Gandhi's offer to make him Prime Minister of a United India did not move him.

Jinnah's blitz campaign was conducted with great cleverness, and, unlike Congress, he made no mistakes. All means were good for his end. Like Bismarck in the Ems Telegram, he used the paper *Dawn* to let slip in 1946—when he saw that Congress would accept the Cabinet Mission scheme, thus depriving him of Pakistan in name if not in effect—that Congress was not prepared to nominate a Congress Muslim among their quota of the Cabinet. This made it impossible for Congress, not to insist on their right to nominate whom they liked, and thus the danger was averted.

Master of Tactics

Jinnah, who had been in his youth a sham actor, had an imperturbable self-control and could be cool or rabid at will, always a closed book to his interlocutor. Tall, ascetic, his aquiline nose emphasised by his small bony face, white hair and piercing eyes, he looked like a fanatic burnt up by his passion. Yet never did this perfect poker player overbid his hand; he always waited for his opponents to make a mistake, and then he would coolly raise demands one up on the last bid. Pakistan was eventually a historical necessity, but first it was a feat of autosuggestion turned into mass hypnotism. Jinnah's faith in Pakistan was so great that he was enabled to perform such miracles as getting an overwhelming percentage of the Muslim vote even in what is now India; though the Muslims should have known in the minority provinces that the creation of Pakistan would turn them from a pampered and powerful minority into a tolerated and distrusted one. So great was Jinnah's hold that he made no pretence, but told those who protested, quite frankly, that their lives were a small price to pay for a land where Muslims would be free.

Jinnah was often accused, and rightly, of rudeness; he would hang up the telephone on India's modern sacred cow—the journalist—or call Gandhi "Hindu poison." He was accused, equally rightly, of inaccessibility and superiority; he went on tour only on the most important occasions, as when there was trouble in the Frontier and over the accession of Kalat. Usually he was content to let the mountains come to Mahomet. He would talk in English to a background audience in which perhaps only three could understand him, for he knew little Urdu or Arabic, and did not even bother to learn. He was again and again accused of being irreligious; for did he not eat pork, drink whisky and wear Western clothes? Had not his wife been a Parsee, and was he not ignorant of the commandments of his own religion? Once, when he went with Sir Tej Bahadur Sapru to visit the Pyramids, the guide took Sapru for the Muslim, for he could repeat the first verses of the Koran while Jinnah could not. And yet he was indispensable; for what the Muslims needed was neither a good man nor a good Muslim, but a good politician, and they had no one of Jinnah's political incorruptibility and political genius.

The Hold of a Prophet

Jinnah was no dictator, but deeply constitutional. He was once asked whether the editor of *Dawn* took his orders from him, and he answered: "No, Altaf just thinks as I do," and it was true. Once Jinnah's clarity had spoken everyone in the League was convinced. His hold was that of a prophet, for he had no sanctions to apply: the League had not won enough seats in the 1937 elections for him to have offices to offer, and the police were in his opponents' hands. Yet men who had sold their souls for knighthoods gave them up without question at his behest, and he never had to face a break-away like that of Subhas Chandra Bose from the Congress. So constitutional indeed was Jinnah that, as Governor-General of Pakistan, he refused to meet the Duke of Gloucester at the airport; for in Karachi he was the King, the Duke only the King's brother; and his officials would complain that he was more interested in the constitution than in the administration of Pakistan.

Jinnah was also a man of inflexible courage. He cut off his only child, when by marrying a Christian she threatened the Islamic ideal; yet in his last days, with Pakistan achieved, there was nothing he liked better than to hear of his grandchildren. He defied even the Pathans, Pakistan's *enfants terribles*. When asked to tea by the Pir of Manki Sharif, who had done more than any man to bring in the Frontier, he refused to go unless his sister went too—in a land where women are never seen. It was the Pir who gave way.

Today his tomb is the centre of Pakistan; it still offers only a headstone and a corporal's guard for visitors to see, but it is a place of pilgrimage second only to Mecca. It is there as much as in Parliament that the major pronouncements of state policy are made. To Cleopatra's nose as a factor in history one should perhaps add Jinnah's pride.

Another Round in Egypt

[FROM OUR CAIRO CORRESPONDENT]

THE fundamental pattern of Egyptian politics has not altered in the last 25 years. Changing international conditions have had their repercussions on the internal situation. But the basic political struggle remains—that between the Wafd and the Palace. Another round is beginning, but nowadays there is no third party to hold the coats. What are the prospects?

For the last five years King Farouk, having dismissed the Wafdist Government formed so dramatically in February, 1942, has ruled Egypt through a series of governments composed mainly of members of the Saadist and Liberal Constitutional Parties, but in reality gradually becoming entirely subservient to the royal wishes. They were backed by a Chamber of Deputies resulting from general elections held in January, 1945, which were boycotted by the Wafd. Impelled more by realisation of the growth of Communism than by the necessity to have a "neutral" Cabinet to supervise the forthcoming elections, the King somewhat summarily dismissed Abdel Hadi Pasha's Cabinet at the end of July and summoned Hussein Sirry Pasha, an independent in character as well as politics, to form a coalition government. Presumably he felt that the only way to check the general increase of discontent which was driving frustrated young men into the arms of the Communists was to encourage a spirit of national unity and urgency and, at the same time, to associate the disgruntled Wafdist, embittered by five years in the political wilderness, with the Government.

Revival of the Wafd

It is no secret that the King intended that a coalition government should continue in office after the elections, which, by various means—allocation of some seats, redistribution of constituencies, a little pressure here, a little "arranging" there—would result in the return of the main parties in the proportion

they hold in the present Cabinet. But things are not working out quite as expected. When Nahas Pasha allowed four members of his party to take office he was half-way to power, for the result of Wafdist participation in the Government has been immediate and overwhelming. From all over the country come reports of an immense Wafdist revival, and it is now fully possible that free elections would confirm the Wafdist contention that they have at least 80 per cent of the country behind them. This is not really surprising to anyone who knows Egypt. Its leader, Nahas Pasha, still commands a big personal following, and he has some lieutenants of ability. Further, the Wafd is the only political party with anything like an effective party organisation.

There is the further development that Nahas Pasha, whose personal plans are still somewhat misty, has played his cards well. He has himself remained discreetly in the background and left the nominal leadership of his party to his first lieutenant, Fuad Sirrag el Din Pasha, who is far more acceptable to the Palace than Nahas. And in a squabbling and antagonistic Cabinet it is the Wafdist members who are all sweet reasonableness and staunch supporters of Sirry Pasha and the King. The trouble comes from the out-manoeuvred and poorly organised Saadists and Liberals, whose threats of resignation become louder and longer and must surely before long become operative. They find themselves on the horns of a dilemma. The volume of popular support for the Wafd now suggests that in free elections they would be submerged; on the other hand, it would be difficult—martial law or no martial law—not to have free elections.

The King and a United Front

Sirry Pasha's public-spirited acceptance of the leadership of so ill-assorted and unmanageable a team is highly commendable. Should he fail to hold them together and have to resign it seems likely that the King will call upon another independent leader—Hafez Afifi Pasha's name is most frequently mentioned—to form a genuinely neutral caretaker Cabinet to supervise the elections. The alternative, of selecting another government from the present Saadist-Liberal Chamber, could only defeat the reasons that inspired the recent change.

A point to be considered is the King's ultimate objective. Is he prepared to accept a Wafdist administration or does he still hold to his desire for an all-party coalition? So far as Wafdist prospects are concerned, the answer might depend upon Nahas Pasha's willingness to be "pushed upstairs" to the only available position—President of the Chamber—and to leave the premiership to Sirrag el Din or another Wafdist leader. Could Nahas Pasha do this while retaining the leadership of the party and the power? Were he to do so, he would show qualities of statesmanship and renunciation not commonly associated with him. Yet he is an elderly man and a sick one; if it were a choice between a Wafd government without Nahas at its head or no Wafd government, he might conceivably abdicate, provided he could continue to hold, as he at present holds, the party purse strings.

New Negotiations with Britain?

The basic reason for the King's insistence upon a coalition government is thought to be his desire to re-open Anglo-Egyptian negotiations and settle once and for all the outstanding questions between the two countries. It is obvious that after past experiences the British Government would be reluctant to negotiate with anything but a fully representative Egyptian government. Responsible Egyptians now take this to mean either a United Front such as negotiated the 1936 Treaty, or the Wafd, but not a Saadist-Liberal combination totally lacking in public support. It is probably realised in Palace circles that Egypt cannot hope to obtain all its demands—sovereignty over the Sudan and the complete evacuation of British troops from their base in the Canal Zone. There is

some grasp of the need for compromise and even a little covert appreciation of why British defence chiefs remain adamant regarding the imperative need of a base in Egypt. But such plans will not be widely acceptable to an Egypt fed, for the past few years, on promises that all its "national aspirations" will be achieved. Therefore if, for the sake of general security, internal as well as external, the Palace is prepared to accept a compromise, it will need a government of strength, sufficient to persuade the man-in-the-street to accept less than he has been led to expect. Here again all points to a united front, with a Wafdist Cabinet as the only possible alternative.

The virtue of a united front, which would obviously be the ideal choice for the purpose of negotiations, would be nullified by its unworkableness once the negotiations were over, when, internally at least, the country would face the same problem as it does now. The only reassuring feature of the moment is that both the Wafd and the King have recently displayed such a striking advance in statesmanship that the outlook is brighter than at any time since the end of the war.

Austerity in Norway

[FROM OUR OSLO CORRESPONDENT]

WHEN Norway came out of the war it had lost 5,800 million kroner of its national capital. The merchant navy had been reduced by more than half, and only a few new ships had been built during the war. Finnmark and northern Troms, with a population of some 65,000 people, had been completely devastated and all over Norway towns had suffered from bombing and other war damage. The railways were worn out, the machinery in the factories suffered from wear and tear, the fishing fleet was seriously depleted, and Norway's trade with its overseas markets had been almost entirely cut off for more than five years. Furthermore the recruits in industry and various crafts had learnt, not to work, but to go slow—a lesson they had learnt in order to deny to a hated occupying Power the benefits of their production. In addition, the schooling of the new generation had suffered heavily. Thus Norway had to face several serious problems when it started to work on its own again. The German account with the Bank of Norway stood at kr. 8,107 million—money printed and used by the Germans and still partly in circulation. Germany was out of the picture as a producer and as a consumer. Finally, London was for the time being no longer in its traditional position as Norway's able clearing house and Bank of Europe, where all kinds of foreign currency could be changed to serve Norwegian demands.

A foreign currency reform was carried through, but it was very mild and its effect was hardly visible. To avoid strikes and unrest the government decided to stabilise prices and wages. All basic foods are subsidised and, as prices have gone up on the international markets, Kr. 600,700 million have had to be paid annually. The government also planned to rebuild the country in five years and to create a new economic balance. Such optimism showed itself in the import figures for 1946 and 1947. But in the meantime prices on the international markets had developed very much to Norway's disadvantage. Something had to be done. The control of imports, exports and wages already existed, but it was a shock to most leading politicians when they finally discovered (in 1947) that Norway's resources of foreign currency were rapidly coming to an end, and that, through the shortage of raw materials, they might in a short while face unemployment. Marshall aid saved the situation. But it became very clear that for a long time it would be necessary to keep Norway's consumption down and to invest as much as possible, if a balance was to be attained in 1952-53. The aim is to give Norway's population—which has increased by 13 per cent since 1938—the same standard of living in 1953 as it had in 1938.

Ambitious Investment Programmes

If this is to be achieved, Norway must produce and sell Kr. 1,000 millions' worth of goods more than in 1938. The expansion must be brought about by the quick rebuilding of the merchant navy, the expansion of the electro-chemical and electro-metallurgical industries, the rebuilding of the fishing fleet and the expansion of the fishing industries, especially the herring-oil industry. As part of the industrial expansion new water power plants have to be built. The present increase in hydro-electric capacity is about 150,000 kwh a year.

All this requires money. The net investments from May, 1945, to January 1, 1949, were a little over Kr. 5,000 million, of which amount Kr. 2,000 million were reserves of foreign currency, Kr. 1,000 million loans, Kr. 200,000 help from ERP not paid for, and Kr. 2,000 million capital accumulated from Norwegian production.

For the next four years a gross investment of Kr. 16,800 million is planned as follows:

	Million Kroner
Agriculture	1,200
Forestry	108
Fisheries	585
Whaling	240
Industry and handicraft	3,000
Electricity supplies	684
Shipping	3,700
Other transport	2,689
Stores	500
New houses	2,250
Various	1,860
TOTAL	16,816

The corresponding net investment is about Kr. 9,000 million, or over Kr. 2,250 million a year. In 1948 the net investment was a little more than Kr. 1,500 million. It is estimated that half of this Kr. 9,000 million can be obtained from savings during the next four years.

Lower Efficiency of Labour

The obvious corollary of this investment programme is the restriction of private consumption. On the other hand, to increase the efficiency of labour and attract savings some increase in the supply of consumer goods is desirable. It has been said that the investment programme is too big and in the last few months there have been signs that the government intends to reduce it. But the part of it which concerns the expansion of export industries will certainly not be reduced.

As for the more immediate future, the national budget for 1949 plans to use the National Product as follows:

	Million Kroner
Net national production	9,872
Imported goods and services	4,988
Goods and services at disposal	14,860
Export of goods and services	3,955
Official net investments (civilian 417; military 95)	512
Official consumption (civilian 1,123; military 360)	1,383
Private net investments	1,519
Private consumption	7,491
TOTAL	14,860

The above mentioned quantities of food and so forth are bigger than in 1948 and 1947 but still represent a much lower proportionate increase than that of wages for workers in industry and handicrafts. The average pay for a male worker here is 3.13 kroner per hour which means that, allowing for the increased cost of living and increased taxes, he has 18 per cent more than his prewar pay. Female workers have 26 per cent more. Moreover, three weeks' summer holiday with pay has been introduced since the war. Another factor which has also to be considered is that the efficiency of labour is lower than in 1939. It was about 80 per cent at

the end of 1945 and since then has improved to about 85 per cent; but, according to scientific research, it has become stabilised at that low level. That means that today it takes 335,000 workers to do the job done by 275,000 in 1939. The reasons are to be found in worn out machinery and unsteady supplies of raw material, but still more in the fact that since food is subsidised the workers need not work so hard to get the necessities of life. Moreover, taxation which takes more and more of their pay also acts as a deterrent. The present taxation system in fact has not changed since before the war—and at the present level of prices and wages it takes a very high percentage of the few thousand kroner a man can make by overtime work.

A brighter side to the picture, however, is the fact that a study of imports, exports and production during the first five months of 1949 shows a development which corresponds very well with that planned in the National Budget for 1949. Production in agriculture, forestry, whaling and industry is higher than estimated. Fisheries are a little less, shipping likewise, whereas building and construction are higher than estimated. Seen as a whole the increase in production is higher than estimated, and improvements have been made exactly where they were most vitally necessary. But whether it will be possible for Norway to attain economic balance in 1952-53 will still for a long time be an open question. Some experts believe it is necessary to alter the taxation system to stimulate production, to stop subsidising food in the present way and to increase the differences in the remuneration of skilled and unskilled labour. Private interest must be used for the benefit of society, not regarded as its enemy. But a Socialist government is unlikely to make these changes.

Re-settlement in South America

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

In providing re-settlement areas for European displaced persons South America has proved less responsive than was at first hoped at Geneva. Among the reasons for this are administrative problems arising partly from lack of funds; political opposition, which has been aggravated by nationalistic sentiment and Communist propaganda; and—the weightiest problem of all—living conditions whose scant appeal to immigrants has sometimes meant their rejection by the field officers of the International Refugee Organisation (IRO).

Despite these setbacks, as IRO enters on its final year the interest of some South American governments in its task has quickened. In round numbers South America has absorbed some 70,000 DPs since IRO's work began, and if programmes now under consideration are carried through this figure may be doubled before IRO ceases to operate next June.

The broad picture is that Argentina, although a late starter, has already received 28,000 DPs—many more than any other South American country—and now plans to take 25,000 more. In Brazil, which has re-settled 19,000, the further outlook has been clouded by the inability of several government departments to pull together in handling immigration schemes, but Congress has ratified Brazil's membership of IRO, and behind the administrative smokescreen some State Governments are working hard to find a way of encouraging a flow of DPs into their undeveloped regions. Emigration to Venezuela, which already has some 17,000 DPs, was interrupted by a change of government, but has been reopened by a Venezuelan selection team which went to Europe last month. Paraguay recently offered to re-settle 20,000 Europeans, and has already selected 270 of the 600 stateless persons from Shanghai to whom it has offered a home. Chile, which has received only 1,500 of the 10,000 DPs for whom it was planning, also reopened immigration last month. Uruguay

has asked for a small group of specialists, and in Colombia, where immigration has so far been negligible, an IRO agent has been appointed at the Government's request. Peru, where 2,000 DPs have settled, and Bolivia, which has taken several hundred, have announced no definite proposals for the future.

Pioneers for the Land

The success of these programmes will no doubt vary from country to country. Virtually everywhere, however, primitive living conditions are a fundamental problem, and not only for re-settlement workers. Even in the most advanced republics rural living standards are far below those in the big cities, and the general policy of South American governments has been to rely on immigrants to open up frontiers and to make good the steady drain of agricultural labour to the towns. It is estimated, for instance, that in the sixties of last century only a sixth of Argentina's immigrant flood settled on the land. In the nineteen-thirties the door was closed to mass immigration. It seems unlikely to be reopened, and it is easy to understand why, in the restricted and selective schemes which took the place of mass immigration, agricultural labour has had high priority.

The reasons are even clearer today, when industry is vigorously competing with agriculture for both capital and labour. Farm production is notoriously lagging behind the needs of growing urban communities; in Brazil it is said to be actually declining. Staple exports are also suffering from this agrarian anaemia in countries that till only a small fraction of their arable land and—except for Argentina and Uruguay—are badly fed even by present European standards. Demonstrably, their industrial ambitions call for the expansion of trade staples in order to pay for imports of capital equipment, and it is significant that in Brazil and Argentina, the two most industrially-minded countries in South America, labour has been officially exhorted to go back to the land.

Lagging Food Production

These trends are illustrated in a report presented at the recent Havana meeting of the UN Economic Council for Latin America (ECLA), and in statistics of the Food and Agriculture Organisation (FAO). Although Latin America's total population increased by 23 per cent during the decade 1937-47, says the Havana report, food output rose by only 20 per cent and total exports by 16 per cent. FAO statistics show that while the average Argentine enjoyed 3,162 calories a day in 1947, Brazilians lived on only 2,299, and Peruvians on 1,891; only the Argentine figure had risen appreciably since 1937. According to the same source, Latin America's total production of three principal staple foods showed the following barely perceptible growth:

	(in tons) average 1934-38	1947
Wheat	8,616,000	9,212,000
Maize	17,636,000	17,600,000
Meat	5,515,000	6,158,000

(Of the 1947 figures, Argentina accounted for two-thirds of the wheat, over a third of the maize and almost half the meat.)

It seems improbable that any other South American country will ever rival Argentina as a food producer. Resources differ, and the problems of exploiting them are distinct. But more tolerable living standards are a common goal, and until more indigenous food is available little progress seems likely for the overwhelming majority of Latin America's 150 million people who still earn a living from the land. In Argentina itself, political change has dislocated the continent's biggest export economy, and, by common admission, has reduced production. Argentines eat more than before the war, but export less. (Although meat consumption rose from 218 lb. a head in 1937 to 299 lb. in 1947, the average working-class diet is not so well balanced as in Britain.) In Brazil new and promising lands might be opened to cultivation, but much

that is already produced in a country larger than western Europe is unmarketable because of woefully inadequate transport. The Andean republics contain the hard core of South America's backward areas. Their coca-ridden Indian labour—a third of Peru's population and half of Bolivia's—is a formidable barrier to efficient production.

There is no magic formula for speedy development. Almost everywhere, however, primitive husbandry is a greater barrier than any dearth of productive land. This is the lesson that Mr Nelson Rockefeller's International Basic Economy Corporation (IBEC) has set out to teach in Brazil and Venezuela, where its modern techniques of farming and distribution have made a modest beginning in the work of destroying ignorance and ancient prejudice. The possibility that, where such capital has ventured, more might follow has been brought nearer by Mr Truman's "Fourth Point" programme for backward areas. Under present conditions immigration alone is no panacea, just as blood transfusions cannot remove the cause of anaemia. Yet in an earlier age immigration and investment went hand in glove, and if US capital is to be encouraged—as South Americans hope—to undertake in several areas what British capital has already done to open up others, notably the River Plate countries, then it seems likely that immigration will again play a part.

Italian Workers and US Loans

That South American governments have this prospect in mind is shown by their interest in loans for the re-settlement of immigrants. The Brazilian Government has already indicated its readiness to take substantially more DPs if money could be found to finance their re-settlement, and several South American countries are known to be interested in a more recent Italian suggestion to establish Italian farm colonies with the aid of an American loan of \$32 million to be sought by Italy from ECA. As present plans go, IRO is to be wound up next June, but there is much to be said for the view of Mr Hallam Tuck, its former Director-General, that its liquidation then would be a mistake. Its field work has laid bare the re-settlement problems to be faced in South America, and therefore equipped it to help the flow of immigration that would complement capital investment in backward areas. Its experience might also prove invaluable in assessing the merits of South American claims to loans not only for immigration but also for development works such as communications and power schemes. So far, the financing of re-settlement has not been part of IRO's purpose, and South American governments have tended to regard it as merely a means of shifting from British and American shoulders the burden of maintaining DPs in Europe. If foreign loans are now to finance larger re-settlement programmes as an aid to South America's own development, it is difficult to think of any instrument that could serve so well as IRO the best interests of all concerned.

Canada's Defence Problems

[FROM OUR OTTAWA CORRESPONDENT]

WHEN the Atlantic treaty powers meet in Washington this month to set up the necessary organs for common defence planning, the Canadian Government will also face a domestic debate about its defence policy.

Criticism has been stirred by a small-scale exercise, named Exercise Eagle, which was held this summer on the route of the Alaska Highway. One battalion which had recently completed its airborne training was to try to recapture the airfield of Fort St John (an important link in the staging route to Alaska) supposed to have been taken by an enemy force. The exercise established, according to all observers, the efficiency of the battalion. But it also revealed that Canada had nothing like enough modern aircraft either to transport

the battalion, which was carried in DC3's from the last war, or to give it fighter protection; and it showed that Canada was short of certain other items such as parachutes. The critics, headed by old war correspondents who attended the exercise, say it showed all too plainly that Canada is completely exposed to airborne attack by Russia across Alaska and the Yukon.

The only answer the Government can make to this is the honest one that (a) they do not believe Russia will launch any attack on the western powers in the next few years; and (b) that if it did the only force it could, or would want to, land in northern Canada would be a small raiding party, destined to be sacrificed, and intended to create temporary alarm among the Canadian and American people.

The Canadian defence authorities are persuaded that they know how much—or rather how little—the Russian air force is capable of delivering in the northern part of this continent within the next few years. They are persuaded that the only object of the "threat to the North" is to make Canada and the United States hold back for passive defence troops and resources which ought to be used in an active sector of battle outside this continent. The only sensible way to deal with such a threat, they think, is to have a small, highly mobile "force-in-being" ready to clear up any airborne invader in quick time.

For this purpose they are training three battalions in airborne warfare, of which the one recently exercised is the first to complete its training. This is the limit of what the Canadian Army now proposes to devote to the territorial defence of the North. Unquestionably it would like to have up-to-date troop-carrying planes. The paratroopers in training practise with a dummy model of a US Fairchild Packet. But even by the time the other two battalions have completed their training—which will be something like another two years—the Royal Canadian Air Force will still, according to present plans, not have enough new transports to carry them.

Priority for Fighter Aircraft

This in itself is a very good indication of how priorities are distributed between the North and the European theatre. Top of the RCAF's priority list are modern fighters, and too US F86's (Sabres) are to be built under licence by the Canadair Company at Montreal (builders of the DC4M airliner which BOAC uses under the name "Argonaut" and Trans-Canada Airlines and Canadian Pacific Airlines use under the name "North Star"). In addition, Avro Canada of Toronto are developing a new twin-engined, two-seater, all-weather jet fighter of Canadian design which is specially adapted for northern conditions. In its early tests it is expected to use a British jet engine, but an all-Canadian jet named the Orenda is also being developed by Avro Canada.

Second on the RCAF's list are improved anti-submarine aircraft. The new troop carrier comes in about third. Emphasis on the Atlantic supply route is underlined in the naval planning. For the Canadian Navy protection of the shipping routes is the first priority and anti-submarine vessels of a new design are now being built in Canadian shipyards.

The Army conforms to the same pattern. Its main concern is to create a nucleus of highly trained specialists in both permanent and reserve units which could rapidly assimilate and train the large number of recruits which would appear on the outbreak of war. To the criticism that the main Canadian forces should be ready for instant action the authorities reply that experience has shown that they have some time before shipping is available to carry any large numbers of troops overseas.

All the Canadian defence services are grouped in one ministry. Unification has actually been achieved faster and carried further than by any of the other western powers. The Minister of National Defence, Mr Brooke Claxton, presides over a single department with a single civilian deputy minister

(or permanent under-secretary). The chiefs of staff committee reports through him to the defence committee of the Cabinet. The Chiefs of Staff, incidentally, number four, not three. The head of the Defence Research Council, Dr O. M. Solandt, is the fourth chief of staff sitting on an equal footing with the Army, Navy and Air Force.

Difficulties of Atlantic Co-operation

Since these authorities believe that the Northland cannot, in any period for which it is reasonable to plan, be any more than a sideshow, and since Canadian concern about the Pacific is conspicuous only by its absence, the problems of the North Atlantic treaty powers rate very high in Canadian defence planning. Canada should be a good partner for the Atlantic alliance.

But this is where the difficulties start. The Canadian armed forces grew from the British services. They were modelled on them and they have the closest affiliations with them. It took many difficult passages before they evolved a pattern which combined practical co-ordination with unquestioned independence. Now they are setting about the business of establishing a similar relationship with the United States. It is as though, having accomplished the difficult enough task of "bringing up father," they now had to start on godfather too. In some ways it's a weary business, but it has got to be done in the military as in the political sphere.

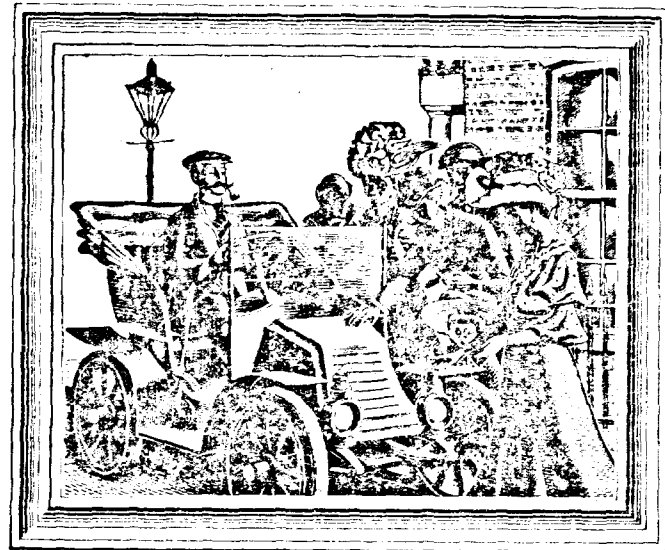
Few people realise even in Canada what Canadian engineers went through in the last war adapting British designs to North American engineering standards so that they could be manufactured here. Every single blueprint had to be redrawn; every single component re-engineered. It is to avoid these wasteful labours that all the efforts are being made towards standardisation. But standardisation is a gradual and depressingly long-term process. In the meantime Canada's industrial resources are already geared to the North American pattern.

The second great production worry of the last war was dependence on Britain for parts, which were liable therefore to delay not only by enemy bombers but also by enemy submarines. Never again, say the Canadian defence chiefs. It will be to Britain's interests as well as their own, they believe, if they insist that their production shall not be dependent on the long transatlantic pipeline.

Need for US Materials

The other consideration which makes North American co-ordination essential is that Canada cannot produce any heavy manufactured goods, including arms, without a considerable US content. Much of the steel and most of the coal must come from the United States. Nor does Canada itself require quantities of any item to justify tooling for each separate component. The only sensible and economic way for Canada to produce arms is the way it did it in the last war; to concentrate on certain types and produce them for all the allied nations. Only 30 per cent of Canadian war production was for the use of its own forces.

Given United States co-operation Canada can again become an important supplier for the Atlantic nations. But without that co-operation its capacity is most strictly limited. It cannot produce arms without spending US dollars, which it has not got, on raw materials as well as on parts. The famous Hyde Park agreement of the last war enabled it to supply certain items to the United States and acquire in return its own requirements of other items. Only if it is allowed to earn US dollars in this way can it again become an important supplier to the allies. Although in the recent Military Aid Bill the US Congress allowed "off-shore" purchases of arms for Europe in Canada, it has not changed the previous law which requires that arms for the US forces must be acquired within the United States. Until the Congress changes this law the Canadian contribution to the Pact nations will not be what Canada would like it to be, nor what the other countries have a right to expect.



“What will they think of next!”

The date of our picture is 1909 when there were 86,419 motor vehicles on our roads (or one between every five hundred people!). Immense developments in our motor industry were obviously needed to multiply that figure to to-day's total of nearly three million. Have you ever thought of the corresponding expansion and change in the steel industry? Steel has had to be made not only for the motor vehicles themselves, but also for the machine tools used in their production and for the refineries which supplied them with petrol and oil. Then there was also all the steel needed for railway trains and bridges, for ships and docks, for aircraft, for mines and skyscrapers, for a thousand and one things large and small, from power stations to safety pins.

TO-DAY. An output of over 15½ million tons is confidently looked for this year, evidence of the steel industry's great efforts to meet the constantly increasing demands of exporting industries of which the motor industry is only one.

LOOKING FORWARD. To raise capacity to 18 million tons by 1952, the industry, on its own initiative, started to plan before the end of the war and secured Government approval three years ago for expansion and development that will cost £240 million. That plan now is half completed.

In short, for the second half of this century no less than in the first, the industry has prepared to anticipate and foster every demand for steel from all branches of industry.

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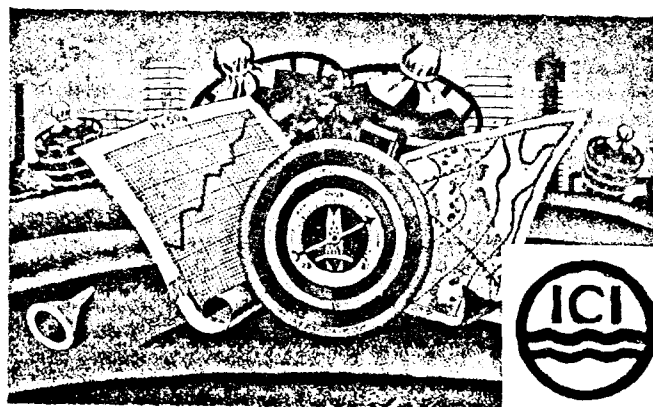
BRITISH IRON AND STEEL FEDERATION

HOW MUCH STEEL IN THE AVERAGE CAR?
Many different kinds of steel are made for the motor industry — for crankshafts, valves, gear wheels, ball bearings, transmission, frame, road wheels, body panels, and accessories. The average car requires in all about a ton of steel.

Sulphuric Acid

Sulphuric acid is one of the most important of all the “heavy” chemicals. It is of such fundamental importance that its consumption can be regarded as the barometer of a nation's industrial capacity. It is essential for hundreds of products — artificial silk, dyes, electric accumulators, explosives, fertilizers, paper, plastics and weedkillers, to mention but a few. It is also used extensively in several branches of the metal industry. A Birmingham doctor, John Roebuck, developed the first commercial method of manufacture in 1746, and 85 years later, Peregrine Phillips, a vinegar manufacturer of Bristol, patented a Contact Process. By this method, which today is responsible for half the output of this vital chemical, sulphur dioxide — obtained by burning sulphur, iron pyrites, zinc blende, or other substances rich in sulphur — is made to combine at high temperature with oxygen. The combination takes place in the presence of certain metal “Catalysts” which have the remarkable effect of speeding up the reaction without themselves taking part in it. The combination of sulphur dioxide and oxygen yields sulphur trioxide, which combines with water to form sulphuric acid.

Britain's achievement in respect of Sulphuric Acid is a double one. Not only were the two principal processes of manufacture invented by Englishmen, but the raising of production to present levels — about 1,600,000 tons yearly — is a triumph of British chemical engineering.



THE BUSINESS WORLD

Fund's Plea for Devaluation

THE annual reports of the International Monetary Fund have hitherto had a happy knack of sounding a keynote appropriate to the contemporary economic situation. There is no mistaking the main theme which runs through the report published last Tuesday at the opening of the meeting of IMF governors in Washington. It is “currency revaluation,” or, another euphemism for devaluation, “exchange adjustments.” To see this IMF theme in perspective, it is well to recall the Fund's first report, issued in October, 1946, in which the executive directors were pleading the case for accepting from their members what was then acknowledged to be a largely artificial structure of official exchange parities. In the exceptional circumstances of 1946 there was much to be said in favour of overvaluing the currencies of most countries in terms of the US dollar. Those exceptional circumstances, including the shortages of the immediate post-war period, the promise of a sellers' market for some time to come, and the inevitable dependence of most of the world on imports from dollar countries, have now passed. But the overvaluation of currencies has not passed. On the contrary, with the downturn in the dollar price level, the phenomenon of maladjustments of prices and costs between the dollar and non-dollar world has increased. In its latest report, the IMF fastens upon this phenomenon and then credits it with the major responsibility for the perpetuation of a state of disequilibrium in international balances of payments.

“The world is now tending to divide into high-priced markets of countries dealing mainly in inconvertible currencies and low-priced markets of countries dealing mainly in convertible currencies. The dollar payments problem will persist at least as long as these price differences continue. Prolonged dependence on restriction and discrimination would be likely to divide the world economy into economic blocs, each with its own price structure, each tending increasingly to insulate itself from the rest of the world by the necessity of protecting its own inconvertible currency system by trade restrictions and exchange controls.”

This is not to say that the IMF absolves the creditor countries from all blame for the prevailing disequilibrium or from all responsibility for initiating remedial measures. The report points out that “surplus countries should keep their economies operating at a high level and minimise the trade barriers that restrain imports.” This general observation is then brought into specific focus in the remark that “the decline in the level of business activity in the United States from its extremely high postwar peak has added a new element to the payments problem.” But, informed with the knowledge that derives from the IMF's close physical proximity to US Congress, the report also points out that “the process of tariff reduction is always slow and it will not be realistic to count on it as a solution to the immediate dollar problem.”

The IMF therefore places on the deficit countries themselves the primary responsibility for restoring the international payments position. In this respect the report has

some very wise observations to make on matters other than exchange adjustments. The prevailing disequilibrium, it points out, arises not only from the excessive need for imports and the insufficient capacity to pay for them, but also from the disparity between overall demand and productive capacity within the deficit countries. “Until their domestic economies are adjusted to make more of their output available for export, so as to reduce their dependence on an excess of imports, their payments difficulties will continue.”

From this point the argument proceeds inexorably to the problem of inflation, emphasising that the existence of inflationary conditions is incompatible with a satisfactory international balance of payments. But, when all relevant facts and probabilities have been taken into account, the IMF concludes that the discrepancy between dollar and non-dollar prices is too great to be remedied merely by appropriate contraction of costs and prices in the deficit countries and within the context of existing exchange parities. It is pointed out that, while the US wholesale price index for manufactures was about 175 in May, 1949 (1937 = 100), the index of export prices in dollars of the principal western European countries exporting manufactured goods ranged around 210. That is too big a gap to be closed by deflation “which would encounter formidable resistance.” Therefore, “where a price reduction of the magnitude indicated above is necessary to expand exports, it would, in many cases, seem possible only through an adjustment in the exchange rate.”

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Having suggested that “countries with dollar difficulties are faced with the question whether an exchange rate adjustment can help to solve their problems,” the report enumerates the conditions in which devaluation could be made within a safe and constructive framework. It points out that for exchange adjustment to be successful it is essential that the expected benefits should not be dissipated by an offsetting rise in local prices and costs. Moreover, “unless home demand is restrained, the expansion of exports which alone can justify an exchange adjustment will not be achieved.” If, however, the necessary measures are taken to arrest inflation in the deficit countries, the IMF is confident that “every country with a payments problem has a direct interest in the establishment of exchange rates that will encourage a pattern of trade conducive to a better balance in international payments.” This leads to the final conclusion that “in their own interests they [the deficit countries] cannot afford to forgo any suitable instrument, including any necessary exchange adjustment, that could expand their dollar exports.”

This is very plain speaking indeed. It is for the most part couched in general terms; it mentions no names save for the occasional inescapable reference to the United States as the ultimate creditor country; but the names suggest themselves. If a general realignment of exchanges can be long delayed after this flag has been so ostentatiously nailed

to the IMF mast, the world will have to rate even higher its high assessment of the forensic powers of Sir Stafford Cripps.

The annual report of the International Bank for Reconstruction and Development inevitably deals with somewhat more humdrum fare than that of its sister institution. For the most part the Bank's report is a careful documentation of its activities in what has been an active and satisfactory year. Eight loans were made by the Bank, totalling \$191.6 million, and a large number of projects are in process of investigation and negotiation. The latter include loans to the Colonial Development Corporation and to the Overseas Food Corporation.

On the marketing side of its activities, the Bank developed during the year new means of adding to its resources. This it did by selling securities held in its own portfolio to institutional investors in the United States. Such sales amounted to \$19.9 million and consisted of securities representing loans made by the Bank to the Netherlands and Belgium; these securities were sold with the guarantee of the Bank. This procedure opens up a most promising avenue through which to increase the lendable resources of the Bank. The scope for placing such guaranteed securities and for marketing the direct obligations of the Bank has also been expanded by recent legislation in the United States authorising national banks and State banks which are members of the Federal Reserve System to deal in and underwrite obligations issued or guaranteed by the International Bank. This, together with a widening volume of State legislation authorising institutional investment in the Bank's securities in individual states, should create a wider and freer market for the Bank's securities in the United States—the main provider of the currencies needed by the Bank's borrowers.

This satisfactory groundwork in developing the market for the Bank's securities will yield increasing returns as the Bank gets into fuller stride in the role of financing the economic development of under-developed countries. A considerable part of the report is devoted to a discussion of the role the Bank can play in this "Point IV" programme. Its comments on this subject—a subject which is all too often wrapped up in emotional phrases and thinking—is refreshingly realistic. Drawing on its own experience, the Bank points out that it has learned "how limited is the capacity of the under-developed countries to absorb capital quickly for really productive purposes." The real obstacles to rapid economic development in these countries is not lack of finance but "low levels of education and health, lack of skilled and vigorous manpower, political factors such as frequent changes in government with resultant economic insecurity and the temptation to put more emphasis on short run objectives than on long run development of the country." On this showing, there can be no complaint that the International Bank itself is failing to become educated.

The report sets out three criteria by which the Bank is guided in its loan policy. First, it must be convinced, on the one hand, that the loan cannot be obtained privately on reasonable terms; and, on the other, that there are reasonable prospects for repayment. Secondly, the loan must be for sound and productive purposes. Finally, since the capacity of most countries to service additional foreign debt is at present limited, the Bank must satisfy itself that the object of the loan is of sufficient importance to the economy of the country concerned to warrant its incurring a foreign exchange obligation to finance it. These criteria involve a recognition that the Bank is prepared to accept greater risks than the private investor is willing or able to assume. But the risk

is a calculated one; and if the conditions enumerated in the report are duly satisfied, there should be no excessive danger of bad debts for the Bank.

The report is reticent upon questions of exchange rates and other matters which do not lie directly within the province of the Bank; but this reticence was thrown to the four winds by its President, Mr Eugene Black, in the speech which he made at the opening session of the Fund and Bank meeting on Tuesday. Mr Black sided bluntly with the devaluation school, pleading for "a system of exchange rates which will assist the dollar deficit countries to compete effectively in world markets," adding that only this would provide an adequate incentive to exporters to increase their sales to the dollar area and for importers from the dollar countries

to buy from abroad. He failed to see how such an adjustment could be avoided. Mr Black next attacked the "wilderness of bilateral arrangements, special currency controls, quotas and similar restrictions" which he said have grown up to protect inefficient production and trade practices. Finally, as if to make sure of treading on every sensitive corn, he flung some good advice to countries now running ambitious programmes of social services beyond their means. Even from the platform of the Bank, therefore, the theme of devaluation has been heard loud and clear in Washington this week. The opposition, or anti-devaluation faction, has been described by one of the correspondents reporting the proceedings as "taking on the appearance of a thin red line."

The Canadian Market

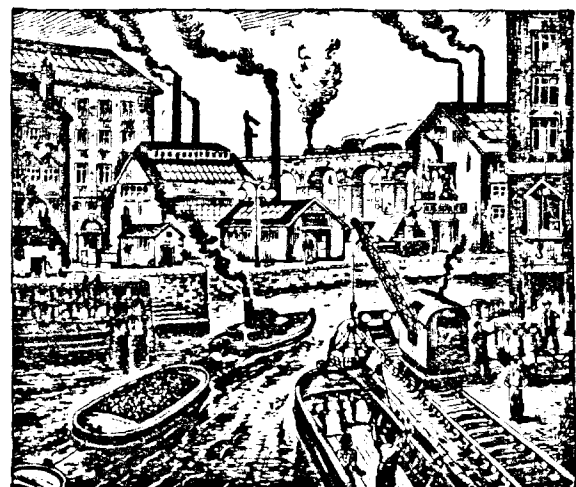
IN view of the governmental exhortations to British manufacturers to increase their exports to Canada, it is surprising how little material is available for any comparative study of prices in that market. Comparison between separate lines in the same trade is always odious, chiefly because objective measures of quality are difficult to find. But there is some virtue in making an attempt. This article is the outcome of private research, undertaken in Toronto, by the Canadian correspondent of *The Economist*. The conclusions drawn are rough and ready. The classes of goods compared cannot be fully homogeneous in quality. Complications are introduced by the Canadian import quotas, by the retailer's practice of accepting a smaller margin on goods which he finds difficult to sell, and by the fact that the prices examined refer to goods on public sale in Toronto only. A strict comparison is hardly possible. The comparison which follows is based on an eyewitness report and not on a statistical analysis.

Nevertheless, certain salient points emerge. In general, the British consumer goods which have had most success in Canada have been high-quality or medium-quality lines. Very little attempt has been made to meet North American competition in the mass-produced popular ranges. It is, therefore, the more unfortunate that British prices are now so extremely high that several luxury products have priced themselves out of their own markets. Bone china dinner services at between \$125 and \$250 for 56-piece sets are one example; sea island cotton shirts, lately on sale at about \$9 each, but recently quoted much dearer—so that the new retail price would be nearly \$15 if retailers would agree to stock them—are another. Medium-quality goods are now meeting keen Canadian, rather than United States, competition. Men's shoes are an example. British-made shoes (between \$15 and \$25 a pair) are seriously threatened by Canadian shoes (between \$12.50 and \$23.50) which are little inferior in quality. In the same way British and Canadian semi-porcelain dinner sets in the \$20-\$90 price range are fully competitive with one another, while Japanese producers are now entering the same market in spite of a tariff of 27½ per cent against them. Competition between British and Canadian products is also intense in some branches of the hardware trade. Confectionery seems to be the exception. British biscuits (average price 70 cents a lb.) are accepted as more palatable than Canadian biscuits at prices between 29 cents and 40 cents a lb. There is a good demand for British products in humbler lines of the confectionery trade, where one might have expected that low price would have been a more potent market factor than high quality. Boiled sweets (British type 50 cents to \$1 a lb., Canadian type

39 cents to 60 cents a lb.) and liquorice sweets (British type 49 cents a lb., Canadian type 39 cents a lb.) are examples. With consumer goods of this kind, however, United States competition may be only temporarily kept out of the market by tariff or quota restrictions.

Textiles deserve special mention, though they form no exception to the general depressing pattern. British woollens, worsteds and lighter suitings are generally admitted to be without rival, but the increase in prices is driving importers to cheaper lines; the higher-priced lines are becoming unsaleable. One example quoted was that of a worsted tricotine, retailed at \$7.95 in 1946, which rose to \$10.50 by the end of 1948; at this price demand was too small to justify stocking the material. But buyers were offered the material in England last spring at a still higher price. In cotton and rayon goods North American competition is keener and the situation is correspondingly worse. British-made cotton shirts on sale in Toronto cost between \$8.50 and \$12.50; shirts of British cloth made-up in Canada cost between \$6 and \$10; those made in Canada of American cloth between \$4 and \$6 (despite a 10 per cent tariff differential). The superiority in quality needs to be very great to offset this disadvantage in price, and it is, therefore, particularly disquieting to find that complaints are common about flaws and inconsistent colouring in the medium price ranges of British cotton shirtings. The number of flaws has increased markedly (the Canadians say) and the colour of the shipment does not always match the colour of the samples. As for rayon fabrics, it seems clear that there would be virtually no British exports at all to the Canadian market if quotas on imports from the United States were removed. American rayon goods are consistently cheaper than British rayon goods of comparable quality, and quotations for flat and printed crepe at half the British levels seemed to be representative.

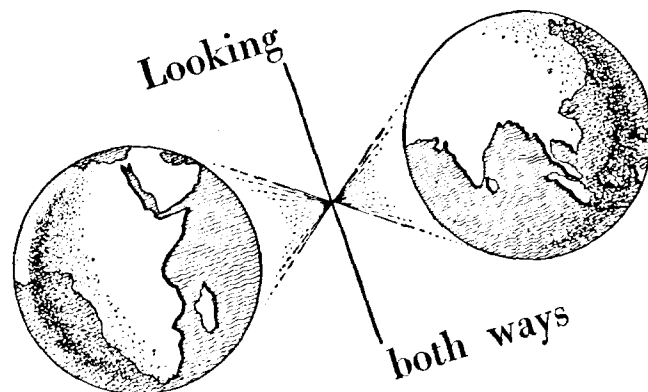
The division of the market for capital goods is the reverse of that for consumer goods. British makers offer the simple, straightforward and on the whole cheaper product; the United States supplies the more complete equipments with the "frills" which the British models lack. Yet the favourable price margin on British machinery is often no greater than is to be accounted for by the British tariff advantage over American products (which amounts to 15 per cent of the price on equipment of a kind which is made in Canada, and 10 per cent on other equipment). A turret lathe of 3½-inch bar capacity from Britain was priced at \$12,500 in Toronto; an American model with pre-selective speed changing and other gadgets not on the British model cost \$16,000. Similarly, a British radial



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drill of 6-foot capacity with 18 speeds and 9 different feed rates cost \$13,000; an American model with 24 speeds and 18 feed rates cost \$17,000. A British surface grinding machine (6 by 18 inches) was found to cost 25 per cent more than the American model despite the tariff advantage. For steam turbines it is true that British firms have landed some important dollar orders, but these have usually been for machines custom-built to individual specifications. On a job which standard American machines will serve (and any firm which uses the services of an American consulting engineer for a manufacturing project will probably arrive at a layout which enables the standard types to be used) Britain is not offering a competitive price, nor, indeed, a competitive service of spare parts and maintenance. In this field, the coming competition in tenders for equipment for the new Toronto subway will be worth watching; the contract for building the subway itself went to an American firm.

Cars can be regarded as a special class of capital goods. Most Canadians regard British cars as "second strings" or as models to be used where the driving is predominantly urban. Within this very limited market British cars are competitive. An Austin A40 4-door saloon delivered in Toronto, with heater, licence and tank full of petrol costs \$1,699. The cheapest Canadian-built Ford with the same accessories costs \$1,910, and the Plymouth Club Coupé and Chevrolet 4-door de luxe cost slightly more than this. But since most Canadians use their cars for long trips and travel a good deal on bad country roads, it is only in the larger ranges that mass sales can be made. Here the picture is not encouraging. Despite the 30 per cent tariff on completed cars made in the United States, and despite the dollar quota which limits the numbers and variety of American cars on the market, the cheapest available Packard (\$3,211) is still lower than the Humber Hawk (\$3,271).

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Quite apart from these questions of price, it is fairly evident, from inquiries made, that British goods are not being suitably designed and prepared for the Canadian market. The product of the British motor industry, with its narrow tracks, small luggage space, and reputed inability to stand up to bad roads, has been criticised to the point of monotony, but the same incompatibility between British practice and Canadian requirements is evident in many other trades; and in some there is less excuse for neglecting to make the small changes which are needed. The Canadians have repeatedly asked that British china should be packed in cartons so that it can be sent out from the shop to the customer without repacking—but it continues to arrive in straw-filled barrels. They believe that no attempt has been made to style women's shoes and underwear to North American tastes. They have

become accustomed to the American width for cotton piece goods, and the British standard widths of 32 inches for shirtings and 36 inches for dress materials are narrower; this, they complain, is inconvenient and uneconomical for the Canadian maker-up. In their eyes the final laundering and packing of British textiles are incredibly bad; "The Canadian finish will make an article sit up and smile out of its box instead of looking like a faded bouquet." It appears that British dress crêpes of better quality and equal price are being oversold by United States competitors by wide advertising of brand names. Confectionary seems to be almost the one trade in which Canadian importers find the British manufacturers fully co-operative in preparing goods for market.

Four other British disadvantages came to light. First, despite the talk in Britain of an "export drive" to hard-currency countries, some British goods for which there is a ready sale are not supplied in large enough quantities to meet the demand. Medium-quality china and high-quality hardware are examples. Orders of British-made hand tools (which could probably be sold if they were there to sell) "come dribbling through over a number of years." Good British cutlery is hardly ever seen. Secondly, delivery of some classes of goods—particularly of capital equipment—is still far too slow. Thirdly, United States manufacturers are much more flexible in their price policies than British exporters. Price-cutting is still the common American reaction to competition. British traders (perhaps because of the alternative soft-currency markets that are open to them) do not behave in the same way. Finally, Canadians will not accept the general level of British prices without question. Instead, they are disposed to criticise British Government policies; they argue that centralised purchase of cotton and other raw materials, the persistent reliance on bilateral trade, and the blind eye to restrictive trade union attitudes have driven up costs unnecessarily. There is a tendency to believe that prices can easily be brought down once these policies are dropped. Whether this belief is true or not (and there is, in fact, some evidence to support it) its existence is important; it makes the buyer critical and tends to hold him back from immediate purchases.

No soothing conclusions can be drawn from this survey. The Canadian market offers no rosy prospects of easy profit, and some British exporters, observing the facts for themselves, have drawn the conclusion that they would do better to turn their attention elsewhere. The only alternative is a more resolute selling effort, backed by more flexible production policies, than British industry and British exporters have achieved since the war. In certain high classes of consumer goods—and particularly in some high-grade textiles—Britain has in the past enjoyed, and might now recapture,

a position approaching monopoly; but these opportunities are too frequently thrown away by prices so high as to scare customers out of the market altogether. British products of medium quality have to meet keen Canadian competition, and it is necessary that exporters should be more aware of this and better prepared for it. The mass popular market is quite out of reach of British prices. British sales of consumer goods in Canada are small enough in all conscience; without the preferential tariff, and without the quota restrictions on imports from the United States, they would be smaller still. In the market for capital goods the same considerations apply, and their effect has been largely to limit the British share in the machinery trade to "tailor-made" equipments.

But while the progress that can be made is severely limited by the high level of British prices, there is evidence also

Business Notes

Britain's "Manageable" Deficit

To judge from the behaviour of stock markets this week, the general body of investors is showing a scepticism about the achievements of the Washington Conference hardly less marked than that of the City's most vocal commentators. On comparable occasions in the past, the markets have generally been disposed to read bullishly any news which promised postponement of unpalatable remedies. By this test, it might have been expected that the Washington communique would have been "good" for markets, for, as the City was quick to point out, it contains no hint that Britain is any the more ready than it seemed a few weeks ago to tackle the really fundamental problems of the excessive level of costs. As it is, the easier trend of gilt-edged prices is clear evidence of the City's refusal to regard the communique through any such rose-coloured spectacles as the Chancellor himself has donned. The accompanying firmness of equity share prices, significantly combined with strength in gold shares, is evidently indicative, not of any relief or satisfaction with the Tripartite achievements, but of the possibility that the problem of devaluation, though carefully excluded from the three-power announcement, might yet be resolved after the Fund and Bank meetings.

The City, in short, though welcoming the many signs that the United States is, in principle, acknowledging the responsibilities of its creditor status, still finds it impossible to see how even the eventual outcome of these discussions can provide any workable solution of the dollar problem. Still less can it comprehend how the measures upon which agreement has already been reached will suffice, even in the relatively short run, to stop the drain on Britain's gold and dollar reserves or, as Sir Stafford Cripps put it, "to bring our reserves position into a manageable condition." By indulging in some highly optimistic flights of conjecture, it is indeed possible to produce a prospective balance sheet showing a temporary equilibrium at some time during the ERP phase—provided each of the several measures produces its maximum of aid and provided the projected cuts are fully and promptly implemented.

Such a balance sheet, the construction of which is explained in subsequent Notes, would read approximately as follows:—

	£ mn.
Net dollar deficit (annual rate as stated by Sir S. Cripps in July)	600
ECA Grants and Loans	200
Dollar Import Cuts (U.K.)	100
Dollar Import Cuts (Sterling Area)	100
Stock-piling, etc., of Rubber and Tin	50
Release of ECA funds for Canadian Wheat	50
Dollar purchases from IMF	80
World Bank Loans to Sterling Area	20
	600

that a closer attention by manufacturers to the tastes, habits and requirements of the dollar markets would yield results. High prices are asked not only because of the high level of British costs of production, but also because alternative markets exist where currencies are softer and higher prices are still readily paid. In the same way, manufacturers who are already selling successfully to a wide range of overseas markets may feel that it would not pay them to modify their products to suit Canadian (or, for that matter, American) requirements. In this they may be right, by their own calculations, and while they are selling the whole of their output it is difficult to prove them wrong. It is not the individual trader's misfortune, but the misfortune of the national economy, that the markets where selling is easy do not yield the currency that the British economy most urgently needs.

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Relief through Stockpiling

The most immediate relief which Britain and the sterling area can expect from the Washington talks is an increase in dollar earnings from the sale of tin and rubber. The communique was by no means explicit on this point:

The Canadian representatives stated that the Canadian Government is prepared to take steps to increase reserve stocks of tin and rubber in Canada.

The United States representatives reported that the United States Government was prepared to open to natural rubber a substantial additional area of competition including a modification of the Government order relating to the consumption of synthetic rubber. The United States would review its stockpiling programme with particular reference to rubber and tin.

It is difficult to assess in terms of dollars what this really means. Canadian consumption of tin and of rubber is relatively small. Last year tin amounted to 4,000 tons and rubber to 20,000 tons. If "increasing reserve stocks" were to imply the purchase of an additional year's supply of each during the next nine or twelve months, the sterling area would gain some \$16 million—provided these quantities were purchased from the sterling area.

The American stockpile purchases are more complicated. In the first place the amount of funds available to the Munitions Board is very limited; secondly, the Board stated

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only recently that the current year's purchases must ensure a better balance in the quantities of materials held. This was taken to mean that most of its dollar funds would be used to buy those commodities which until recently have been in short supply. Tin and rubber were expected to benefit little. Presumably the overriding consideration of a balanced stockpile is to be waived, and rubber and tin will be bought with dollars instead of with the sterling counterpart fund. Last year American purchases of tin for the stockpile were estimated at 25,000 tons. If a similar quantity were bought before the end of next June—and all of it from the sterling area—Britain's dollar pool would get some \$56 million. Last year, too, approximately 100,000 tons of natural rubber went to the American stockpile. Since June, a little over 20,000 tons have been purchased against the sterling counterpart fund. If, therefore, the remaining 80,000 tons are bought from the sterling area within the next nine months, a further \$36 million will be earned. The price of natural rubber has been taken as a little under 1s. a lb. Thus, on these rather optimistic assumptions, the sterling area could get only about \$110 million from stockpile purchases (American and Canadian), and this would appear to be a maximum rather than a minimum figure.

* * *

Larger American Rubber Consumption?

The main gain to the sterling area could come from the increased commercial use of natural rubber in the United States. But such an increase is by no means a certainty. Still less is it certain that the additional rubber would necessarily come from Malaya. Under the present American law, the minimum synthetic rubber consumption must be one third of the total available capacity—that is, it must not be less than 200,000 tons a year for general purpose synthetic (GR-S) and 22,000 tons for special purpose synthetic. Actual consumption is about double that level, so that there is scope for an increase in the consumption of natural rubber of the order of 200,000 tons, if Congress is not to be asked to amend the law. The phrase "to open to natural rubber a substantial additional area of competition" would at best mean that the American Government will modify "R1"—the regulation which lays down specific minimum percentages of GR-S which must be used in the manufacture of tyres and inner tubes—so as to reduce synthetic consumption to the minimum specified in the Act. So far, American manufacturers have been freely using synthetic rubber in greater quantity than that laid down in R1. It may be that a drastic revision of this regulation will alter the buying policies of American manufacturers.

A more decisive influence, however, is likely to be exerted by the relationship between the prices of the natural and synthetic products. If, owing to larger stockpile purchases, the price of natural rubber stays at around 1s. a lb., the chances of increased commercial consumption in the United States would appear, on past experience, to be limited. If, however, the American Government increased the price of GR-S in the United States from its present level of 18½ cents a lb., a high rate of consumption of natural rubber would no doubt be assured. But such a move is likely to arouse serious opposition in America, as the latest accounts show the production costs of GR-S to be 18.1 cents a lb. Nor are American manufacturers likely to accept meekly any significant rise in price of either rubber or tin through any benevolent act of their Government. Perhaps these additional purchases will be incorporated in the framework of an international agreement for each commodity providing both an upper and lower price limit. Nevertheless, if it is assumed that commercial consumption of natural rubber in the United States will expand by 200,000 tons a year, then the sterling area will earn an additional \$90 million.

One very encouraging feature has been the rise in American industrial activity last month—the first rise since last October. If this rise continues (and at the moment it cannot be counted upon) American consumption of rubber, tin and other sterling area products will also rise, with a corresponding increase in dollar earnings of the sterling area. Failing that, the most—

perhaps the very most—Britain can expect to get from the increased sales of tin and rubber projected in Washington is \$200 million.

* * *

More Flexible Marshall Aid

The second line of action to give short-term relief to the central dollar reserve is the proposed extension of the range of goods which may be purchased with ECA funds. But such relief is likely to be less immediate in its effect than the increased stockpile purchasing. The real point at issue is the question of "off-shore" purchases, particularly of Canadian wheat and flour which until last March formed Britain's largest single item of procurement under ECA, absorbing a little over \$300 million a year. When ECA prohibited the use of its funds for the purchase of wheat outside the United States, Britain was placed in an awkward position. Its dollar purchases had already been pruned drastically, so that the scope for switching the ECA funds released from wheat to items still being purchased from earned dollars (thus releasing dollars to pay for the wheat) was in any case limited. Moreover, many of the items which Britain might have transferred to the ECA programme had not been included in the overall plan, and were therefore ineligible for ECA aid. To use up the \$70 million of ECA funds which had previously been earmarked to meet the outstanding claims of the Canadian wheat contract, Britain had to buy such goods as frozen pork, canned beef, wheat and flour, lard, canned fish and egg products, all from the United States. As it turned out, the meat purchases were timely in bridging the gap in Argentine supplies caused by the protracted negotiations. But ordinarily these goods would not have been bought at all—not, at least, for dollars—and they therefore represented a net dollar loss.

The expected announcement by Mr Paul Hoffman, the Economic Co-operation Administrator, on the details of the agreed extension of eligibility of goods for ECA procurement had not been received by the time of going to press; drafting difficulties had apparently delayed it twice. The main question is what goods will now be eligible and from what date. If it is assumed that Canadian wheat becomes eligible as from the fourth quarter of this year, then Britain will have a saving of some \$225 million earned dollars (calculated at \$75 million for each of the three quarters), provided that the new arrangement does not involve a mere reversal of the recent switching. If the items which were switched a few months ago from dollar purchase to the ECA programme were all essential, and must therefore now be purchased once more with earned dollars, the new concession would bring no dollar saving. But, judging from the figures published for the second quarter's procurements, most of the goods substituted were not of this category. The main substitutes were the products listed above, and these amounted to \$68 million in the April-June period; thus for nine months the saving on these less essential goods would amount to \$204 million. This again represents the maximum saving likely to be achieved, and it implies that a further reduction in imports will have to take place. If some of these less essential goods have already been replaced by essential goods, the net dollar saving would be correspondingly reduced.

Trade and Commodities

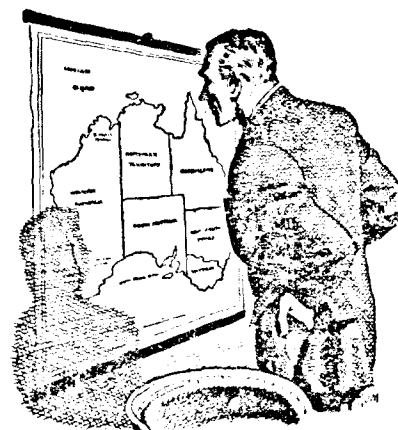
Trade Deficit Widens Again

No reassurance is to be found in the provisional figures for Britain's foreign trade last month. The value of exports fell by £4,500,000 to £137 million, the lowest total since last September. It is true that exports are usually small in August because of the holidays, and it is true that, while the daily rate this year was only 3 per cent less than in July, twelve months ago the corresponding decline was 3½ per cent.

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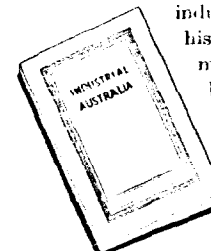
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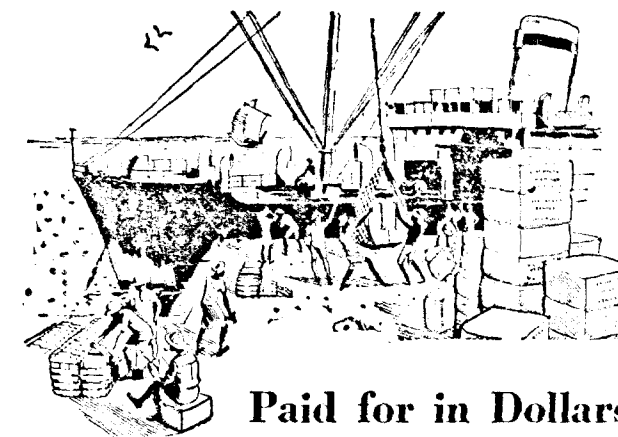
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But there is an important difference to take into consideration. In 1948 exports reached their seasonal peak in July. This year the seasonal peak was attained in June; the July figure was diminished by the dock strike. Thus the reduction in last month's figure represents in reality a more serious decline than a year ago. Apart from holidays, the main cause has been the closing of the South African market. Shipments to the Union in August totalled just under £5,500,000 compared with £14 million in July and £19½ million in June; the figures for those two months were exceptionally high because of the rush to forestall the new import restrictions. Exports to the United States fell, but were still as high as their monthly average for the second quarter of the year, whereas exports to Canada fell to well below the average level of the second quarter.

Imports increased in August by over £13½ million to £200 million—only £1,700,000 less than the record figure of June. It is possible that the dock strike delayed the unloading of some supplies which reached the ports in July, and that these were therefore recorded as August imports. In previous years imports reached a seasonal peak in July. The average of imports in July and August was slightly below the monthly average in the second quarter.

On the basis of these figures the visible adverse balance of trade (imports valued c.i.f. and exports f.o.b.) rose by £18 million to £59 million—the highest monthly figure for two years. The cumulative balance, however, was still below last year's level; for the first eight months of 1949 it totalled £295 million against £321 million a year ago. But this was due to the small adverse balance during the first quarter. If present trends continue, the trade deficit this year will be significantly larger than in 1948.

* * *

Export Licensing for Wool

Last year the sterling area lost some \$10 million through the sale of dominion wool to the United States by countries outside the sterling area. To stop this leak Australia tightened up its licensing system, and this year, at any rate, the loss of dollars from this source has been negligible. But this was probably due more to the slump in the American wool textile industry than to the new licensing system. The Board of Trade is now to introduce export licensing for raw wool from Britain, starting next Monday.

Arbitrage in commodities between currency areas is clearly only a reflection of a more fundamental dislocation which the system of fixed exchange rates can only accentuate. To attempt to stop it by a licensing system is like trying to cure pneumonia with aspirins. Nor is that all. The amount of dominion wool re-exported from Britain to the United States is in any case small, and the disadvantages of interfering with a smoothly-running market may well outweigh any advantage gained. Admittedly, the saving of even one million dollars would be important. But how far would a licensing system help? It could ensure that wool sold to, say, the Netherlands is in fact shipped to that country. But without the ready co-operation of the buying countries—and particularly of the United States—it would be impossible, even if it were desirable, to prevent subsequent transshipment in the course of legitimate trade.

Wool brokers can be expected to co-operate with the Board of Trade to reduce the dollar leak, but an effective licensing system would restrict the operation of a free market. The idea that the seller of a commodity may determine its use—that the buyer in acquiring the goods does not acquire the right of free disposal—is itself a disquieting one. If systems of conditional sale were to spread to certain other commodities, the whole concept of a free market would be undermined.

Egyptian Cotton as a Substitute

Orders issued by the Board of Trade this week permit manufacturers to use Egyptian-type cotton yarns in certain utility cloths for which American-type yarn has previously been specified. For cloths in which Egyptian yarn has thus been substituted for either warp or weft, converters are allowed to raise their maximum selling prices by 5 per cent. Where Egyptian yarn is used for both warp and weft, the maximum selling price is raised by 10 per cent. The reasons for these new specifications are not hard to seek, though they may be hard to justify. The Chancellor of the Exchequer announced in July that imports of American cotton would be cut, though he did not contemplate any reduction in output in Lancashire. Part of the cut could, no doubt, be made at the expense of stocks. But since cotton production in Brazil, the main alternative source of supply, is declining, it was clear that in the long run output in Lancashire could, in these circumstances, be maintained only by substituting Egyptian for American cotton.

Egyptian cotton was used as a substitute for American at a critical time two years ago. The result was that stocks of Egyptian cotton in this country were nearly exhausted, and the "panic" buying which took place in the following February helped to bring about the sharp rise in the Alexandrian market. The lesson has, no doubt, been learnt, and an exact repetition is unlikely. But the implications for British cloth prices are still sinister. With Egyptian cotton nearly double the price of American cotton (admittedly the qualities are different), substitution will raise costs and prices. It offers, therefore, a clear example of the painful choice between dollar expenditure and higher costs. Higher prices will, in turn, further restrict exports to the dollar markets, whether or not expedients are found to keep these more costly products saleable at home and in the soft-currency markets overseas.

If the area planted to cotton is any guide to output, Egypt should have a large crop this year. The first official estimate shows an acreage 16 per cent greater than in 1948-49. There have been the usual reports about worm infestation, particularly in certain districts of Lower Egypt. Weather has not been favourable, and last year's high yield is unlikely to be maintained. If the damage done by worm should prove serious, the total crop may not be very much larger than a year ago. In that case, with the world-wide shortage of dollars tending to inflate the demand for non-dollar cotton, the Egyptian and American price levels might well be pushed still further apart in the coming season. Even without this handicap, productivity in Lancashire needs to be increased quickly if British cotton textiles are to stand up to competition. How can production costs absorb this additional disadvantage?

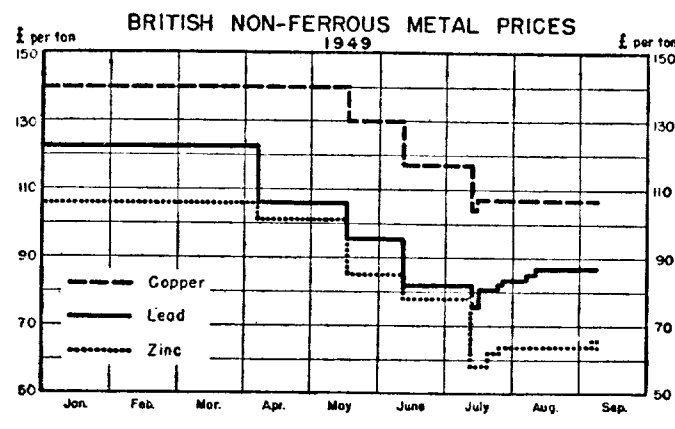
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Prospects for Base Metals

The Ministry of Supply chose its time well to institute its new policy of keeping its selling prices in line with those ruling in the American market. The policy came into force on July 12th and the prices of copper and lead rose on the following day. Since then the Ministry has benefited from the recovery in base metal prices in the United States. Copper has been more stable than the other two metals. Its price fell to a low point of 16 cents a lb. in the middle of June, compared with 23½ cents two months earlier. It recovered to 17½ cents (£99 a ton) and has since remained at that level. On July 12th the British selling price for copper was reduced from £117 10s. a ton to £104, and the next day it rose to £107 10s.; it has so far remained at that level. The price for lead in New York was 12 cents a lb. in June, compared with 21½ cents three months earlier; it has since crept back to 15½ cents (£84 a ton). Zinc, which was 17½ cents a lb. in March, fell to 9 cents in June, but afterwards recovered first to 10 cents a lb. and more recently to 10½ cents (£58 10s. a ton). This latter rise, however, was not held and within a week zinc was back

to 10 cents a lb. (£55 10s. a ton). The British prices for lead and zinc have followed the American market at a close interval: lead is now £87 5s. a ton and zinc, which rose to £66 5s. a ton a fortnight ago, was reduced last week to £63 10s. a ton.

The future trend of base metal prices will be influenced to some extent by the freeing of the American tin market. Zinc



is still dearer, relatively to copper, than before the war. This may be due to the increased uses for zinc castings, which can be expected to persist. But it has also been due, in part at any rate, to the high price of tin. If, as is generally expected, the price of tin falls when the American exchange re-opens, the price of zinc may ease in sympathy. Lead is still in relatively short supply in the world, and its use continues to be restricted in many countries. For this reason alone it is likely to be dearer (compared with before the war) than either of the other base metals, though last March showed clearly what can happen if

American demand for storage batteries should decline. Copper output has expanded more rapidly than the production of either lead or zinc; so, too, has its consumption. But because of its importance in the electronic era, its recent stability of price might be due to more fundamental factors than the mere organisation of the American copper market.

The level of activity in the United States is still, however, of overriding importance, while purchases for the stockpile must also be taken into consideration. Commercial stocks of all three metals were at a high level in America at the beginning of the year, and once a weakness in the market became evident purchases declined rapidly. Domestic deliveries of copper in the United States in June were between a half and one-third of those during the first quarter of the year. Deliveries of lead slumped by almost as much, and deliveries of zinc fell to about half their level in the first quarter. The initial recovery in prices was due to renewed purchases for the stockpile, but commercial stocks are also being replenished. American manufacturers, however, are still cautious and are apparently buying only for working needs.

Finance and Investment

Gold at the IMF Meeting

South Africa has played the most vocal part, at least in the public sessions, in advancing controversial subjects at the International Monetary Fund meeting. Mr Havenga, the South African Finance Minister, made a general plea for IMF action in writing up the currency price of gold by all member countries. He also put forward a formal motion asking for IMF authorisation to gold-producing countries to sell up to 50 per cent of their output in the various premium markets of the world. The first plea was rejected by Mr Snyder, US Secretary to the Treasury, who stated that he saw no reason



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why he should propose a higher price for gold to his government. The reasons for this refusal are very concisely put forward in the annual report of the International Monetary Fund. This points out that under present conditions the predictable effect of a general upward movement in the currency price for gold on the United States would merely be increased exports in exchange for further additions to its gold supply, which is already about two-thirds of the world's reserves. The report of the IMF adds:

In so far as the United States is prepared to maintain a large export surplus to facilitate world recovery, it can do this more effectively through its foreign aid programme than through an increase in exports to gold-producing and gold-holding countries. A rise in the dollar price of gold could have no positive effect in correcting the maldistribution of gold unless and until the present payments difficulties have been met.

The IMF report also attacks any proposal for a uniform rise in the price of gold, on the ground that it might be regarded as a substitute "for the measures in the sphere of exchange and payments policy" which have to be taken if international balance is to be restored.

The refusal of the United States delegate to consider any such suggestion has ruled this proposal out of court. The South African motion regarding the sale of gold at a premium was referred to a special committee of the IMF. The day following this move, however, South Africa surprised all concerned by withdrawing the gold price motion before this committee. Announcing this decision, Monsieur Gutt, managing director of the Fund, said that the South African Finance Minister had acted on the ground that the motion was "too narrow." Perhaps Mr Havenga realised soon after his motion had been tabled that the issue would soon become one of comparatively academic interest and that South Africa's desire for a higher gold price, at least in terms of its own currency, might be satisfied by some other means.

The New IEPS

Final details are now available of the new Intra-European Payments Scheme which comes into operation in October and covers the period to June 30, 1950. The contributions and drawing rights exchanged under the scheme were set out in *The Economist* last week. These are definitive figures and the wording of the new scheme appears to make no provision for adjustment to a cut in the total Marshall aid appropriation by Congress, an appropriation on which the final vote has yet to be taken. The main outlines of the new scheme have been known for some time past and were given in *The Economist* of July 9th. In contrast to the first version of the scheme, there is a certain element of transferability of drawing rights in the new version, but this has been kept down to 25 per cent of the drawing rights established and announced last week. The introduction of an element of transferability into this year's scheme necessitates the setting up of a dollar "pool" to cover multilateral drawing rights. It is in the detailed provisions applying to this pool that the full text of the new scheme is most informative.

The pool is to be created by crediting to it dollars equal to one-quarter of the drawing rights established under the IEPS. In the case of Belgium the amount to be credited to the pool will be one-quarter of the amount allotted to the Belgo-Luxemburg Union to cover its Western Hemisphere deficit, together with the whole of the \$112½ million which has been set aside to cover that part of the excess of Belgium's surplus with OEEC countries over its deficit with the Western Hemisphere which is to be made available to Belgium in dollars from ECA funds. The monthly compensation of intra-European debts will continue to be handled, as hitherto, by the Bank for International Settlements. The deficits which remain after the first compensation are to be financed wherever possible by the utilisation of the bilateral drawing rights. When these are exhausted the deficits will be financed by any available multilateral drawing rights. When-

ever the BIS uses multilateral drawing rights it will inform ECA of this fact and ECA will then make a firm allotment to the creditor concerned of conditional aid from the dollar pool. This is the machinery by which the conditional Marshall dollars will in fact be made to follow the expenditure of the multilateral part of the drawing rights.

The new IEPS agreement incorporates provisions for review and rules for commercial policy designed to safeguard the position of both debtor and creditor nations under the scheme. These rules provide for appeals to OEEC when the revised scheme, which has as its principal object the stimulation of competitive trade in Europe, appears to be abused by any participant.

Peso Loses Its Gold Backing

By authorising removal of the 25 per cent gold backing of the Argentine peso, the Peron Government has been forced to acknowledge in yet another way the pressures resulting from its economic policies of recent years. In the early postwar phases it was easy enough for the Argentine Central Bank to satisfy the obligation to back the peso by gold or gold guaranteed foreign exchange to the extent of at least 25 per cent. But despite the bank's substantial sterling holdings—all of which carry the necessary guarantees—the statutory gold backing has been declining rapidly over the last two years. By last August the backing amounted to only 27 per cent of the note issue as compared with 64 per cent at the end of 1947. Although it is generally believed that the 25 per cent minimum had been infringed some time before the new law was introduced, it is just possible that the Argentine Government's delaying tactics in granting import licences for British goods may have been partially prompted by a last attempt to defend the minimum reserve. This would have been in addition to other motives such as the Argentine bull position in sterling, discussed here last week.

Date	Liabilities		Assets		Reserve Ratios (b)	
	Note Circulation (1)	Deposits (2)	Gold (3)	Gold Guaranteed Foreign Exchange (4)	(3) + (4) as Per Cent of (1)	(3) + (4) as Per Cent of (1) & (2)
June 30, 1947.	4,404	12,096	2,045	1,834	95	73
Dec. 31, 1947.	5,346	12,813	1,039	2,344	64	46
Mar. 31, 1948.	5,322	13,523	831	2,955	56	40
June 30, 1948.	5,395	14,165	621	1,870	45	32
Sept. 30, 1948.	6,157	14,750	513	1,446	34	27
Dec. 31, 1948.	6,845	16,334	454	1,574	35	27
Mar. 31, 1949.	8,515	17,537	434	1,462	32	29
June 30, 1949.	6,358	18,951	505	1,502	31	23

(a) Commercial banking deposits held on behalf of Central Bank.

(b) Ratios as published by Central Bank.

Meanwhile the boom in ordinary shares on the Buenos Aires stock exchange and the rise in the local price of gold suggest that local observers believe that devaluation of the peso cannot be long delayed. If this judgment is correct it becomes all the more important that Britain should insist that the financial remittances overdue to British nationals should be guaranteed at the exchange rate for financial transfers in force at the time of signing the Anglo-Argentine trade pact.

Incentive for Dutch Dollar Exporters

The long-awaited scheme to give Dutch exporters to the United States and Canada a dollar bonus has been operating for the past week—and already the first results are visible. Under the scheme, Dutch exporters to the dollar area are allowed to retain in dollars ten per cent of the proceeds of their exports, and virtually no restrictions are put on the disposal of these funds. In effect, of course, this is equivalent to a

partial devaluation of the guilder in terms of dollars, and since it is unlikely that the Dutch authorities would at this particular moment be willing to defy the International Monetary Fund, it must be assumed that the Fund's earlier objections to the scheme have been overcome. The Netherlands Bank can well maintain that it is acting according to the precepts of no less an authority than Mr Paul Hoffman, who on his recent tour to Europe repeatedly urged that exporters to the dollar area must be provided with a differential monetary incentive to earn hard currencies.

Broadly speaking, Dutch exporters will be able to put their 10 per cent in dollars to three different uses. They can build up a dollar nest egg, always a strong attraction for any Continental business man. Alternatively, exporters anxious to maximise their guilder earnings can repurchase guilders by acquiring notes or securities standing at a substantial discount in New York and reselling these at parity in Holland. The third alternative is to buy American goods for importation into Holland, where nylon stockings or American motor cars, for instance, command a substantial premium over the dollar price calculated at the official parity. The first result has been that Dutch banknotes and securities, probably in anticipation of the scheme rather than on the strength of actual purchases, have already appreciated in New York.

Scottish Bank Merger

A merger between British banks occurs so rarely nowadays that any amalgamation, even between joint affiliates of the same bank, is of particular interest. It was announced this week that, subject to the approval of the Scottish Court of Session, the Clydesdale Bank and the North of Scotland Bank will be merged with effect from January 1st next, and thereafter will operate as the Clydesdale and North of Scotland Bank, Ltd. The requisite Treasury approval has

already been obtained. Since the capital of both institutions is owned by the Midland Bank, no outside shareholders' interests are involved; moreover, the whole of the present staffs will be retained in the service of the combined bank. As measured by the extent of deposits shown in the latest available balance sheets, the North of Scotland Bank, which dates from 1836, is the smallest of the eight Scottish banks (with deposits of £59 million), while the Clydesdale Bank, founded in 1838, ranks third in the list (with £102 million). After the merger, the new institution will thus become the largest banking unit in Scotland; the Royal Bank, which last October had £133 million of deposits, will rank second.

Since both the Clydesdale and the North of Scotland banks have been affiliates of the Midland Bank for the past 29 and 25 years respectively, and since their spheres of business are largely complementary, the merger is a logical step. That it has not been taken sooner may perhaps be attributed to the need to acclimatise sturdy local opinion to a departure from tradition, and in particular to the disappearance, as a separate unit, of the only bank which, for the past 30 years, has had its head office in Aberdeen. Recently, no doubt, the growing pressure of costs—aggravated in all banks by the familiar "bulge" in the age-distribution of staff—and the difficulties which small entities like the North of Scotland Bank must encounter in these days in finding specially qualified staff to deal with the intricacies of foreign and other business, must have combined to make the spreading of overheads and other economies of integration increasingly desirable. Considerations of this sort, of course, are common to all small banks, but the geographical location of the North of Scotland Bank, which probably finds few outlets for its advances other than farming and fishing, always presented a rather special problem. In all the circumstances, therefore, the new combined bank should be able to give a strengthened service to its customers without losing any of the special characteristics of its two constituents.

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Bankers at Oxford

For the past two weeks bankers from some forty different countries have been assembled at Christ Church, Oxford, attending the second International Summer School of the Institute of Bankers. Most of the lectures at this year's assembly have been concerned with the technical and financial apparatus which has been built up since the war to aid—or hinder—the development of foreign trade. The British system of Payments Agreements, the technique of Exchange Control, the Intra-European Payments Scheme, the ITO Charter and the law relating to Documentary Credits have been among the subjects discussed. At least three lecturers were invited to take more ambitious sweeps into major problems of current controversy. Sir Hubert Henderson discussed the problems raised by the continuance of inflation in Britain, which he said had “ceased nearly everywhere else, at any rate outside the sterling area.” His prescription was a retrenchment of public expenditure at home and an attempt to combine controls (including long-term contracts and bilateral agreements) with appropriate price relations abroad. Professor R. G. Hawtrey expounded his theory that inflation must continue until the value of the currency falls far enough for the flow of money to catch up with the enlarged stock of money. He believed that this stage may have been reached in America, but that in Britain there was some £2,000 million of “redundant money” still left. Finally, Mr Leslie Gamage attacked some facets of Britain's “hurriedly produced” export policy, likening an economy subject to rigid Treasury control to “a big business directed by the cashier.”

This year's session of the School, like the first gathering last year, will be valued by all associated with it, especially for its active exchange of views quite outside the more formal programme. It must also have served as a welcome reminder to the overseas visitors that, despite the fall of sterling from sovereign power, Britain is still the natural centre for informed discussion on the wider issues which lie behind the deceptively humdrum business of international banking.

* * *

Mr Butlin Takes Over

The holiday atmosphere appears for the moment to have departed from the Butlin camp. Mr Ian Anderson, chairman of Butlin's, Limited, since January, 1947, has now resigned. He retains his chairmanship of Butlin Properties and his directorship of Butlin's Bahamas. But there has evidently been a sharp difference of opinion about the conduct of Butlin's, Limited, between Mr Anderson and Mr W. E. Butlin, who has now succeeded him as chairman, which appears to stem

from a disagreement about the appointment of a new director to the board. Mr Anderson apparently wanted a director with considerable experience in financial matters, whereas Mr Butlin preferred a man who would identify himself with the life of the camps themselves, as he has been wont to do since they were started. If that were all, the public interest in the matter would not be particularly important. But there have also been suggestions, first, that a certain financial group has been attempting to gain control and so change the company's policy against the wishes of Mr Butlin, and, second, that Butlin's, Limited is in urgent need of further finance.

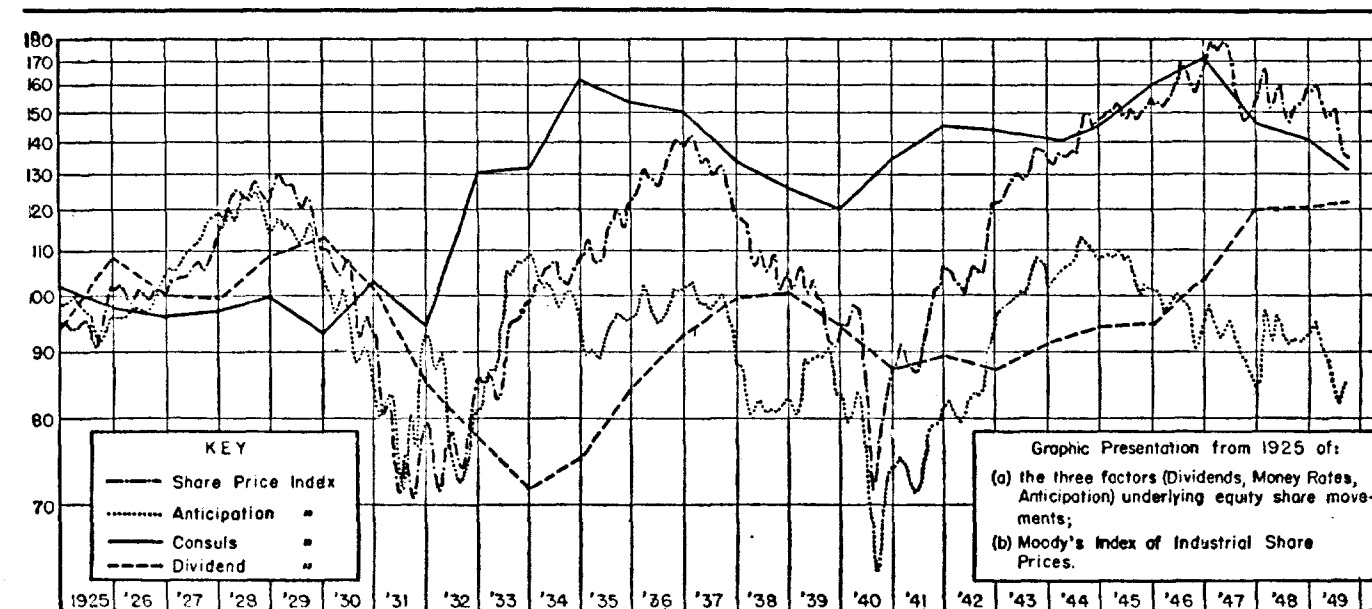
The first of these suggestions has been openly affirmed by Mr Butlin, who has expressed his determination not to let any outside financial interests interfere with his running of the camps. His natural desire is to carry on the development of the company along his own lines. But it is evident that the financial aspect is far from rosy. Last week's cut in the interim dividend of Butlin's, Limited, from 50 per cent to 10 per cent, though paraded as an act of enlightened policy, suggests real uneasiness about the course of profits. Moreover, the group balance sheet at December 31, 1948, shows net current liabilities of £348,000 and cash at £67,708. Mr Butlin last week offered no comment about the current year's trading, but declared that there was no intention of raising further capital in the near future. Any new approach to shareholders would be for extensions to camps and not for existing camps. Mr Butlin is entitled to take credit for the fact that so far he has obtained all the money required for his ventures from shareholders. He is the founder and largest shareholder, and his intention to remain independent of “financial interests” is at least understandable. But he has wider responsibilities as chairman of this public company, and he ought not to dismiss from his mind the fact that the shares of Butlin's, which once reached 24s., now stand at 5s. 3d.

* * *

Moody's Anticipation Factor Index

A new attempt to isolate the factors which control long-term movements in share prices has been undertaken by Moody's Services, Ltd. Their research has covered movements of ordinary share prices on the London Stock Exchange back to 1925 and has resulted in the production of an index of what is called the “anticipation factor.” Starting with the Moody's monthly index of ordinary share prices, the compilers have removed from the index the influence of changes in dividends and money rates. This is done by the use of the formula—

$$\frac{\text{Share Index} \times 100 \times 100}{\text{Dividend Index} \times \text{Consols Index}}$$



The residual index from this calculation, it is suggested, reflects the real state of confidence in the share market and will provide a more reliable pointer to the earning power of industry in general. The index will henceforth be calculated monthly.

The anticipation index appears to break new ground in investment research and is an interesting addition to investment statistics. The trend of the index over the past twenty-five years, plotted against the course of the other three Moody's indices, is reproduced in the chart on page 636. The fact that no precise time relationship can be established between the new index and the other three indices is evident at once. This may dispose some critics to dismiss it as a useful medium for measuring “the view that the market takes of the future”—the more so because it is traditional to regard the current level of ordinary share prices as measuring just that view, and traditions die hard in investment circles. It is also evident that although the index has been purified of the factual elements of current dividends and money rates, the anticipation element of future dividends and money rates remains. Nor is it perhaps justified to regard current dividends and existing money rates as the only two current influences affecting the level of share prices, though they may be the only factors which are readily measurable. For instance in these days, if not at all times, political factors appear to exercise an equally potent influence whose effect is not by any means confined to discounting the future. Within these and other limits—particularly the mathematical limits which, as Moody's point out in their circular about the new index, partly account for its unusual course—investors will welcome this addition to their equipment.

* * *

Tunnel Cement and Nationalisation

Like Tate and Lyle whose scheme for “hiving off” investments has been sanctioned by stockholders this week, Tunnel Portland Cement is trying to ensure that a new Labour

Government, should it emerge from the next general election, will not be able to proceed to the next stage of nationalisation. Cement, sugar, water supply and industrial insurance are specifically named in this programme. The board of Tunnel Portland Cement has under consideration a scheme to segregate the overseas assets of the group. The present idea is to form a new company—Tunnel Cement Investments Ltd.—to acquire these assets. Shares in the new company would be distributed to preference and ordinary shareholders of Tunnel Portland Cement, whose share capital and share premium accounts would be correspondingly reduced. The project is still in the formative stage and Court sanction would have to be obtained, but proposals will be put before shareholders in due course.

The extent of the overseas interests of Tunnel Portland Cement is not precisely known. In the consolidated balance sheet at March 31, 1949, trade investments appear at £1,530,591 at cost out of total group assets of £8,883,346, while shares in subsidiary companies are valued in the parent company's balance sheet of the same date at £946,212, also at cost. Hence, ignoring the possibility that the intrinsic value of the assets represented by these interests exceeds their book value at cost, Tunnel Portland Cement's investments in subsidiaries and associated companies amount to approximately £2,500,000. Not all these investments are in overseas countries. For instance, Tunnel Portland Cement has a controlling interest in the Tunnel Asbestos Cement group whose total consolidated assets at March 31, 1949, alone had a book value of £720,310. None the less, on a rough estimate, it is conceivable that the new company might take over overseas assets worth possibly between £1,000,000 and £2,000,000 at their present values in the books of Tunnel Portland Cement. These would include interests in the National Portland Cement Company in the United States, the expanding Egyptian company Helwan Cement, whose capital is being increased from £900,000 to £1,000,000, a smaller enterprise in the Sudan which has now

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commenced operations and a new venture in Jamaica. In addition the transfer would presumably embrace the group's assets in Eire and Denmark, but not in Burma, where the company's interests have already been nationalised.

Although it is not so far covered by any official declaration on nationalisation by the Labour Party, International Combustion is also planning to "hive off" its interests outside this country. The first step was taken on September 9th by the registration of a new company, IXC Ltd.—with an authorised capital of £1,500,000 in £1 shares. This is apparently to be a holding company formed to acquire the main undertaking of International Combustion in this country, the South African, Indian and Australian subsidiaries, and the Aberdaire cables interests in South Africa. Details of an exchange of shares from the old company into the new are to be submitted for shareholders' approval at a future date. A similar plan was evolved in June by Union Cold Storage whereby the existing cold storage business in this country would be transferred to a wholly owned subsidiary and the name of the parent company changed to the Union International Company.

Industry

Anglo-American Cotton Trade Talks ?

Reports from New York indicated this week that the principal organisations in the United States cotton textile industry have agreed to renew the collective discussion of matters of common interest with the Lancashire textile industry. An Anglo-American cotton textile conference was held in England in April last year, and arrived at some tentative general conclusions about the division of the world trade in cotton textiles, together with a suggestion that Japanese spinning capacity might be limited to 3½ million spindles. Later events have shown even those tentative conclusions to have been abortive, and little has since been heard of the proposed limitation of Japanese spindleage. Sir Raymond Streat, the chairman of the Cotton Board, described this particular proposal last spring as having been "justifiable as a first public move taken to provoke thinking and evoke counter-proposals if other parties felt it was open to objection." These words themselves suggested that Sir Raymond, when he visited the United States early this year, had not found any universal readiness among American manufacturers to take common action about Japanese competition.

In fact, the United States industry is not nearly so closely organised as the Lancashire industry for common action of the kind suggested. The primary purpose of Sir Raymond Streat's visit early this year was to promote the idea of a joint Anglo-American industrial mission to Japan, which in turn was intended to lead to a common policy on Japanese matters which the two industries would press on their Governments. On his return, Sir Raymond expressed the hope that the idea would be approved. Things have not gone as far as that yet. The American cotton trade organisations have at length, however, agreed to another conference with the representatives of the Lancashire industry, to be held (if the British agree) in the United States. Mr William Pilanz, chairman of the American Textile Industries Committee on Foreign Trade, said in announcing this decision that the discussions were not expected to be limited to the question of a joint mission to Japan; they would "embrace a wide range of problems connected with world trade in textiles."

It is apparent that the Americans, though they too would not relish a return of full-scale Japanese competition on the prewar price-cutting lines, do not fully share the preoccupation of the Lancashire firms with the Japanese "menace." They have lost a great deal of foreign trade in the past two years—in spite of the severe reduction of their own prices—largely because of the closing of so many of the world's

markets to dollar manufactures. Their main concern must be to reopen the channels of world trade.

Engineers' Initiative

An initiative taken by the British Engineers' Association is designed to put into effect a proposal of the engineering mission, led by Sir Harry Gilpin, which visited Canada last year. The mission suggested that sections of the British engineering industry should maintain specialist representatives in Canada to seek out opportunities there of expanding engineering imports from Britain. These representatives would have a number of specific duties—"to obtain early news of important projects and to ensure that purchasing specifications give a fair chance to British firms and to recommend the appointment of effective agents"—and general tasks hardly less important, such as "to remedy the widespread ignorance in Canada of United Kingdom technical achievements."

In the year that has gone by since the Gilpin Mission made its visit, nothing has come to light to call in question the good sense of this suggestion. Canada is an exceptionally large importer of capital goods. Last year the Dominion imported from the United States machinery (including electrical machinery and apparatus, but excluding vehicles) to the value of £111.4 million, and from Britain machinery to the value of only £5.1 million. This is the more absurd since British-made machinery enjoys a tariff preference.

The British Engineers' Association, which represents the bulk of the mechanical engineering industry in Britain through its federated trade associations, has now passed on to its members a set of detailed proposals, worked out with the Government, to bring about the kind of technical representation in Canada which the Gilpin Mission recommended. Each of the associations in the engineering trade is asked to consider the appointment of a representative for its branch of the trade. The Treasury has offered to bear up to 75 per cent of the cost (which would be between £5,500 and £6,000 a year for each representative) and proposes to recover its expenditure by a levy on the additional business obtained by subscribers. A company will be formed to co-ordinate the operation. It now remains for the trade associations, and for individual firms, to determine what support they will give. Firms which have not found it economic to maintain their separate representation in Canada may well find that joint representation is worth while. One addition needs, perhaps, to be made to the representatives' list of duties; if the scheme is to work, they will need to devote time to remedying the "widespread ignorance" in Britain of the special requirements of the Canadian market.

The Cost of Coal

The average cost of coal mined in Great Britain reached the highest quarterly figure so far recorded—45s. 11.4d. a ton—in the fourth quarter of 1948. The National Coal Board, in its report for 1948, was able to point out that the curve of ascending costs was then flattening and had since begun to fall. The first quarter of this year accordingly showed a decline to 44s. 6.8d. a ton. The decline was not maintained in the second quarter of the year, when (as the second quarterly statistical statement for 1949, published this week, shows) cost per ton rose to 45s. 2.2d. This is explained largely by the, paid holidays at Easter and Whitsuntide, which fell in the second quarter. These would by themselves account for rather more than the net decline in total output (from 47 to 45.5 million tons) which was in fact recorded. It would not reduce the wages bill proportionately, and the wages cost per ton rose by nearly 4d. Roof supports and repairs tend to cost more, instead of less, at holiday times, since much of the repair work is done then. The increase in steel prices in June also added to the cost of roofing. "Other costs," which include depreciation, persist for the most part whether coal output is

interrupted or not. Continuing expenditures of this kind therefore add to the cost per ton. Their effect in any period of slackening production is clearly illustrated by the figures for the north-western division, where the strike over concessionary coal in Lancashire and Cheshire caused the cost per ton to rise by 2s. 3d. This adverse influence is incorporated into the general figures. If these things are taken into account, there is colour for the view that the Coal Board is still managing to keep labour costs in check.

The revenue position of the board was reasonably well maintained in the second quarter; instead of a surplus of £3,832,650 it showed a surplus of £2,491,883—after making a new provision of £650,000 for profits tax, which has not previously appeared in its accounts. Less cheerful is the prospect of what will have happened in the third quarter, which includes seven paid holidays and (as the meagre weekly coal output of the past two months has shown) a prolonged period in which production is upset by the holiday spirit.

Clouds on the Shipbuilding Horizon

Figures published in the *Monthly Digest of Statistics* show that merchant ships under construction in the United Kingdom at the end of July totalled 1,874,000 tons gross; this is the lowest figure recorded for two years. The fall of 61,000 tons since the end of June means that about 130,000 tons were completed during July and only about 70,000 tons were laid down. The turnover of the shipyards in the first seven months of this year, however, compares favourably with that for the same period of 1948. The tonnage completed in the seven months was 780,000 tons and the tonnage laid down 661,000 tons; these figures compare with 628,000 tons and 642,000 tons in the same months of last year. The tonnage of ships under construction for export has declined to 629,000 tons from the peak of 701,000 tons which was reached in January. Tanker tonnage under construction has increased since January from 619,000 tons to 690,000 tons, and of this total 333,000 tons are for export.

What the statistics do not show is the serious decline in the number of new contracts being placed either by British or foreign owners with British shipyards. Hardly any new contracts have been announced in recent weeks; the loss to a Belgian shipyard of an order of at least £2,000,000 for a Portuguese company has been almost the only piece of news. The reason is not hard to find. British shipowners in speeches at recent launches have gone out of their way to stress that high prices are holding up new contracts. Foreign owners have gone further, placing their orders with foreign yards. Representatives of several types of shipping have recently given figures which show the extent to which building costs have risen in the past three years. The new P & O passenger liner *Himalaya*, for example, was estimated when she was ordered to cost about £2,400,000. Her final cost has worked out at about £3,500,000. On 31 cargo liners delivered since the end of the war, Ellerman Lines have had to pay £1,600,000 more than was anticipated. This is not an extreme case. The *Athel Line*, when it ordered 11 tankers to replace war losses, expected to have to pay £6,000,000, but now finds itself liable for £7,250,000. A tramp company which is now beginning to take delivery of five vessels ordered in 1946 finds that they have taken nine months longer to build and cost £275,000 more than was anticipated. These figures, striking though they are, do not impress themselves so readily on the industry or on its suppliers as will the sight of empty berths and order books which must inevitably follow unless steps are taken to bring costs down. The shipowners seem to feel that little can be done without the co-operation of labour. This will not necessarily mean reducing wages, but it will mean removing restrictive practices and, if necessary, working longer hours. Dearer coal, steel, transport and power, as well as taxation, have had their inevitable effect on ship-

building prices, but labour costs still account for a good three-quarters of the price of a ship, and in an international industry the customer cannot always be forced to bear the burden.

International Comparisons of Labour Costs

The study of relative changes in labour costs which has been made by the secretariat of the United Nations Economic Commission for Europe is a brave effort, but its effect has been little more than to demonstrate the fallibility of statistical exercises when these are conceived in a too ambitious way. The new study opens with a retraction of calculations made in the *Economic Survey of Europe in 1948*, which the Commission published in May. Those calculations attempted to show the movements in European industrial wages and labour costs in relation to corresponding changes in the United States. They need not be recapitulated, since the Commission now admits that "an important error has arisen in them" because "movements in the hourly earnings in industry have been compared with the movements in output per man without any allowance being made for changes in the number of working hours." Since the number of hours worked per man in the United States rose by 13 per cent between 1939 and 1948, and remained in general unchanged in Europe, this is an error indeed. The general statement, made in the *Survey*, that output per worker in American industry rose by some 30 per cent between 1938 and 1947 has therefore had to be qualified; the new study says that American productivity "on a man-hour basis" rose by only 10 per cent between 1935-38 and 1948. It also purports to demonstrate that labour costs, measured in dollars, have risen considerably less in Britain than in the United States. The accompanying table gives extracts from the new calculations.

RELATIVE CHANGES OF LABOUR COSTS IN INDUSTRY Indices of Output, Earnings and Costs in 1948. Average 1935-38=100						
	France	Germany (Western Zones) (b)	Italy	Sweden	UK	US
Average output per man-year in industry	94	62	80	121	115	120
Average weekly earnings (national currencies)	1,235a	134	5,645	225	228	249
Annual wages adjusted for employers' contributions to social services (national currencies)	1,457a	135	6,910	230	231	249
Labour costs in industry per unit of output (national currencies)	1,550a	218	8,630	190	201	208
Labour costs in industry per unit of output (US dollars)	196a	232	241	209	165	208
(a) 1937-38 = 100. (b) Second half of 1948. Indices prepared by Economic Commission for Europe.						

Before this pleasant line of thought is carried any further, it is necessary to note that the new study is marked by flaws of a hardly less vital character than those which invalidated the first attempt. Principal among these is the fact that the comparisons of prewar and postwar production are based on a calculation using prewar weights. This can only mean that (other things also being equal) the comparison would be valid if the structure of industrial activity in the countries compared had remained static since 1935. But obviously they have not remained static. The fact that the American industrial economy has changed more rapidly than any other (using, for example, the shift of sources of power from coal to petroleum and the innumerable new technological opportunities which have followed from that shift) is perhaps decisive among all the economic advantages which the United States has enjoyed since the war. As the study itself observes, "the alternative index number using postwar weights would give a lower output for the United Kingdom and correspondingly higher labour costs for 1948." The fact seems to be that the material for a fully comparative study of this kind does not yet exist.

TUNNEL PORTLAND CEMENT COMPANY

SUBSTANTIAL INCREASE IN EXPORT TRADE

AN EFFICIENT AND WELL ORGANISED INDUSTRY

LABOUR'S NATIONALISATION PLANS THREAT TO PRIVATE ENTERPRISE

MR. N. M. JENSEN'S REVIEW

The thirty-eighth annual general meeting of The Tunnel Portland Cement Company, Limited, will be held on October 3rd, at 105, Piccadilly, London, W.

The following is the review of the chairman and managing director, Mr N. M. Jensen, which has been circulated with the report and accounts for the year to March 31, 1949:

The accounts before you are set out in practically the same form as last year, but we have given comparative figures and we have also—for the purpose of clarity—set out the notes to the accounts separately.

PROFIT AND LOSS ACCOUNT

The profit on trading, together with dividends and interest, amounts in all to £1,043,045, as compared with £911,385 for the previous year. There has been a substantial increase in the export trade, in which the high prices have been maintained, and there has also been a substantial increase in the dividends we have received on our trade investments. Provision for income tax and profits tax corresponds to the profits for the year, but, as explained in the notes, we have taken into account reliefs amounting in all to £81,800 in respect of initial allowances on capital expenditure. The net profit for the year, after taxation, works out at £565,811. After setting aside a further sum of £90,000 to a special depreciation reserve, and providing for the dividends on the Preference shares and the interim dividend and the proposed final dividend on the "A" Ordinary shares and "B" Ordinary stock, there remains a balance to be carried forward of £875,160, which is an increase of £274,259 on the previous year's balance.

BALANCE SHEET

The issued capital and capital reserve are unchanged. The investment reserve is increased by £546,115. Of this £409,470 is the amount we have realised on the sale of our stock of Alpha Cement, Limited, over the book value adopted when we acquired this stock in 1938, and £129,802 is the final distribution from a subsidiary company which was in the course of liquidation on March 31, 1948. Special depreciation reserve has increased by a further £90,000 out of this year's profits. Property, plant and equipment has increased by net additions during the year amounting to £1,024,514, mainly expenditure on our new works in North Wales, and on the new kiln and grinding plant at West Thurrock. Notwithstanding the sale of our Alpha stock, trade investments have increased from £2,188,029 to £2,386,336. This is mainly due to our taking up our share of increases in capital by the Helwan Portland Cement Company and Ribblesdale Cement, Limited. During the year we have disposed of our British Government securities and there has been a consequent increase in cash at bankers and in hand, and tax reserve certificates.

DEMAND FOR CEMENT

During the year under review, the total deliveries and the export of British cement were greater than ever before. Export is still to-day a sellers' market, but there are indications that the demand is slackening, which

may result in lower prices and reduced deliveries. Any such decreases may be expected to be offset by an increase in the home deliveries as more labour becomes available for building and civil engineering work.

EXTENSION OF PRODUCTIVE CAPACITY

At West Thurrock our new cement kiln is now in full operation and more grinding equipment and packing plant are being installed. Our new works at Padeswood, I am sorry to say, is not yet working, but we are expecting the first unit to be started in October, and the second unit soon after. This means that we shall have been more than four years in building this new works, in spite of all the preparations made beforehand. Prior to the war, we could comfortably have built a similar works in less than eighteen months. The delay is, to some extent, due to the lack of steel and the consequent long delivery of machinery, but a main reason is the numerous consents and licences required and the failure of the authorities to co-ordinate and time the grant of these so that work could proceed smoothly. We have had the goodwill of the local authorities, as well as of the various Government departments, and we have met with every courtesy throughout, but the fact remains that the machinery of Government planning and control has become so involved and cumbersome that it slows down all operations and almost kills the urge for development.

As you are aware, we increased our capital in January, 1946, for the purpose of financing our programme of expansion. This capital has not yet earned any money, and you will realise what a tremendous burden the extra delay has been on your company. Had we been able to complete our extensions in normal time, we should have saved in interest alone a matter of some £150,000 and the country would have been able to export a further £3,000,000 worth of cement.

In January last we received permission to go ahead with the extension of our Pitstone works after it had been held up for nearly four years. This works was originally laid out so that it could be readily expanded, and it is one of the lowest cost works in the country. Had we been able to follow our own desires in this matter we should have saved the very substantial amount of money representing the difference between the cost then and what the extension will now cost us, and we should have been able to make still further quantities available for the export market.

OVERSEAS INTERESTS

I am happy to report that the Helwan Portland Cement Company in Egypt has had another successful year. The demand for cement in that country has grown continuously and it has recently been decided to expand the works still further. In order to finance this, the capital is being increased from £900,000 to £1,100,000. We have received the Bank of England's consent to subscribe our share of the new capital.

Last year I referred to the building of a small works in the Sudan. This has now commenced operation, and your company has arranged to subscribe 50 per cent. of the capital. The remainder of the capital is to be subscribed partly by the Helwan Company

and partly by other Egyptian interests, but we are hoping that it will be possible for Sudanese interests to be represented also.

Your company has taken a small interest in a new venture. The Caribbean Cement Company, which is building a works in Jamaica. This is particularly interesting because it is a joint American and British venture with a fair share of the capital raised locally.

The National Portland Cement Company in the U.S.A. has had a fairly successful year during 1948, and there are signs that we shall soon again see a satisfactory return on this investment.

ALPHA CEMENT, LIMITED

From 1938 until early this year, your company held 26 per cent. of the Ordinary capital of Alpha Cement, Limited, and the Associated Portland Cement Manufacturers, Limited, held the remaining 74 per cent. This joint interest worked satisfactorily on partnership lines until last year when it became clear that the Associated Company proposed to exercise fully its majority powers, with little regard to the views of your company, and to cease co-operation on the previous lines. Your Board decided that, in this situation, it would be better to bring this joint interest to an end, although our share in the productive resources of Alpha has been a useful supplement to your company's own production. Eventually it was agreed that Associated would purchase your company's holding of Alpha stock, and, at the same time, they undertook to dispose of the stock in your company which was issued to them when the Alpha stock was acquired. These transactions were duly carried out in the earlier part of this year.

TOWN AND COUNTRY PLANNING

In my review last year, I mentioned that the provisions of the Town and Country Planning Act, 1947, about development charge were causing grave concern in the cement industry and other industries which win and work minerals to provide their raw materials. It then appeared that we might receive out of the fund of £300,000,000 inadequate compensation only for the loss of our development rights, while a substantial development charge would be added to our costs of production. This was pointed out during the passage of the Bill and the Minister gave a pledge that a scheme would be introduced under which mineral undertakings would be granted full compensation, but only on a limited proportion of their resources.

Through the Minerals Committee of the Federation of British Industries, on which we were represented, the extractive industries have pressed the Central Land Board that the differing circumstances of individual firms in each industry should be considered and full compensation paid. A recent announcement by the Chancellor of the Exchequer shows that the Government has accepted this view. The claims of each individual firm for loss of development rights in its own minerals will now be looked at separately and settled in full.

This announcement, coupled with statements by the Central Land Board about the practice they propose to follow in assessing development charges, suggests that the amount of compensation for loss of development rights in our quarries will be approximately equivalent to the development charge we shall have to pay. On this basis the company will not suffer the grave hardship which was feared.

LONG SERVICE BONUS

For some years your company has had a profit-sharing bonus scheme under which nearly all our workpeople received a dividend on a notional amount of shares. In the case of some of the older employees this has amounted to as much as £12 10s. per annum. Your directors came to the conclusion last

year that it would be better to substitute a long service bonus for this arrangement, and a scheme was therefore introduced before Christmas under which, subject to certain conditions, all our workpeople receive an annual long service bonus at the rate of £1 for each full year they have been in our employ. I need hardly tell you that this decision was accepted with gratitude by all our workpeople.

NATIONALISATION THREATS

As you are undoubtedly all aware, the Labour Party has decided to put the nationalisation of the cement industry, the sugar industry, water supply and some industrial insurance on its programme for the next election. One wonders why a relatively small industry like cement should have been singled out for this purpose. The cement industry in its efficiency compares favourably with that in any other country including the U.S.A., and in the matter of sale prices it is ahead of any other country in the world to-day, in all of which prices are higher than at home. It is in relatively new hands and is well organised, but the floride Committee, which was appointed by the present Government, made it abundantly clear that the cement industry had not abused its position.

This company's initiative and urge to develop has not suffered by its co-operation with the other companies in the industry. May I just remind you that 20 years ago your company's capital consisted of only £100,000 Ordinary shares with a loan capital of £142,500 six-and-a-half per cent. debentures? The output of your works was a mere fraction of what it is today, and, in addition, your company now has substantial sums invested in overseas cement works and other undertakings. During the war years we have, of course, not been able to expand, and in the years after the war we have met with the difficulties I have mentioned; but, at the moment, your own company and other companies in which we hold an interest of 50 per cent. or more, are involved in an expenditure of about £3,800,000, mainly for the purpose of expansion.

At the Blackpool Conference in June last, the Lord President made the following statement:—

"Private enterprise can no longer be allowed to go its own sweet way. In the present state, all business, socialised and private, is the nation's business. The only proper justification for private enterprise is that it shall be efficient, economical, really enterprising and working for the common good. If it meets those requirements it will deserve well of the country, and receive the praise of Socialist Ministers. If it indulges in anti-social conduct it will be pulled up short and sharp."

I appreciate that this statement was made to excuse to his supporters the continued existence of private enterprise, and to threaten any private industry which failed to receive the praise of Socialist Ministers. It has, however, been thought to indicate that industries that were efficient, economical and enterprising and working for the common good might regard themselves as free from the threat of nationalisation. The selection of the cement industry proves how little regard in this respect can be paid to Mr Morrison's statement. If the findings of the various Committees appointed by the present Government are anything to go by, the cement industry has deserved well of the country. It has even received the praise of the present Minister of Works when he wrote some time ago:—

"I recognise that the industry has attained a high standard of efficiency and that its record of production at a time when replacement of plant has been virtually impossible, reflects credit on all concerned."

It is clear, therefore, no industry can in future feel itself safe against nationalisation as long as there is a Labour administration in

power—no matter how admirably such industry may be conducted.

If the Labour Party really believe in Britain and want Britain to believe in them, one would have thought they would have wanted to digest some of the immense amount of legislation that has been passed in recent years, and endeavour to prove to the country by results that their policy was right. Perhaps insufficient time has yet elapsed to prove anything, but, so far, there is no evidence to show that the country is better off with the nationalisation that has taken place. It was undoubtedly expected by well-wishers of Labour that the nationalisation of certain industries would improve conditions of and, at the same time, act as an incentive to the labour employed in such industries, but the country is still looking for evidence of this. Is there, in fact, anything to show that the State is a better or more considerate employer than well-run private enterprise?

The supply of cement is doubtless of national importance, but does anyone of intelligence and unbiased judgment in these matters believe that a nationalised cement industry will make more or better or cheaper cement than the present industry is able to do? Can anyone conceive that any organisation set up to conduct a nationalised cement industry could find and satisfy buyers in export markets as effectively as the present industry can, bearing in mind that export will not always be a sellers' market?

WE WORK OR WANT

The Government has placarded our hoardings with the slogan: "We work or want"; the Chancellor of the Exchequer has repeatedly offered the plainest of warnings to the same effect; we hear constantly the cry for more production. The plain fact is that as a country we are not working hard enough.

Ten years of total war in a span of one generation have undoubtedly taken their toll and affected us all in our desire, or rather lack of desire, to work harder and new incentives are, therefore, required to get the wheels moving at a satisfactory speed once again.

In relation to its output, the cement industry is not nowadays a large employer, since it requires only 2½ to 3½ man hours to manufacture a ton of cement, while 100 to 150 horse-power hours are used. Few other industries are mechanised to such an extent and they are, therefore, more adversely affected than the cement industry by any lack of human effort. This shows itself when, for instance, your company has to pay 200 per cent. more for its coal than it did in pre-war days and only receives 65 per cent. more for the cement sold in the home market.

The country is in a bad way and what is the remedy? Mere exhortations will not do. Shorter working hours and longer holidays may help to spread employment over a greater number of people, but they will not increase production. Social security should lead to happier living conditions, but unless it is accompanied by greater effort, there is obviously a danger that the country cannot afford the present schemes which will themselves become insecure.

Must we go through a period of lower standards of living and all the hardship and strife that this would involve before things can really be put right?

It has fallen to my lot to work in several countries and I have, for some years, had close contact with industries in other countries and, therefore, I have perhaps more opportunity than most to make comparisons. May I just make these comments? Most people nowadays do not quarrel with the principle of giving an equal opportunity to all, but are we not in this country going further than this? When an equal opportunity has been given, should there be no distinction made between those who have taken advantage of such opportunity and those who have not, or have even misused it? Is it not time

that we rewarded skill and hard work more than they are being rewarded to-day? Trade unions have done good work in bettering the lot of the working man, but, generally speaking, they have been opposed to payment by result, presumably from fear of exploitation and unemployment. Is it not possible for industry and trade unions to get together and evolve some scheme whereby the less fortunate worker is reasonably safeguarded and, at the same time, full scope and additional reward are given to the more hard working and skilled men? I believe this is the only real way in which production can be increased, but such incentive would be of no avail unless it was accompanied by a reduction in taxation.

STEPS TO SAFEGUARD SHAREHOLDERS' INTERESTS

Your Board has, for some time, been engaged on the question of how they could best safeguard your interests in the event of nationalisation being proceeded with. They are considering a proposal which would, broadly speaking, involve disposing of the overseas assets to a new company, in process of formation, to be called "Tunnel Cement Investments, Limited." The shares of this new company will subsequently be distributed among the holders of the Preference and Ordinary capital of your company by a reduction of the share capital and of the share premium account to which the consent of the Court will be necessary. Detailed proposals will be placed before all classes of shareholders in due course, and they will, in the opinion of the directors, safeguard the relative interests of the holders of both Preference and Ordinary capital.

May I, in conclusion, pay a tribute to our staff and our workpeople? I would particularly like to thank our staff for the steadfastness and loyalty they are showing us in spite of the unsettlement caused by the clouds of nationalisation hanging over us.

PEERLESS AND ERICSSON, LIMITED

MARKED PROGRESS

The twenty-first annual general meeting of Peerless and Ericsson, Limited, was held on September 14th in London, Mr Hugh Wylie, C.A. (chairman of the company), presiding.

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

The net profits before tax, of £217,229, represent a considerable increase over the previous year's figure of £104,308.

The year 1948 has been one in which marked progress has been made by the company in welding together the diverse adjuncts acquired in 1946 into one active producing entity. The results of these efforts are extremely gratifying, and are such that opportunity has been given to recommend an increased dividend and a bonus on Ordinary stock to compensate for the fact that in respect of the initial period of the trading operations of the group the Ordinary stockholders received no dividend.

In the export field the company has taken active steps to promote overseas sales of its machines, and to that end subsidiary companies have been incorporated, firstly in Belgium to deal with continental requirements, secondly, in Australia to cope with the demand for its products in Australasia, thirdly, in Eire, and it is at present on the point of incorporating a distributing organisation in Canada in respect of which the Treasury have granted the required permission for transference into hard currency of the amount deemed necessary for working capital.

The order book of the company continues to be satisfactory.

The report was adopted.

TATE & LYLE, LIMITED

THE FIGHT AGAINST NATIONALISATION

LORD LYLE'S VIEWS

At an extraordinary general meeting of Tate & Lyle, Limited, held on September 15th in London, the board's proposals for the segregation of certain assets based on the belief that nothing but harm to workers, consumers and stockholders alike could spring from the nationalisation of the sugar-refining industry, were approved and subsequently confirmed at separate class meetings of holders of Preference, Ordinary and Debenture stock.

The Rt. Hon. Lord Lyle, of Westbourne (the president), in the course of his speech, said:—

Nationalisation as a general policy is, of course, a matter for party politics. My politics are well known and I am opposed to nationalisation as a general policy. But that does not prevent me from being able to weigh the pros and cons of the nationalisation of one particular industry, as indeed those who favour nationalisation as a general policy should also be able to do. Unfortunately, the constitution and methods employed by the Socialist Party make every detail of the draft programme of its executive a political issue. The party bosses seek to make the nationalisation of sugar refining a question of party loyalty. Sections of the Socialist Party who have more practical experience than those who hurriedly included sugar refining in their programme are discouraged from making their views known. It is not our job to be engaged in political controversy. I deplore the diversion of effort which has resulted from the suggestion of a small body of men to nationalise sugar refining.

ANSWERS TO ALLEGATIONS

In the circumstances that have been created, we have no other course open to us but to argue our case in public. I intend, therefore, to demonstrate to you that there is no foundation for the reasons that have been given for the nationalisation of sugar refining. I shall do my best to treat the issue objectively.

"Labour Believes in Britain" said that sugar refining is controlled by a state-protected private monopoly which has enabled large profits to be made for private shareholders. It also said that one concern dominates the sugar industry. The party's spokesman said at Blackpool that the time had come to end a private monopoly which had been state protected and supported for many years.

NO MONOPOLY

These statements charge your company with being a monopoly, with being subsidised and by inference of pursuing a dividend policy which is against the interest of consumers. What are the facts?

It is true that sugar refining, insofar as very elaborate and expensive machinery and equipment are necessary for maximum efficiency, is better conducted by large, rather than small firms. Nevertheless, there are still seven companies which refine sugar in this country. The largest, your company, supplies 53 per cent of consumption. The second largest, the British Sugar Corporation, supplies 23 per cent. The remainder is accounted for by the other five companies and by sugar consumed, but not refined, in this country. There is no price ring. It was only because the refiners kept prices low and quality high that sugar was not imported from abroad, that new refining concerns were not started, nor refining processes installed by manufacturing users.

How can the charge of monopoly be substantiated in the face of these facts? Let me turn to the charge that we are state protected and supported.

Sugar refiners receive no subsidy. They never have received a subsidy nor can I

foresee circumstances under which they would require a subsidy. We are not disputing that in 1928 the duty scale was varied to discourage dumping of heavily subsidised foreign refined sugar, but it is a gross extravagance to charge us with being State protected. It must not be forgotten that a continuance of foreign dumping would have involved the Treasury in large increases in the beet subsidy.

PROFITS A MEASURE OF EFFICIENCY

Let us turn to the charge that Tate & Lyle has made large profits for private shareholders. We are not ashamed of making good profits. They are a measure of our efficiency. But to imply that these profits have been made for private shareholders by exploiting the consumer is a travesty of the truth.

For every £100 distributed as dividends last year, nearly £200 of profits were retained in the business. This process has been continuing for years. These sums have been used to expand the business and should be regarded as stockholders' savings. Are stockholders not entitled to a fair rate of interest on their savings? One cannot help comparing dividends which have been virtually the same for 14 years with wages which have increased by 63 per cent. during the same period.

Last year net dividends were only .7 per cent. of turnover. This was equivalent to one-twenty-eighth of a penny per lb. of sugar sold. The average consumption of sugar per person is 85 lb. a year whether bought from grocers or eaten in cakes, biscuits, jam, golden syrup or the like. So that the average person contributes only about 3d. per annum to the owners of the capital equipment used in the refining of the sugar which was consumed by him. I make no apologies for forecasting that under bureaucratic control the increase of cost of production would far exceed this.

STOCKHOLDERS' RIGHT

Finally, let me turn to the stockholders. It is your savings that have gone to build up this business. Many of you have invested your money in the company because you saw that it was well run, pursued a conservative policy in the distribution of profits, maintained its assets and was slowly expanding. You have had every right to expect to see the day when the distribution of profits could be increased. You have had every right to expect a share in the gradual increase in the prosperity of the company. This right is to be taken away from you by the nationalisers.

In the war all those who loved their country joined together and stood shoulder to shoulder in the cause of Britain. Today the commercial greatness of Britain is again threatened and with it the country's whole financial position. Surely party politics should be cast aside and only decisions taken which will stimulate and strengthen British Industry and Enterprise. The actions of the nationalisers are calculated to divide the country at a time when the Government is rightly exhorting free enterprise to greater efforts. The effect of these opposing voices is to hamstring initiative and enterprise in every industry, whether it is directly threatened or not. It is our duty to see that the public knows the facts and that the nationalisers are diverted from their purpose.

FINANCIAL ARRANGEMENTS

Mr G. Vernon Tate (chairman of the company) said: When you have passed the resolutions and subject to the consent of the courts, the ordinary stockholders will in due course have shares in three companies instead of at present one. These companies will be: Tate & Lyle, Limited; Tate & Lyle

Investments, Limited; and Silvertown Services, Limited.

Tate & Lyle will be divested of its subsidiary companies which have not in the past, owing to our policy of ploughing back profits, contributed greatly to the profits of Tate & Lyle. The board hopes, therefore, that the distribution of profits of Tate & Lyle will not be affected by the hiving off of the subsidiaries. After the transfer of the assets of these subsidiary companies, the nominal value of Tate & Lyle shares will be 15s., but providing the gross dividend distribution remains the same there should not be a corresponding reduction in market value.

The reorganisation has the general effect of segregating the assets of Tate & Lyle, Limited, which are not essential to the carrying out of their business as sugar refiners. It is a step which might eventually have come in any event. The timing, however, was decided by the threat of nationalisation. The reorganisation will not, of itself, stave off nationalisation. It will, however, I hope, protect and improve the rights of shareholders in the event of our refining assets being seized.

The President, in a subsequent speech, said: I would like to spend a short time in telling you what we have done so far in our fight against nationalisation. I would like also to consult you on our future plans. In preparing our plans we must try to read the minds of those who are advocating a state monopoly in sugar refining.

I do not believe that the excuses put forward publicly by the nationalisers for seizing our business represent their true reasons. There are other well-worn arguments which one would have expected these men to have trotted out to justify state ownership. Among them is the improvement of efficiency and labour relations. These things have been conveniently forgotten.

EFFICIENCY NOT ATTACKED

The nationalisers have not dared to attack our efficiency. We have the finance, technical ability and the research organisation to maintain our world-wide reputation.

The distribution organisation which has been developed over a long period by co-operation between refiners, manufacturers and the distributive trades is, I think, unique. The cost of getting sugar to the grocers' shops is extremely low and the delivery service available to the retailer quite exceptional.

The nationalisers have not dared to disparage our labour relations. What other company of our size can claim our long service record? About 50 per cent. of all our men have had 15 years' service and 20 per cent. more than 30 years. Relations with the unions are excellent. Wages are high and no one has less than a fortnight's paid holiday. Pensions and sick pay are on an unusually generous scale. How long will these last under nationalisation? According to Mr Herbert Morrison's recent statement to the Trades Union Congress—not for very long. Extra pay is given for long service and there are marriage dowries for girls. Good meals at prices which are subsidised out of our profits to the extent of over £1,000 per week are part of the general conditions of employment. These conditions have only been made possible by high output per man. This in its turn has been achieved by the skill of the management and by the willingness and loyalty given so naturally by the workpeople in a free enterprise firm, but conspicuous by its absence under state monopoly.

With your agreement, we will carry on our business of sugar refining in defiance of the present threats, in the belief that we will remain our own masters. We have large projects in mind for all our refineries. These projects are planned to increase still further our reputation as the leading sugar refiners of the world. We will proceed with them all. We will not allow threats, from whatever direction they may come, to frighten us into becoming bad sugar refiners.

FURNESS WITHY AND COMPANY, LIMITED

GROSS INCOME WELL MAINTAINED

The fifty-eighth annual general meeting of Furness Withy and Company Limited will be held at the registered office of the company, Furness House, Leadenhall Street, London, E.C., on Friday, October 7.

The following is an extract from the statement by the chairman, Sir Ernest H. Murrant, K.C.M.G., M.B.E., circulated with the report and accounts.

The gross income of the parent company was very well maintained with the exception of our American branch offices, which suffered a setback in several sections of their business.

In the final analysis we have a surplus of £506,726 to deal with in the parent company's accounts, compared with £497,054, and this surplus your directors recommend should be utilised by transferring £200,000 to fleet replacement reserve. The Preference share dividend has absorbed £41,250, and the proposed dividend of 8 per cent., less tax, on the Ordinary stock will take a further £264,000. There is then £246,001 to be carried forward to the current year, against £244,525 brought in.

A TROUBLESOME YEAR

On the whole, the past year has been a troublesome one with few signs of any improvement in general trading conditions, and some signs of deterioration. Such increases as there have been in our shipping profits have been due to new tonnage coming into commission and, in particular, to the inclusion in the current accounts of two and a half months' trading of the Queen of Bermuda, which vessel, after undergoing 21 months' reconditioning at a cost considerably in excess of her original construction cost, re-entered the New York-Bermuda service under contract arrangements with the Bermuda Trade Development Board.

Engaged as we are in the shipping business in practically every part of the world, it is not surprising that we have encountered a great many of the difficulties which arise in the ordinary course of international commerce. The outstanding features of the past year have been those which are associated directly and indirectly with exchange problems; with continually increasing costs (with the exception of oil fuel), with labour unrest, and, recently, a decline in the general level of freight markets.

INCREASING COSTS

The subject of increasing costs—both capital and operating costs—has become so hackneyed that it seems almost useless to reiterate the seriousness of figures which either appear to be disregarded because explanations can be found for them, or ignored because it is thought that they are inevitable in existing circumstances. Ultimately, however, the facts will compel attention when the serious consequences cannot any longer be evaded. In the meantime stockholders should not be left in ignorance of the facts. Within our own group of shipping companies we had 13 ships under construction at the end of our financial year on April 30th, and in respect of those ships, the actual and estimated increase in cost (due to increases in wages, in the cost of steel, in the cost of sub-contractors' items, and loss of time) compared with the contract basic prices amounts to no less than £825,986, and the end is not yet.

Obviously this unproductive item takes close upon a million pounds out of our resources and equally obviously, so far from the ships being able to earn a single penny more because of this increase in costs, they must carry an annual charge for depreciation and

interest far in excess of what was contemplated at the time the contracts were placed.

ALLOWANCE FOR DEPRECIATION

Reference was made a year ago to the burdensome nature of taxation and its unfair incidence so far as shipping is concerned in that it prevented shipowners from accumulating sufficient reserves to take care of the cost of replacing its capital assets. Our arguments were placed fully before the Chancellor of the Exchequer, who probably found himself slightly deafened by the general clamour of industry for some relief from the burden it is asked to carry. However, amidst the deafening clamour some part of our representations must have reached the Chancellor's ear and touched his heart, as in the 1949 Budget he has advanced the initial allowance for depreciation in the case of newly constructed ships to 40 per cent. This undoubtedly is a very useful concession, but it should be appreciated that in reality it is a financial concession rather than a tax concession inasmuch as while it gives shipowners the earlier use of the capital represented by wear and tear allowances, it does not in any way increase those allowances, and what is gained in the first year of a ship's life will have to be made good at a later date, so far as the liability for taxation is concerned. The shipping industry has reason to be satisfied that the very difficult problem of financing the replacement of tonnage at current high costs has to some extent been appreciated and that an attempt has been made to meet it.

A LONG AND TORTUOUS ROAD

It will be recalled that British shipping has travelled a fairly long and tortuous road in the past ten years, commencing with the complete requisition of all tonnage for war-time operations and subsequently subject to a variety of restrictions and controls upon the use of tonnage and upon freight rates. The past year has seen the removal of the last of those operational controls and there only now remains one major control in respect of deep-sea shipping—namely, the Transfer Restriction Act. The last of the controls on freight rates was removed by agreement with the industry in December last, since which date owners have been free to employ their ships as they wished and freight rates have been subject to negotiation in something approaching more normal market conditions. I use the word "normal" with some reluctance because of the great difficulty in defining what is normal, and because it cannot be said with accuracy that markets which remain under the influence of bulk buying and tonnage chartering by Government Departments have returned to normal conditions. The Minister of Transport has gone as far as he could reasonably be expected to go towards freeing shipping, and he did so at the earliest practicable moment.

That his policy has been fully justified is shown by events, and I suggest that the Minister's role has now changed direction. Hitherto his main task has been to ensure that British tonnage was employed to the best advantage in the national interest, a task which was not made unduly difficult owing to the full and willing co-operation of the industry. Now his task seems to be changing in the direction of ensuring that his responsibility for the welfare of the industry—which at some future date he may again require to find in a full state of adequacy and efficiency—is not made more difficult by other Departments of the Government which control a powerful volume of shipping business.

MUREX LIMITED

CAPITALISATION OF RESERVES

The thirtieth annual meeting of Murex, Limited, was held on September 12th in London, Mr George P. Josepa (chairman) presiding.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended April 30, 1949:—

The improvement in the availability of materials and labour has enabled more progress to be made with the expansion programme and capital expenditure on physical assets at the parent company's works and the works of Murex Welding Processes, Limited, amounted to £133,000.

Your company's interest in Hard Metals, Limited, Johannesburg, was unchanged at the year-end. The erection programme on the site purchased at Springs, Transvaal, is well advanced and interim production has already started; the erection of the carbide plant is scheduled for completion towards the end of 1949, and it is anticipated that the entire plant will be in production early next year.

The consolidated trading profits of the parent company and its subsidiaries are £874,268, an increase of £178,440 compared with the previous ten months' period; the consolidated net profits again represent 5 per cent. on the sales turnover.

Since the issued ordinary capital was increased in 1937 to £1,000,000 the company has set aside out of profits to reserves £1,297,000. At April 30th last total revenue reserves in the parent company's books were £1,531,016, and in the consolidated accounts £1,923,348.

Consent having been given by H. M. Treasury, your directors feel it desirable to bring the issued ordinary capital into closer relationship with the total funds employed in the business, and have decided to submit resolutions to this meeting to capitalise £1,000,000 of the company's reserves and to issue one fully paid ordinary share of £1 (to be converted into stock) for each £1 unit held by ordinary stockholders.

The overall demand for the products of the parent company has continued at a satisfactory level. The turnover for the year showed an increase over the annual rate for the previous period and there was an increase in the volume of output for the year.

The volume of export sales of the products of the parent company for the year is at the annual rate for the previous period.

The research departments at Rainham and Waltham Cross have been actively engaged on investigations directed either towards the improvement of the quality of our existing products and production methods or to the development of new products and manufacturing techniques.

The opening months of the new financial year have not shown any material change in the general level of demand for the parent company's products in the home market. Demands in the European export market, which has always provided the major part of our export business, are at a lower level due to the international situation and to currency difficulties.

The improvement in steel supplies in recent months has enabled U.K. electrode manufacturers to make good the acute deficiency which existed in the home market, and it is likely that the home requirements of electrodes are now being met by U.K. manufacturers; provided the present supply position is maintained we should be able to increase our deliveries in the export market.

The report was adopted and resolutions were passed increasing the capital of the company from £1,650,000 to £2,650,000 by the creation of 1,000,000 new ordinary shares of £1 each and capitalising £1,000,000 of the company's reserves for distribution as fully-paid shares to the ordinary stockholders.

INTERNATIONAL TEA STORES

RECORD TURNOVER

The annual general meeting of the International Tea Company's Stores, Limited, will be held on October 3rd, in London.

The following is an extract from the annual review by the chairman, Mr. Frank Wilson, circulated with the report and accounts:

The turnover from all sections was a record in the history of the company and registrations throughout the period showed a considerable increase. Since the close of the financial year, however, there has been a complete re-registration. The total figures to date do not indicate any great change, and we are confident that the final totals comprising the whole of the group will show an improvement.

Turnover continues to increase, and as we pride ourselves on the service we give in our branches, we are satisfied that our customers will not only retain their registrations with us, but that their commendations and our excellent staff will attract new registrations. The factor which is disturbing is the currency problem which must reduce to almost negligible quantities the many and varied items of food imported from hard currency countries. On the other hand, certain commodities are available from other sources in slightly increased quantities, and they tend to offset any decline in trade resulting from the shortage of commodities from the hard currency areas.

STRONG POSITION

The liquid position, both of the parent company and of the group, is very strong. The accounts, in my opinion, are very sound, and this accords with our continued efforts to strengthen our balance-sheet, which has been the first principle in all our considerations.

In coming to the profit at £1,303,350 it is approximately £24,000 less than last year. I must, however, point out that for the parent company, this year's figures relate to a 52 weeks' trading period against 53 weeks last year, so that on a yearly basis we are approximately level. In the consolidated accounts the drop is about £125,000, but there are special features accounting for this decline.

In the first place there were, in last year's accounts, certain profits attributable to the upward trend in the selling prices of commodities. We then decided to set aside £100,000 as a reserve to meet possible future depreciation in stock values. We have not used that sum, or any part of it, but the upward trend during the year now under review has not been so noticeable.

The continued rise in all expenses of running the business, especially in wages, which have shown further increase, and the reduction in many of the profit margins tend, in spite of increased turnover, to reduce the percentages of both gross and net profits. Again, while a number of our international branches, and practically the whole of the branches of certain subsidiary companies, were compelled to meet competition by way of price reductions for some months of the financial year, which is reflected in the final results of the branches concerned, we are satisfied with the year's trading in those cases, bearing in mind the difficulties under which they traded.

I feel sure you will consider the results satisfactory when read in conjunction with the above explanations. The proposed dividend to ordinary stockholders is on the same basis as last year. I will not attempt to express any opinion as to the future. May it be left in this way—the financial structure of your company is sound, and it is so managed that it is well fitted to cope with whatever position may arise.

JOHN MACKINTOSH AND SONS

CAPITALISATION OF RESERVES

LORD MACKINTOSH'S SPEECH

At the extra-ordinary general meetings of John Mackintosh and Sons, Limited, held in London on September 8, the resolutions modifying the rights attached to the preferred ordinary stock, increasing the capital of the company, altering certain articles of association and sanctioning the capitalisation of £100,000 in favour of the preferred stockholders and £150,000 in favour of the deferred stockholders were all duly passed unanimously.

The chairman, Lord Mackintosh of Halifax, D.L., LL.D., J.P., in the course of his address dealing with the proposals, said:

Profit as calculated by conventional accounting principles and as computed for taxation is a very different thing from profit as it was known in 1914.

Then it meant the amount available for the shareholders to take in dividends or apply to expansion of the business, subject only to a deduction of less than 6 per cent. as a contribution to the costs of government.

INCREASED TAXATION BURDEN

For each £100 paid in dividends the Government took £6 3s. 9d.; today the least it takes is £142 8s. 6d., and where dividends are kept down, a much higher ratio. In 1943 this company paid £582 in direct taxes for each £100 paid to shareholders.

In 1914, and for many years before that, changes in cost were small and often downwards. Today the cost of new machinery is three times the cost of 1939 and we have to find new capital for the additional cost, since we are only allowed depreciation on the original cost of the equipment used up.

We have also to find capital for the artificial price of our raw materials, which have been charged to this industry after the Minister of Food has made a profit of some millions of pounds. He in turn has had to buy cocoa from the West African Cocoa Board which, in its turn, has made a still greater profit.

SHAREHOLDERS AND INDUSTRIAL PROFITS

I mention these matters to draw your attention, and I hope the attention of others, to the fact that industrial profits are no longer solely the concern and property of shareholders, and indeed we are junior partners in the rewards and senior partners in responsibility. We paid shareholders almost exactly 10 per cent. of last year's profits, and we have paid the rest in taxes, equipment and increased price of stocks.

This year we are making these conventional profits at the same rate as in 1948; we have paid no more in dividends yet we had to borrow £100,000 to pay for the increased stocks of raw materials during the period when sweets were unrationed.

There are several conclusions which may safely be drawn from these changes in the nature and ownership of industrial profits.

NATIONAL SAVINGS OR SOCIAL REVENUE

The first is that conventional profits are not profits at all in the old sense of that word.

To our fathers, and indeed to many of us who are over 50, profit was "what you could pay your private bills with," or something very close to that. Now, profit is primarily the measure of the amount we have collected for government uses, secondly, the fund on which we must draw to keep our equipment from deteriorating, and if we are lucky to improve it, thirdly, to pay for the higher costs of raw materials and manufacture, and, finally a small residuum for dividends.

We need a new word to describe this fund, a large part of which is social or communal revenue, and only a small part shareholders' profit, though we hope that our proportion will increase somewhat when prices fall. More than half of industrial profits are national savings, even if they are afterwards spent on social services and national security.

LIMITATION OF CASH DIVIDENDS

Our second conclusion is that for the present at any rate, very little of this so-called profit (which is largely a social income) is available for cash dividends to shareholders. Quite apart from the Chancellor's request, both the national position after a destructive war, and our own financial position demand that we conserve cash, and do not make it available for consumption.

It is not, however, sufficient to limit cash dividends, we must do our best to maintain these conventional profits at a level high enough to meet the inevitable demands on them. It would be much easier for us to make smaller profits, and we would still have enough for the small cash dividends we pay, but during this time of limited output and reduced competition at home, we have worked incessantly to improve every process of manufacture and to exploit export markets.

THE DIRECTORS' TASK

To keep up the pressure for higher efficiency is today one of the greatest, perhaps the greatest task of directors. The difficulties and frustrations of fluctuating raw material supplies, the many coupons, permits, controls and high taxes, tend to produce managerial fatigue. This must be fought in our trade associations, on our boards of directors, quite as much as among department heads and in our factories.

Direct monetary reward for successful effort is weakened by progressive taxation, and though within limits it is still useful we must rely more on a sense of achievement. To maintain a steady flow of goods from the point of origin of our raw materials to the consumer of the finished article, without friction or waste is the proper aim of management. That we have done this with some measure of success is shown by the fact that the price of our leading line is now 3s. 6d. per pound, as against 2s. before the war, although we have had to pay five times the prewar price for cocoa beans and over three times the price for sugar, our two main ingredients.

Your directors believe that in the present circumstances of the country and this industry we must try to maintain our conventional profits at a fairly high level and keep down cash dividends to a low level.

ACCUMULATED RESERVES

Over a period of 25 years we have accumulated £800,000 of reserves after paying taxes at varying rates, and the net dividends paid are a lot less than when I first became chairman nearly 30 years ago.

There is some talk of lowering prices at the expense of profits. Half of any such reduction would have to come from Government expenditures or be levied elsewhere.

More important, the lower prices would leave more money to be spent on other things, and total consumption would tend to rise without any greater product, which would merely raise prices elsewhere, and we would be back where we started. The purpose of the Chancellor's request for a standstill on wages and dividends cannot be met by financial jugglery. It means a standstill on real wages and real dividends—that is, a standstill on total consumption except as it can be raised by increased production.

At the final meeting the proceedings terminated with a vote of thanks to the chairman and his co-directors.

INDIAN COPPER CORPORATION

A PROSPEROUS YEAR

The twenty-fifth annual general meeting of the Indian Copper Corporation Limited, was held on 14 September, in London, Sir Geoffrey Fell, K.C.I.E., C.S.I., O.B.E., chairman and managing director, presiding.

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

The profit for the year amounted to £744,931, compared with £653,427 in the previous year. After allowing for the proposed dividend of 12½ per cent., the carry forward will be £34,865.

Ore treated in the mill was nearly 4,000 tons more than last year. The output of rolled brass was slightly less than for the previous year, the change in rolling a 40 oz. average grade to a 35 oz. gauge adversely affecting production. Coal supplies were again irregular, and production was suspended for nine days in October owing to lack of coal.

The year under review has been the most prosperous in the corporation's history. Members may therefore consider that the circumstances justify a recommendation that the dividend should be increased. We have decided that it would be inadvisable to adopt this course. The considerations which principally influenced this decision were that the enhanced profits were solely due to the abnormally high world price of copper. The labour situation, which was relatively easy during 1948, has deteriorated to a considerable extent since the close of the year.

NOTICES

UNIVERSITY OF MALAYA

The University of Malaya invites applications for a Lectureship in History at Raffles College, Singapore, one of its constituent Colleges.

The Lecturer will be required to assist in giving lectures and conducting tutorial classes in the Modern History of the West.

Salary is on the scale £630 p.a. rising by annual increments of £42 to £1,260 p.a. plus expatriation allowance for persons recruited from overseas of £126 p.a. on salary below £700 p.a. and £210 p.a. above. In addition there is a cost of living allowance of, at present, 10 per cent. of basic salary, subject to a maximum of £210 p.a. for unmarried persons, £423 for married persons and £525 for married persons with dependent children. There is an additional Singapore allowance of 10 per cent. of basic salary subject to a maximum of £70 p.a. (A Straits Dollar=2s. 4d.)

Free passages for person appointed, wife and children under 10 years of age. Quarters (if available) with heavy furniture are provided at a rent of 6 per cent. of salary. Provident Fund Scheme set on a 10 per cent. contributory basis.

The appointment is for 3 years in the first instance, renewable thereafter by mutual consent to retiring age. Applications (6 copies), giving the names of three referees and full particulars of qualifications, should be addressed to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1, from whom further information may be obtained. Closing date October 31, 1949.

UNIVERSITY OF SYDNEY

Applications are invited for the position of Senior Lecturer in Economics. The salary range is £750 (Aust.) per annum rising by annual increments of £60 to £1,000 (Aust.) per annum and is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience. The successful applicant will be required to take up duties as early as practicable in 1950. Applications, supported by testimonials and giving the names of three referees, should be forwarded to the Registrar, University of Sydney, New South Wales, Australia, not later than October 14, 1949.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

AN INTERESTING EDUCATIONAL APPOINTMENT IN AN INDUSTRY is about to be made by a large industrial concern near Chester which has established an educational and training organisation on a considerable scale.

A lady of good general education is now required to organise and conduct the training of typists, computer operators and junior office staff. Previous office and teaching experience would be an advantage.

Applicants should write sending full details of education and experience to Box 3023, c/o Charles Barker & Sons, Ltd., 31, Budge Row, London, E.C.4.

PROGRESSIVE organisation should consider man bored by unenterprising present job. Is a Wanderer who specialised in statistics and has had considerable experience as manager of a market research department. He is 32, has held responsible position in Government department and has more than a nodding acquaintance with advertising. Considers he has analytical and constructive brain and is a potential bargain as individual job more important than present £2,000 salary. Reply Box 199.

Finally, we are still confronted with the necessity to spend large sums on capital works.

On all these grounds we feel that it is essential to conserve our financial resources. The report was adopted.

BOULDER PERSEVERANCE, LIMITED

HANDICAPS ON INDUSTRY

The twenty-fifth annual general meeting of Boulder Perseverance, Limited, was held on September 15th, at Winchester House, London, E.C.

Dr K. B. Edwards, B.Sc., Ph.D. (London), F.R.I.C., chairman and managing director of the company, presided.

The following is an extract from his statement, which had been circulated with the report and accounts for the year ended December 31, 1948:—

The standard of efficiency at the mine is extremely high, a fact wholly supported by the Federal Government investigators. In all directions, increases of cost are taking place and progressive depreciation of purchasing power of the currency makes the spiral an endless one. To the gold-producing industry the all-important economic fact is that the price paid for our gold remains unchanged at A.£10 15s. 3d.

The Federal attitude towards gold remains unchanged and arbitrary, but Commonwealth Treasury assistance to keep the mines going has been promised and the promise implemented. This assistance which is subject to many qualifications, is limited to a payment in cash equal to the deficiency between the

results of the year's operations and a 6 per cent. return on issued capital.

The tremendous incidence of British taxation on Boulder Perseverance has restricted both net dividends and the ploughing back of profits into the mine. Any subsidy given on the basis of issued capital is obviously based on the complete misconception of the operations of gold mining companies, and is grossly unfair.

During 1948, 137,298 long tons of 5.11 dwt. ore were treated, and the total profit after deduction of all charges is £41,523. Kalgoorlie Enterprise Mines treated 53,105 long tons of ore of 6.545 dwts.

With regard to the future, the present position both in Great Britain and in Australia is only too well known. The continuous piling on of burdens in taxation, social services charges and increased wages, irrespective of improved output per man-hour, goes on apace and, while gold reserves are now the keystone of all economic discussion and most countries are striving at all costs to acquire gold, the British and Australian Governments demand gold from the producers at a price yielding a loss to many or on a mere survival basis. As long as this condition endures, which in the opinion of most economists is now comparatively limited, only high-grade mines can hope to pay their way, with the resultant steady reduction in the production of the now admittedly indispensable substance, gold, and the infliction of arbitrary impoverishment on companies who treat gold production as an industry. If and when economic sanity returns, your company is in the position to take advantage of any improvement.

The report and accounts were adopted.

A BANKING CAREER IN THE EAST

THE EASTERN BANK LIMITED has a few vacancies for suitable men as trainees in London for executive positions in the East. Applicants should be between 20 and 24 years of age and unmarried. For particulars regarding salary and conditions of service during training, and on appointment to the Eastern Staff, apply to the Secretary, The Eastern Bank Limited, 2-3 Crosby Square, Bishopsgate, London, E.C.3.

WORKS MANAGER (ASSISTANT).—Responsibilities involve sound knowledge labour utilisation and methods, rate fixing, production management, stores control and relationship with costing organisation. Painters' Brushes and other brushware and component parts. Experience light industry desirable but not necessarily in Brush Trade. Adequate remuneration. Reply in confidence, letters only, stating age, scope of capabilities, experience, etc.—The Secretary, Christopher Long & Sons Ltd., Hazewell Brush Works, Birmingham 30.

B.COM. 25, mobile, ex-R.A.F., seeks permanent career with prospects. Willing to train for executive, research or representative posts.—EM/DNLG, W.C.1.

ROBSON, MORROW & CO. require the services of an outstanding man, Chartered or Incorporated Accountant, with wide industrial experience. Age not over 37. The successful candidate will be trained as a specialist in the installation of accounting schemes for management control. Four figure commencing salary and good prospects. Send full particulars of age, education, qualifications, experience and present salary to Robson, Morrow & Co., 58, New Cavendish Street, London, W.1, marking envelope "Application."

VACANCIES for Male Trainees for executive positions exist in the Market Research Department of a large Company. This is one of the largest Market Research Departments operated by a manufacturer in this country and its activities include most aspects of modern research technique. Applicants should be between 22 and 30 and should have a very genuine interest in this type of work. A good knowledge of statistics and mathematics is required, although a degree in these subjects is not essential. The successful applicants will be required to live in the North of England and to spend approximately 1 to 2 years on fieldwork of various types. Commencing salary and prospects are good.—Please write giving very full details of education, Services' record and business experience, if any, to Box 206.

EDITOR-JOURNALIST has two-to-three days weekly available for publicity or editorial work. Science degree, wide knowledge of industry. Not stunt artist or high-pressure salesman but writer of established ability and reputation. Propositions to "Editor," Rank & Apsimon, 43, St. Martin's Lane, W.C.2.

BACHELOR OF COMMERCE (Honours), incorporated accountant (41), with first class professional and commercial experience as company secretary and chief accountant, requires post carrying responsibilities commensurate with a salary of £1,500.—Box 206.

OXFORD GRADUATE offers London evening tuition in Economics, Statistics, some Moral Philosophy, Politics.—Box 199.

FOR SALE: *The Economist*, 1943-1949 inclusive, complete with supplements and *Records and Statistics*; fine condition in 14 Eastland volumes. Offers.—Box 197.

Investment Statistics

Company Notes

International Tea Company's Stores.—Consolidated trading profit declined from £1,901,133 (for 53 weeks) to £1,776,379 in the year to April 30, 1949. Group net profit was £616,863 (£621,303). Net current assets at April 30, 1949, were £3,631,935 (£3,665,869). The value of stocks increased from £3,150,473 to £3,527,898 and fixed assets from £4,283,470 to £4,653,938.

Tunnel Portland Cement.—Group trading profit increased from £917,749 to £1,029,502 in the year to March 31, 1949. Group net profit amounted to £565,811 (£390,575). Net current assets at the year end were £2,871,717 (£3,140,373). Net additions of £1,024,514 were made to property, plant and equipment. Investment reserve has been increased by £546,115, largely from the proceeds of the sale of Alpha Cement stock and a final distribution from a liquidated subsidiary.

Briton Ferry Steel.—Consolidated trading profit (including profit of London Works (Barlows), Ltd., for 11 months) amounted to £558,577 in the year ended April 2, 1948. Group net profit was £168,244. A dividend of 15 per cent has been recommended for the year (same). Net current assets were £1,507,905 at April 2, 1949. Group reserves amount to £931,144.

Coast Lines.—Total consolidated profit increased from £1,280,889 to £1,469,532 in 1948. Net profit of the group declined from £380,384 to £317,734. Depreciation was £608,223 (£416,671) and taxation £547,146 (£548,210). Total book value of fleet (including payments on account of vessels under construction) was £5,509,388 (£4,719,770) at the year-end. Short-term borrowing of £1,175,045 (£851,700) is outstanding.

Kelsall and Kemp (cotton textiles).—The balance on consolidated trading account increased from £341,636 to £402,401 in the year to June 30, 1949. Group net profit was £153,709 (£133,448) and appropriation to general reserve £90,000 (£50,000). Net current assets at June 30, 1949, were £1,099,335 (£967,813) and stocks £638,762 (£434,727). The dividend of 10 per cent, plus 5 per cent bonus, is unchanged.

British Overseas Stores.—Consolidated net profit amounted to £61,661 (£56,913) in the year to June 30, 1949. Profit for 1948-49 includes £14,000 provisions written back by subsidiaries. A dividend of 10 per cent (same) is recommended for the year. The net United Kingdom rate of income tax applicable to the dividend has not yet been agreed.

Anning, Chadwick and Kiver (hides and skins, etc., brokers).—Consolidated net profit declined from £48,435 to £41,424 in the year to June 30, 1949. A final dividend of 15 per cent and bonus of 5 per cent has been recommended, making a total of 35 per cent for the year.

Kay and Company (engineers).—Consolidated profit amounted to £77,218 in the year to May 31, 1949. A dividend of 20 per cent has been recommended (same).

Smith, Patterson and Co. (engineering).—Profit before taxation increased from £110,897 to £128,989 in the year to June 30, 1949. Taxation amounted to £66,437 (£60,000). A dividend of 25 per cent is recommended (same).

Wiggins Teape.—Treasury consent has been obtained for a 100 per cent bonus issue. The issue will capitalise £1,952,181 of reserves.

Vereeniging Estates.—Stockholders are to be offered 637,338 new ordinary shares in the ratio of two new shares for each five shares held. A further 19,315 new shares will be taken up by African and European Investment Company. The issue will raise some £2,500,000 of additional capital.

South African Pulp and Paper.—Shareholders are offered one new ordinary share for every ten shares held at 25s. per share.

Beecham Food Products.—Permission to deal is being sought in 500,000 4½ per cent cumulative £1 preference shares. Capital consists of £1,150,000, of which £500,000 is in the above preference issue and £650,000 in £1 ordinary shares. Profit of Beecham Food Products and its subsidiaries, subject to taxation, only for years ended March 31: 1948, £455,994; 1949, £311,174.

Capital Issues

Harding, Tilton and Hartley.—A proposed bonus distribution of one 5s. share for each share held will capitalise £116,625 of reserves.

Ault and Wiborg.—Shareholders are to receive one new 5s. ordinary share for each 10s. of ordinary stock held on October 17th.

Murex.—Shareholders have approved the creation of 1,000,000 new £1 ordinary shares to be issued by way of a 100 per cent bonus distribution.

Banister Walton.—By the creation of 1,400,000 5s. ordinary shares the authorised capital is to be increased to £500,000. Shareholders are to receive 490,548 5s. shares by way of a 100 per cent capital bonus.

Tarmac.—Shareholders are to receive one new £1 ordinary share for each two £1 shares held.

Purnell.—Shareholders are to receive 200,000 5s. ordinary shares in the proportion of one new share for each six shares held.

New Issue Prices

Issue	Issue Price (s)	Price, Sept. 14, 1949
Ambler (L), 10s. 50 paid	100/0	51-52
A. S. P. Ind. Prof.	21/0	19 9-19 3
Babcock & Wilcox	57/6	62 3-63 0
Do. 4½% Pref.	20/0	15 6-19 9
Barbados Elec. Prof.	20/6*	19 9-20 3
Clarke (L), 2½%	3/4	3 4-3 7½
Fattorini, Prof.	20/3*	20 0-21 10½
Goldthorpes, 1½%	2/3*	2 6-2 9
Gray's Carpets, Deb. (20 paid)	100	46-48
Guest, Kern (20 paid)	37/6	22 6-23 6
Lanes, Cotton	20/0	10 6-10 3½
Lieber, 4½% Pref.	20/9	21 0-21 6
Ireland, 4½% (25 paid)	99	4-4 ½
N. Rhodesia (50 paid)	97	44-51 ½
London Asiatic Rubber	10/6	12 0-12 6
Rotary Hoes, 5%	16/0*	12 0-12 9
Smith, W. H. (Hid.) A (20 pd.)	40/0	22 7½-22 10½
Do. B (4 paid)	8/0	4 6-4 9
Do. 4½% Pref. (10 paid)	20/0	11 6-11 9
Do. 7½% Pref.	20/0	22 6-30 6
Standard Fireworks, Pref.	21/9*	19 6-20 6
Stilton, 5%	5/0	14 6-15 0½
Tel-pa. & Gen. Trust, 3½% Deb.	101/1*	99-100
Whitehead, Deb. (20 paid)	100	16½-17½
Wilmot-Breton, Pref.	20/6*	19 3-20 5

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Tunnel Portland Cement; International Tea Company's Stores; Coast Lines; Thomas De La Rue.

Prices, Year 1949 Jan. 1 to Sept. 14		Name of Security	Price, Sept. 7, 1949	Price, Sept. 14, 1949	Yield, Sept. 14, 1949		Gross Yield, Sept. 14, 1949		Prices, Year 1949 Jan. 1 to Sept. 14th		Last Two Dividends			Name of Security	Price, Sept. 7, 1949	Price, Sept. 14, 1949	Yield, Sept. 14, 1949
High	Low				(a)	(b)	High	Low	(a)	(b)	(c)						
BRITISH FUNDS																	
100 1/2	100 1/8	War Bonds 2 1/2% Aug. 1, 1949-51	100 1/2	100 1/8	2 1/2	2 3/4	2 1/2	2 3/4	106 1/2	54 1/2	50	50	Australia 5 1/2% 1965-69	99	99	3 6 1/4	
100 1/2	99 1/2	Proch. Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/8	0	1 1/2	1 1/2	1 1/2	106 1/2	54 1/2	50	50	Birmingham 2 1/2% 1955-57	96 1/2	97	3 3 6/8	
100 1/2	99 1/2	War Bonds 2 1/2% Mar. 1, 1951-53	100 1/2	100 1/8	1 1/2	2 1/2	2 1/2	2 1/2	106 1/2	54 1/2	50	50	Anglo-American Corp., 10%	61	61	5 14 0/8	
100 1/2	99 1/2	War Bonds 2 1/2% Mar. 1, 1952-54	100 1/2	100 1/8	1 1/2	2 1/2	2 1/2	2 1/2	106 1/2	54 1/2	50	50	Anglo-Burmian Oil, Ltd.	74	74	4 1 0/8	
100 1/2	99 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	99 1/2	99 1/8	2 0/8	3 1/4	3 1/4	3 1/4	106 1/2	54 1/2	50	50	Assoc. Electrical, Ord. Stk. £1	72 7/8	74 9	4 0 3/8	
100 1/2	99 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	100 1/2	100 1/8	1 6/8	2 9/8	2 9/8	2 9/8	106 1/2	54 1/2	50	50	Assoc. Port. Cem., Ord. Stk. £1	74 6	77	5 16 9/8	
100 1/2	99 1/2	Funding 2 1/2% June 15, 1952-57	101 1/2	101 1/8	1 6/8	2 12 0/8	2 12 0/8	2 12 0/8	106 1/2	54 1/2	50	50	Austin Motor, A Ord. Stk. 5s	25	28	7 2 10/8	
100 1/2	99 1/2	Nat. Deb. 5% July 15, 1954-58	102 1/2	102 1/8	1 7/8	2 14 7/8	2 14 7/8	2 14 7/8	106 1/2	54 1/2	50	50	Barclays Bank, Ord. £1	71 6	71 6	3 18 4/8	
100 1/2	99 1/2	War Loan 5% Oct. 15, 1955-59	101 1/2	101 1/8	1 9/8	2 15 6/8	2 15 6/8	2 15 6/8	106 1/2	54 1/2	50	50	Base Ref. Ord. £1	143 9	143 3	5 11 0/8	
100 1/2	99 1/2	Sav. Bonds 3 1/2% Aug. 15, 1955-57	99 1/2	99 1/8	1 13/8	3 0 10/8	3 0 10/8	3 0 10/8	106 1/2	54 1/2	50	50	British Overseas, Ord. £1	95 3	95 3	4 5 4/8	
100 1/2	99 1/2	Funding 2 1/2% April 15, 1956-61	97 1/2	97 1/8	1 11/8	2 14 2/8	2 14 2/8	2 14 2/8	106 1/2	54 1/2	50	50	Coal, Ord. £1	34 10/8	36	4 3 4/8	
100 1/2	99 1/2	Funding 3 1/2% April 15, 1959-69	96 1/2	96 1/8	1 17/8	3 4 4/8	3 4 4/8	3 4 4/8	106 1/2	54 1/2	50	50	Distillers Co., Ord. 4 1/2%	27	27 7/8	3 19 7/8	
100 1/2	99 1/2	Funding 4 1/2% May 1, 1960-90	109	109	1 7/8	3 5 3/8	3 5 3/8	3 5 3/8	106 1/2	54 1/2	50	50	Imperial Ind. Ord. £1	30/6	30 9	5 4 1/8	
100 1/2	99 1/2	Sav. Bonds 3 1/2% Sept. 1, 1960-70	99 1/2	99 1/8	1 17/8	3 5 8/8	3 5 8/8	3 5 8/8	106 1/2	54 1/2	50	50	Imperial Ind. Ord. £1	63 6	65	4 12 4/8	
100 1/2	99 1/2	Sav. Bonds 2 1/2% May 1, 1961-67	99 1/2	99 1/8	1 17/8	3 1 1/8	3 1 1/8	3 1 1/8	106 1/2	54 1/2	50	50	Imp. Chem. Ind., Ord. Stk. £1	44	45 9	4 7 5/8	
100 1/2	99 1/2	Sav. Bonds 3 1/2% Aug. 15, 1965-75	99 1/2	99 1/8	1 19/8	3 7 5/8	3 7 5/8	3 7 5/8	106 1/2	54 1/2	50	50	Imperial Ind. Ord. £1	51	51	4 5 4/8	
100 1/2	99 1/2	Consols 4 1/2% (after Feb. 1, 1957)	105	104 1/2	1 11 5/8	3 7 1/8	3 7 1/8	3 7 1/8	106 1/2	54 1/2	50	50	Leather & Unif. Ord. £1	31 10/8	32 7/8	4 13 10/8	
100 1/2	99 1/2	Conv. 3 1/2% (after Apr. 1, 1961)	96 1/2	96 1/8	2 0/8	3 12 10/8	3 12 10/8	3 12 10/8	106 1/2	54 1/2	50	50	Lever & Unif. Ord. Stk. £1	42 7/8	42 7/8	4 13 10/8	
100 1/2	99 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	72 1/2	72 1/8	1 18 8/8	3 10 4/8	3 10 4/8	3 10 4/8	106 1/2	54 1/2	50	50	London Brick, Ord. Stk. £1	58 3	62	4 16 9/8	
100 1/2	99 1/2	Treas. Stk. 3 1/2% (after Apr. 5, 1966)	86 1/2	86 1/8	1 18 5/8	3 9 9/8	3 9 9/8	3 9 9/8	106 1/2	54 1/2	50	50	Pinson Fin. Ord. Stk. 10s	34 6	35 6	7 0 10/8	
100 1/2	99 1/2	Redemp. Stk. 5% Oct. 1, 1986-96	91 1/2	91 1/8	1 18 10/8	3 7 7/8	3 7 7/8	3 7 7/8	106 1/2	54 1/2	50	50	P. & O. Def. Stk. £1	46 1/2	47 6	5 1 1/8	
100 1/2	99 1/2	Consols 2 1/2%	73 1/2	73 1/8	1 18 0/8	3 9 1/8	3 9 1/8	3 9 1/8	106 1/2	54 1/2	50	50	Prudential, A. £1	28 1/2	29 1/2	2 13 3/8	
100 1/2	99 1/2	Brit. El. 3 1/2% Gd. Apr. 1, 1964-73	94 1/2	94 1/8	1 18 6/8	3 6 4/8	3 6 4/8	3 6 4/8	106 1/2	54 1/2	50	50	Stewarts & Lloyds, Deb. £1	53 1/2	53 6	4 13 5/8	
100 1/2	99 1/2	Brit. El. 3 1/2% Gd. Mar. 15, 1974-77	94 1/2	94 1/8	1 18 9/8	3 6 11/8	3 6 11/8	3 6 11/8	106 1/2	54 1/2	50	50	Tube Invest., Ord. Stk. £1	77 3/8	78 9	5 16 2/8	
100 1/2	99 1/2	Brit. Tpt. 3 1/2% Gd. July 1, 1978-88	92 1/2	92 1/8	1 19 6/8	3 8 5/8	3 8 5/8	3 8 5/8	106 1/2	54 1/2	50	50	Woolworth (F. W.), Ord. 5s	82 1/2	83 6	4 3 10/8	
100 1/2	99 1/2	Brit. Tpt. 3 1/2% Gd. Apr. 1, 1968-73	94 1/2	94 1/8	1 18 8/8	3 6 6/8	3 6 6/8	3 6 6/8	106 1/2	54 1/2	50	50					
100 1/2	99 1/2	Brit. Gas Gd. 5% May 1, 1990-95	92 1/2	92 1/8	1 19 1/8	3 8 4/8	3 8 4/8	3 8 4/8	106 1/2	54 1/2	50	50					

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there are two exceptions (rounding 4 per cent and Consols 4 per cent) on which yields are taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9% in £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To latest redemption date. † Free of tax. (g) Yield basis 12%. (p) Plus tax free bonus 2½%.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 10, 1949, total ordinary revenue was £48,290,000, against ordinary expenditure of £38,809,000 and issues to sinking funds £340,000. Thus, including sinking fund allocations of £7,847,000, the surplus accrued since April 1st is £29,198,000 against £252,139,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousand)				
	Estimate, 1949-50	April 1 to Sept. 11, 1948	April 1 to Sept. 11, 1949	Week ended Sept. 11, 1948	Week ended Sept. 10, 1949
ORDINARY REVENUE					
Income Tax	149,000	375,564	360,410	6,245	7,077
Sur-tax	105,000	23,300	32,200	350	1,200
Estate, etc., Duties	176,900	82,200	81,500	2,900	3,000
Stamps	48,500	25,485	22,200	800	1,000
Profits Tax	240,000	54,010	114,160	4,700	12,500
E.P.T.	1,000	52,650	20,900	1,400	1,000
Other Inland Rev.	1,000	80	80	...	...
Special Contributions	25,000	12,050	12,500	600	400
Total Inland Rev.	208,500	625,349	643,950	16,995	26,177
Customs	829,650	366,588	352,840	16,481	16,446
Excise	663,600	332,800	312,200	3,480	2,985
Total Customs & Excise	1493,250	699,388	665,040	19,961	19,431
Motor Duties	54,000	9,454	9,360	...	...
Surplus War Stamps	44,000	23,376	47,427	4	368
Receipts from Trading	18,000	826	4,045	...	...
P.O. (Net Receipts)	12,000	760	...	100	Dr 1450
Wireless Licences	1,000	3,300	3,690	...	...
Crown Lands	1,000	350	200	...	...
Sundry Loans	20,000	9,074	10,404	39	2,843
Miscellaneous Receipts	50,000	74,484	22,904	591	270
Total Ord. Rev.	3777,750	1445,401	1407,111	37,690	48,290
SELF-BALANCING					
Post Office	159,630	66,500	69,800	2,100	4,000
Income Tax on E.P.T. Refunds	5,700	3,533	4,444	162	270
Total	3943,080	1515,341	1481,355	39,952	52,560

Expenditure	Reti. date, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Sept. 11, 1948	April 1 to Sept. 11, 1949	Week ended Sept. 11, 1948	Week ended Sept. 10, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	236,746	232,889	3,175	3,455
Payments to N. Ireland	30,000	8,792	14,188	...	1,153
Other Cons. Fund	12,000	3,225	5,029	...	...
Total	527,000	248,762	252,107	3,175	4,609
Supply Services	280,270	936,431	111,959	32,200	34,200
Total Ord. Expend.	332,970	1185,193	137,066	35,375	38,809
Sinking Funds	...	8,069	7,847	560	340
Total (excl. Self-Bal. Expend.)	332,970	1193,262	137,793	35,935	39,149

SELF-BALANCING	Reti. date, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Sept. 11, 1948	April 1 to Sept. 11, 1949	Week ended Sept. 11, 1948	Week ended Sept. 10, 1949
Post Office	159,630	66,500	69,800	2,100	4,000
Income Tax on E.P.T. Refunds	5,700	3,533	4,444	162	270
Total	349,503	126,532	145,211	38,197	43,419

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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, September 17, 1949.

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OTHER NOTICES APPEAR ON PAGE 645

The Economist

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LEADING ARTICLES

Defeat or Opportunity? - - - 649
Devaluation in Europe - - - 651
The English Landowner—II - - - 653
Wage Chaos - - - 654
English for India - - - 656

NOTES OF THE WEEK - - - 657

Devaluation at Westminster; The Acheson-Bevin Talks; Dr. Adenauer States His Policy; Step-by-Step Ulster; Critics and the Masterman Report; Barter by Any Other Name; Greek Dilemma Over Albania; Show Trial for Mr. Rajk; Who Shall Internationalise Jerusalem?; The Health Service in Practice; School or School-Factory; A Split among the Swiss; Can Unesco Come to Earth?; Boomerang for Dr. Dalton; Why the Sea is Boiling Hot; Target for Cyclists.

LETTERS TO THE EDITOR - - - 663

BOOKS AND PUBLICATIONS - - - 666

AMERICAN SURVEY

Congress and the Gap - - - 668
Enforcing Competition - - - 669
"No Welfare, No Work"; Mr. Truman's Supreme Court; Rush-Hour in the Schools; Wines from the West.

THE WORLD OVERSEAS

United Nations in Perspective 673

Australia's Pre-Election Budget; Employers and Workers in Japan; The Future of British Business in China; Allied Powers in Germany; Politics in Pakistan.

THE BUSINESS WORLD

Devaluation and the Consequences - - - 680
The Exchange Adjustments; Trade and the New Pound; The Course of Prices; The Market's Response; Oil—A Particular Case.

BUSINESS NOTES - - - 689

Fresh Heart in the Motor Industry; Film Earnings and Exchange Rates; Marshall Aid and Wheat; Britain's Declining Exports; Intuitive Price Policy; Shipping and European Payments; Lord Lyle Fights Back; Anti-Climax in Barcelona Traction; Furness Withy's Future Finance; SMT Preference Repayment; Shorter Notes.

COMPANY MEETINGS - - - 697

INVESTMENT STATISTICS - - - 702

STATISTICAL SUMMARY - - - 703

Vol. CLVII No. 5535
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR: Europe, £4 5s.; U.S. and Canada, \$24.
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Defeat or Opportunity?

IN and by itself, the devaluation of the pound sterling so artlessly announced by Sir Stafford Cripps on Sunday evening is no more than a confession of defeat by the Government. To the outside world, it has long seemed natural and proper that the pound should be adjusted to a level more in accordance with what the markets of the world are unconstrainedly prepared to offer for it. The majority of sober judges of affairs in this country have long felt that it was only a question of time before the decision to devalue was taken, and to many of them it had become apparent months ago that the time had come—indeed, was in danger of going by. But Ministers and the majority of their official advisers have been uncommonly stubborn in their refusal to face facts. Socialist politicians believe as an article of faith that water can be made to run uphill by administrative action; and the technicians of the Treasury and the Bank of England love so dearly the fabulous intricacies of their exchange control system (which, as they so proudly explain, no one but themselves can understand) that they have come to believe themselves capable of damming up any economic flow for any length of time. Between them, they have founded the economic policy of the British nation on the nonsensical doctrine that water does not, sooner or later, find its own level.

They have no reason to complain of the treatment they have had from those who distrusted their policy, either in this country or abroad. There has been no pressure from the United States Government. At home, there has been no campaign for devaluation. All the more responsible organs of the British press scrupulously observed, for as long as they could, the tradition that nothing should be printed that would be likely to undermine confidence in the national currency. There can be no question of a "ramp" either by bankers or by anyone else. It is the inexorable force of facts alone that has defeated the British Government, the Treasury and the Bank of England and has made Sir Stafford Cripps eat so many of his past words. Of the two—the politicians and the experts—it is the inability of the experts to foresee what was coming that is the more disturbing. Once again, as in the convertibility crisis of 1947, they have been shown up as being too expert to have any common sense. It is not a pleasant spectacle for a country that is accustomed to expect the highest degree of technical skill and judgment in its financial managers. They seem, for the present, to have lost that primary qualification of a good banker, the ability to accept the verdict of the facts, even when it is unpleasant.

The devaluation should have been undertaken months ago. Indeed, as soon as the world made up its mind that it was inevitable, every further day's delay merely meant further loss of reserves. But now that the decision has been taken, Sir Stafford is being criticised—at home and abroad—for going too far. This is unjust, and on this point at least the Chancellor deserves support. It is true that to reduce the value of one of the world's leading currencies overnight by as much as 30½ per cent must necessarily impart a severe shock to trading relationships the world over. But the blame for that attaches to

the dimensions of the maladjustment that had been allowed to grow up, not to the size of the remedial action taken. It is also true that the Government would have been far wiser to have fixed no new parity at all for the time being, but to have allowed the pound first to find its own level. This may, in fact, turn out to be Sir Stafford's greatest mistake. Nobody can confidently assert that any rate is "correct" in the present confused and distorted state of the world economy—let alone one that will still be appropriate when it has had time to settle down. If, as Sir Stafford says, the present exchange control would be unworkable with fluctuating rates, then so much the worse for the present exchange control—that is, if the reason is valid at all, for it sounds very much like the sort of excuse that is emitted when a technician retreats into his shell. But if there must be a new fixed rate, then obviously it must be low enough to be capable of defence in all foreseeable circumstances. It must make allowance, not only for the certainty of some rises in sterling costs of production (if only because of the higher costs of dollar materials), but also for the possibility of falls in costs of production in competing countries. Judged by this test, the new rate of \$2.80 = £1 appears to be realistic. Whether it will continue to be so, of course, depends on what happens hereafter.

And what can be expected to happen hereafter? Is the British economic crisis now solved, or clearly on the road to solution? To believe that would be to imply that the only thing wrong with the British economy last week was the rate of exchange between the pound and the dollar. Exchange rates are, indeed, potent factors and changes in them often have results far exceeding anything for which a visible causation can be traced; it would be unwise to underrate the probable effects of the devaluation of sterling. But nobody can seriously hold (though Sir Stafford, in his broadcast, seemed to be trying to) that changes in exchange rates are as potent as all that. There are far too many other things that are visibly wrong with the British economy. Distorted by the war, it has been held by main force in the distorted position, and the healthy natural processes that would help to restore a stable equilibrium are everywhere weakened and obstructed. And though many of these distortions derive from changes in external circumstances, they are added to and in some cases further distorted by purely domestic policies. (For example, at a time when it is more difficult for Britain to buy food from abroad, domestic policy encourages an increase in the demand for food.) It is impossible to believe that a change in the exchange rate with the dollar can miraculously correct these distortions or counter-balance their effects.

Yet Sir Stafford was at pains in his broadcast and in his press conference to make it clear that nothing else in the Government's policies was to be changed. With so many conflicting rigidities, something was bound to give way, and it has proved to be the exchange rate. But no attempt is to be made to re-examine the stability of the structure as a whole. A new girder, of different length but of equal rigidity to the old, is to be fitted in place of the one that has buckled, and everything else is to go on as before. Moreover, to listen to Sir Stafford, one would believe that the change, though of most fundamental importance, will make no difference to anybody at home, and certainly will hurt nobody. Yet in economic surgery, as in human, there is no such thing as an operation that is both effective and painless. How Sir Stafford or anybody else can believe that devaluation can revolutionise the external position of the country without altering any of its internal relationships is past understanding.

Nevertheless, it appears to be the Government's intention that devaluation should stand alone. The present state of the British economy, in which the only thing that is allowed to move is labour costs—and they only move upwards—is to continue. The basic distortion—which arises from the fact that the British people have voted themselves, in cash and in kind, larger incomes than they earn—is not to be removed. If so, then it can be predicted with the utmost confidence that the rate of \$2.80 will turn out to be too high, not too low. Average British wage rates and average British costs or production (as most relevantly measured by the price level of British exports) have been rising, with scarcely any interruption, ever since the beginning of the war. They are still rising, and the number of wage claims already proffered (as set out in another article) make it clear that they will go on rising. Until this process can be stopped, no fixed exchange rate will give the British economy any elbow room for more than a limited period.

It cannot be said too often or too emphatically that, however necessary and inevitable the depreciation of sterling may be, it cannot provide a solution to the British economic problem. There are no easy short cuts to the solution, which can only be found through a sharp increase in the economic efficiency of the whole national machine. What the British people need to do is not to take less for a pound sterling but to give more for it. Exchange depreciation will be of lasting value only if it proves to be the crack that breaks the log jam, sets other things in motion and breaks up the whole system of rigidities. If everything else is held tight, then the causes that produced this summer's crisis will produce others.

It is very important indeed, at the present juncture of party politics, that the exact degree of change in policy that is needed should be made quite clear. Retreats from what has been stubbornly upheld are, indeed, called for. But there is no necessity for a complete rout and reversal of everything that the Labour Party stands for. To proclaim now that a Labour victory at the impending general election would mean ruin and that a Conservative victory is the only hope would be to ensure, whatever happened, that the nation would be bitterly divided on essentials. There is nothing in what is required (on a minimum assessment at least) that should be more difficult for a Labour Government to accept than the devaluation that it has already swallowed. There is no need to abandon the ambition to exercise purposive direction over economic developments, but only to restrict the planning effort to the basic essentials that really matter. There is no need to abandon all economic controls, provided that enough free play of economic forces is left, operating through price changes in open markets, to bring about necessary adjustments. There is no need to abandon the welfare state, but only to base it on realism, both in respect of what can be afforded and of the way in which human beings act when offered something for nothing. There is no need to abandon the objective of greater social equality, provided it does not deprive the economy of its mainspring of incentive. There is no need to abandon the doctrine of public ownership, provided that the nationalised industries are turned into efficient economic instruments and not regarded as social welfare institutions for their employees. Basically what is needed is not that the Labour Party should abandon any of its aims, but that it should submit its methods to the test of economic efficiency.

This is not too much to ask, in a national crisis, of a responsible party. Some Socialists, even of Ministerial rank, have

been saying, in private, in recent weeks, that they admit the necessity for some fall in the standard of living of the British people. This should perhaps be welcomed as the dawn of realism. But it should rather be condemned as the intellectual pride that would impose poverty on the people rather than admit to error. It is not the aims of Labour policy that are so much at fault as the lack of realism in its methods, and if they could make the moral sacrifice of changing their minds,

Devaluation in Europe

THE devaluation of sterling has been the signal for a realignment of currencies throughout the Marshall countries. Only Switzerland and Italy have decided not to devalue their currencies in relation to the dollar, and it is doubtful whether the lira can in fact be maintained. In Western Germany, Dr Adenauer has done no more than announce his new government's decision to devalue; the new rate has yet to be chosen. The French have used the occasion to abolish the system of multiple rates established by M. René Mayer over a year ago, whereby importers and exporters enjoyed a rate of 272 francs to the dollar, while the official "free" rate ran at about 330 francs to the dollar. Now one rate will prevail—350 francs to the dollar—while the franc-sterling rate has been reduced from 1,096 francs to the pound sterling to 980 francs.

The French Government has declared its dissatisfaction with both the method and the scale of the British devaluation. The new rate, declares M. Petsche, the French Finance Minister, is a "trade-war rate." France could have safely maintained its old free quotation of 330 francs to the dollar had not the British offered—without prior consultation—this new competitive threat. This French criticism reflects the irritation with British policies that has been an undercurrent to most of the activities of the Organisation for European Economic Co-operation this year. Edge has been added to it by French memories of Sir Stafford Cripps's protests to the French Government when the Mayer devaluation took place early in 1948. But M. Queuille and M. Petsche have undoubtedly voiced a feeling of frustration that is general in Europe. The Organisation for European Economic Co-operation exists, a European Council of Ministers exists, a European Assembly has just spent a month discussing methods of European economic co-operation. Yet the British can introduce a radical change into every economy in Europe by a step taken in consultation only with the United States and the British Dominions. If this is the first fruit of the

Ministers would not need to call on the British people for any more material sacrifices.

Last Sunday the Labour Government had to admit that on one cardinal point of policy they had been wrong. Will they not, for the nation's sake, open their minds to the possibility that they may have other mistakes to correct? Or do they have a positive preference for the indignity of being coerced by events?

new forms of European consultation and co-operation, it has a bitter taste on the Continent.

It must be admitted that the British Government's handling of the European aspect of devaluation has been clumsy. It would surely have been possible without grave financial risk to have informed the European Governments chiefly interested at least a short time before the decision was sprung on the International Monetary Fund in the morning and Sir Stafford got into his aeroplane in the afternoon. The forms of consultation should have been observed at least to the extent to which the French observed them on the occasion of their devaluation, during which the British Government was kept closely informed.

The criticism of British manners and methods thus seems justified. The critics are on weaker ground when they attack the scale of British devaluation. For one thing, M. Petsche, who has campaigned against an "overvalued pound sterling" to some effect in recent months, cannot complain too sharply if his campaign at last succeeds. For another, if the pound sterling is ever to become convertible into dollars—and such an outcome is very much in the interests of western Europe, whose prewar system of international payments rested on converting favourable sterling balances into dollars—the rate between dollar and pound must be one the British Government can reasonably expect to maintain. But the chief justification for the British action is simply that it recognises a reality which other European countries are also obliged to face. The devastation of the war, followed by four years of strong inflation, has in almost every case reduced the real purchasing power of European currencies. One of the chief difficulties in the way of genuine recovery in the last eighteen months was the fact that exchange rates had ceased to reflect the realities of purchasing power and still sought to mask

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the facts of the postwar inflation. In fixing the new rate for sterling and thus compelling other nations to follow suit, the British have not created a new situation. They have simply forced a recognition of the realities of the old.

For this reason, the devaluations in Europe can provide the springboard for a new attack upon the problem of freeing and intensifying inter-European trade. All attempts made in the last eighteen months to break away from the pattern of bilateral trading—of which the two Intra-European Payments Schemes have been the most ambitious—have at some point been brought to a standstill by the emergence of persistent debtor-creditor relationships. In their dealings with other European nations, Belgium and Switzerland have remained obstinate creditors and the fear of having to settle with them in dollars or gold has prevented other nations, with Britain at their head, from accepting the risk of full multilateral trading within the Marshall group. Today, the Belgian devaluation is small in comparison with that of Britain—12 per cent to Britain's 30 per cent—and Switzerland has not devalued at all. It is therefore possible that this more realistic pattern of exchange rates will mitigate the old difficulties created by the Swiss and Belgian creditor position and will pave the way to a general return to freer European trade.

This tendency could be very greatly strengthened if the new opportunity offered by the devaluations were followed immediately by a general easing of import controls. Since midsummer, the Marshall countries have been discussing the British proposal that European trade might be eased by the introduction of open general import licences and by the freeing of certain commodities from the system of quotas. France, Italy and Western Germany have taken one or two small steps in that direction, and the British are reported to be on the verge of making bold and far-reaching proposals. Decisions may, however, be postponed, since the first task for the OEEC is undoubtedly to redraft the Intra-European Payments Scheme in the light of the new exchange rates. But at the first opportunity the British should present to their European colleagues a really impressive list of the goods they are ready to free from import control. Devaluation has removed many of the risks inherent in such a policy of liberalisation and the sooner the scale of Britain's intentions are made known, the readier the other partners in the Marshall Plan will be to widen their approach.

This is the opportunity. It is a genuine and important one, since for the first time since the war exchange rates bear some relation to economic reality. But there is no automatic guarantee inherent in devaluation that the opportunity will be grasped. The new position has to be consolidated by vigorous policy and many of the necessary steps are difficult and unpopular. In the first place, all gain from devaluation will be wiped out if the governments do not keep a firm check on reascent inflation. The line against inflation in Europe is being held with very narrow reserves. It would not require much to undermine the present precarious stability and, unhappily, the mere fact of devaluation exposes a country to new inflationary risks. Some rise in the cost of living must follow the increased price of dollar imports. These prices may, in some countries, be offset to some extent by the lowering of sterling commodity prices, but these again depend upon firm measures against inflation throughout the sterling area. If the rise in living costs precipitates a new round of wage increases, the inflationary spiral can be in motion again within a few months.

The position in France in particular is unstable. Before devaluation, there were already signs of rising food prices and urban discontent. Devaluation will aggravate the trend.

The French farmers' confidence in the franc, which had shown some signs of recovery in the course of the year, will have received a fresh shock and the temptation to hoard may return. Optimistic estimates put the likely rise in the cost of living in France at no higher than 5 per cent, but even such an increase is enough for playing politics. Gaullists and Communists alike see in devaluation their first real political opportunity in 1949. They are ready to exploit every sign of discontent. And can a coalition in which the Socialists are an essential partner maintain the draconian control over wages and prices which the new situation demands?

* * *

It is, however, in Britain that the decisive battle must be fought against reflation. The train of devaluations in Europe and throughout the world which the British decision has set in motion is a reminder of the immense role which sterling—in spite of its weakness—still plays as an international currency. If, after this devaluation, sterling sags again, if after six months it is discovered that rising costs and unchanged productivity have once again undermined the real purchasing power of sterling, then the non-dollar world will be back in precisely the same uncompetitive posture it was in before devaluation. While the fight against inflation is the first duty of each European government, the British effort will be decisive.

European stability will not depend only on the nations' ability to check inflation. Devaluation as such is no answer to what is still Europe's most urgent problem—the dollar gap. The new price levels remove one great obstacle to effective competition in the American market, but other measures will be necessary to ensure that Europe's exporters join aggressively in the struggle for dollars. A European strategy for dollar sales and for economies in dollar imports has become more not less urgent as a result of devaluation. The task of capturing about one per cent more of America's domestic market—the target of some \$3 billions—has been eased for Europe only by the new competitiveness of European prices. It has been made more difficult by the increased sales necessary to maintain even the existing level of dollar earnings.

Nor is a blind drive for dollar sales enough for Europe's salvation. The new exchange rates will inevitably lay bare a problem which until this year has been decently shrouded by the high demands of the sellers' markets. The various industrial economies of western Europe are competitive. The goods which Britain, Belgium and Western Germany will seek to sell in the United States are largely the same. When M. Petsche talks of Britain's "trade war rate" for sterling, he has in mind that part of the French export business that is directly competitive with Britain. The temptation in these circumstances to indulge in competitive devaluation may, as the fight for American markets develops, prove dangerously strong, particularly if European co-operation fails to recover from the jolt it has received and each trading nation proceeds to solve its trading problems without regard for the international consequences.

It would therefore be well if, at this moment of uncertainty and irritation, the British Government could take the initiative in calling together an immediate meeting of the Council of the OEEC. Britain's devaluation has proved beyond any possibility of doubt the dependence of Europe upon sterling and the impossibility of Britain's pursuing its economic policies in isolation. Any attempt to do so may unleash in Europe new forces of inflation in the domestic market and cut-throat devaluations in foreign trade. The need for the Marshall countries to support each other in all

measures to stabilise their internal economies and widen their markets in Europe and overseas has never been more urgent than it is today and the decisive influence must be that of Britain. At present, it is difficult to read the Government's mind. Ministers do not give the impression of having thought out the consequences of devaluation for their trading

The English Landowner—II

A Last Chance

THERE are two economic functions which attach to the ownership of agricultural land, whether it is held by a private individual, a limited company, or a public body. The landowner is (or should be) the main source of fresh capital for the agricultural industry, and he performs (or should perform) the duties of estate management, which are complementary to those of practical farming. It is rightly said that a farmer is often his own worst landlord. The care and improvement of the land's fixed equipment requires greater resources and a longer and broader viewpoint than are within the compass of the average family farmer. This, in fact, constitutes the economic justification of the landlord-tenant system, a system which if it works properly is of great value to agriculture.

Unfortunately the system has not worked very well over the last half-century. Private landowners have been unable to find the fresh capital which the land has needed, while the decimation of the larger private estates, together with frequent changes in the ownership of land, has struck at the roots of good estate management. Landownership has been unable to perform properly its economic functions. It is ironical that it should fall to a Labour Government, acting under pressure of dire necessity, to make some attempt to patch up the system through its favourite method of mixed assistance and compulsion. The Government cannot be suspected of any solicitude for the welfare of the private landowner as such, whose personal income and capital have been raided by the Exchequer with increasing severity. But it has recognised that agricultural efficiency is dependent on a successful partnership between the three groups of landowners, farmers, and farm workers, each of whom has a vital contribution to make to the expansion programme.

This partnership finds practical expression on the agricultural executive committees and the agricultural land tribunals, on which all three groups work together. It has received legislative expression in the Agriculture Act, 1947, which establishes a system of guaranteed prices that are meant to provide for an adequate return on landlord's capital. In fact, however, the landowner, as a previous article illustrated, gets today a return which is very far indeed from being adequate, and which is seriously out of line with the costs of management and replacement. This is largely so because traditional valuations, which exercise a strong grip on the countryman's mind, have not kept pace with economic conditions, while owners are often as reluctant as their tenants to refer the rent to official arbitration.

The success of the agricultural expansion programme depends on a thoroughgoing modernisation of the land's fixed equipment. The Government's mixture of vague threats and concrete inducements is intended to produce quick results. During the period 1949-52, landowners in the United Kingdom have been asked to spend £86 million on farm buildings, £12 million on farm roads, £8,000,000 on water supplies, £3,000,000 on tile draining.

partners in Europe, or even perhaps of caring much what those effects will be. This is the impression which needs at all costs to be countered, and there should be no delay in inviting the Marshall countries to meet Britain round the table for a thorough examination of the next phase in Europe's economic strategy.

The Agriculture Act created new powers of compulsion. The owner who fails to maintain satisfactory standards of estate management is liable to be put under supervision and, ultimately, to be dispossessed in the same way as an inefficient farmer. So far, little use has been made of these powers; but following the official survey of ownership which is now being carried out, county committees may very well be urged to enforce better standards on the worst owners. It is especially significant that owners, whether under supervision or not, can be directed to undertake reasonable improvements which are necessary for the efficient farming of the land. The Government, in other words, can force private individuals to invest capital, even if doing so involves them in a loss; and it has refused to vary the use of this power to accord with the owners' financial circumstances.

However, these unusual powers of compulsion have been matched with strong financial incentives. Capital subsidies, amounting to 50 per cent or more of the cost, are available for works of land drainage and water supply and for the building of farm cottages. Further, under the 1945 Finance Act, the landowner can recover taxation over a ten-year period on the full amount of his outlay on improvements (which is even taken to include any sum he has received by way of housing subsidy). Finally, the erection of farm cottages is the only form of house building exempt from development charge. Whatever his grievance about the current level of rents, the landowner at least has every inducement to invest fresh capital—especially if he is paying taxation at a high rate. Indeed, in exceptional cases, it is paying landowners to charge their tenants no more than one or two per cent of the value of their improvements.

On one point only is taxation policy out of line with the Government's general aim. The penal rates of death duties on the larger estates run contrary to all sound principles of estate management. A remission of death duties, however, would only be of value if it could be stipulated that the estate should continue to be managed as a whole and that the heir should have had experience of estate management. But a reform of death duties is unlikely to be undertaken by any government in the near future.

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It would be misleading to picture private landowners and the Government as entering upon a new period of harmonious co-operation. The harmony is more seeming than real. The landowner's legal position has been revolutionised. Not only can he now be told how to manage his land, and how to use his capital, but he is denied the right, save in exceptional circumstances, to recover possession from his tenants. Such a degree of state interference—even if much of it is waived in practice—is a severe infringement of the rights of ownership as traditionally understood in English law.

The Exchequer has still greater reason to grumble. The

co-operation between the Government and the landowner is directed towards an immediate objective in the pursuit of which questions of cost have been largely ignored. The state is paying out very large sums of money, either directly by way of subsidy or indirectly by way of tax remission, which may go to appreciate the capital values of private owners. The preferential treatment accorded to agricultural property acts as a magnet to businessmen seeking ways to reduce their tax commitments. Agriculture as a whole benefits from the fresh infusions of capital which the Exchequer partly encourages and partly provides; and for the time being this is justification enough in the Government's eyes. But the cost to public funds is too heavy to be continued indefinitely.

Moreover, to subsidise private owners on such a scale strengthens the case of those who advocate the nationalisation of the land. Why, it can be argued, should the state not reap the benefit of the assets which it is doing so much to create, especially since the task of re-equipping the land seems to be well beyond the means of its present owners? Those who advocate nationalisation can also point, in theory at any rate, to the advantages of management which would result if the whole land were under a single ownership instead of being parcelled out in small private lots.

In point of fact, there are still stronger arguments against transferring the land to public ownership, at least in a single operation or over a short period of time. In addition to the extreme nature of such an expedient, which would need a very great deal to justify it, there are several sufficient reasons against embarking on it at the present time. In the first place, it would cause a degree of social and economic disruption which would do grave harm to the agricultural effort, and it would be highly unpopular in the countryside. In the second place, state management in other fields has not been so strikingly successful to date as to justify its application to an industry whose problems are peculiarly complex and where even the usual stock of initial goodwill would be lacking. In the third place, the state would have to pay an extremely high purchase price for the land; and quite

apart from the magnitude of the financial operation, the interest charges which it involved might even exceed the present total of agricultural rents—thus causing an increase, instead of a decrease, in the costs of production. In brief, it is certain that land nationalisation would be unpopular and there is no evidence that it would either aid agricultural efficiency or lower farm costs.

To say this is not to deny the grave drawbacks of the present system. The idea of a new partnership in agriculture, so dear to the heart of the Minister of Agriculture, will not work if one partner is reduced to a condition of complete dependence. If both the rights and the responsibilities of land ownership continue to be whittled away; if the state comes gradually both to supervise the management of the land and to provide it with capital, then public ownership will eventually appear as no more than the logical termination of a superfluous institution.

There is only one certain way of avoiding this outcome. If British agriculture can be revitalised into a much increased efficiency, then it will cease to be so dependent on state aid or so liable to state control. Such a transformation is in any case devoutly to be desired; although unfortunately present government policy will do little to achieve it. But its achievement is of especial importance to the landowner, who has his existence as well as his prosperity at stake.

Above all, this is no time for the English landowner to take up a negative or defeatist attitude. He may feel sceptical about the outcome of the new deal for agriculture; he may dislike the controls imposed upon him; but at least he has an opportunity to repair some part of seventy years' neglect, and to play a notable part in the re-equipment of British agriculture. To do this calls for a bold and skilful programme of investment, and where this policy is handicapped by unduly low rentals, it is reasonable to take steps to have them raised. The landowner must make the most of his present opportunities; for one thing is certain—they will not recur. The challenge to British agriculture gives the landowner his last chance.

Wage Chaos

THE Chancellor's announcement of devaluation has come as a shock to the leaders of the trade union movement. Faced with the likelihood of a rise in the cost of living which cannot be matched by wage increases, the leaders of the TUC have so far abdicated their responsibility, and in a statement issued on Tuesday bluntly refused to pass judgment on the necessity for devaluation. The body of men most anxious to be heard whenever the Chancellor has any concessions to make has collapsed into silence when faced with an unpleasant situation. The men who claim to be industrial statesmen have no guidance to give their followers when there are hard truths to be told.

The grounds of their dismay are obvious enough. Devaluation marks the end of the comfortable assumption that the British economy, upheld by American aid, could become viable in 1952 by advancing in productivity and economic efficiency at a pace agreeable to organised labour. Devaluation has destroyed that jog-trot progression since, if it is to succeed in its object, it demands a furious economic activity and a strict attention to the economic cost of production. David Low's carthorse must break into a gallop, a pace for which its contours and past habits have not suited it.

The second cause of trade union anxiety arises from the

effect of devaluation upon the cost of living. The whole energies of the General Council of the TUC have lately been concentrated upon demonstrating that wage increases would merely add to inflation without raising the level of real wages. But that thesis was based upon a cost of living index which had latterly remained fairly stable. What has now to be reconciled is the Chancellor's demand—essential if devaluation is to create any benefit—that any rises in the cost of living shall not be reflected in higher personal incomes “whether from wages, salaries, profits or any other source,” with the existence of a number of outstanding wage claims. How will it be possible, runs the argument, to withstand an overwhelming succession of demands if the cost of living rises—as eventually it may—by four to six per cent?

There is already a considerable list of outstanding demands for increases in wages or salaries, occasioned by the present level of the cost of living. There is the demand formulated last week by the Confederation of Shipbuilding and Engineering Unions for an all-round increase of £1 per week, which would cost the industries concerned up to £130 million a year. There is the demand rejected a fortnight ago by a Board of Conciliation for a flat rate increase of 10s. a week for the railwaymen, and for payment of time-and-a-

quarter for work after Saturday noon. Despite the award, certain constituent units of the National Union of Railwaymen seem determined to use coercive action in the shape of “work to rule” in an effort to get the claim accepted. The prospect of a rise in the cost of living consequent on devaluation provided a heaven-sent opportunity on Monday to the Communist element among the London railwaymen to demand coercive action—a campaign which in the event seems to have fallen flat. Mr Figgins, the Secretary of the NUR, has shown himself readier to be borne up by pressure from below than to exercise control and guidance of his union from above.

There are a number of minor claims concerned with the cost of living. There is an outstanding claim from the Civil Service Clerical Association to increase the salary of clerks by 15 per cent to enable them to meet the higher cost of living. The Building Trade Operatives are presenting a claim for higher pay for the same reason. There is a claim for a 20 per cent increase in the wages of prison staffs. On a different level, the British Medical Association are demanding that an additional £16½ million be paid by the Exchequer into the pool from which capitation fees are paid to general practitioners; it contends that, in fulfilling the Spens Committee's recommendations, the Ministry of Health ought to have allowed for more than 20 per cent. to offset the rise in the cost of living since 1938.

In addition, there are about a million and a half workers in iron and steel, boot and shoe manufacture, hosiery and building whose wage rates are linked directly to the new cost of living index. There are a number of industries, of which mining is the most important, which are pressing for a revision of their cost of living allowances which have not changed with the movements of the new retail price index.

Finally, there is a great resentment among the workers in nationalised industries, which found expression at the Bridlington Congress, occasioned by the Government's refusal to permit these industries to consider pension schemes while their economic health remains precarious.

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It is hard to say how large a part the desire to maintain full employment played in the decision to devalue the pound, but certainly it cannot have been absent, for political as well as for economic reasons, from the minds of the Cabinet. From the emphasis which Sir Stafford Cripps placed upon it in his broadcast last Sunday it is clear that he regards it as one of the chief ends of policy. In other words—since it has become clear that full employment in practice means fixed employment—the structure of British industry, which bears only a remote relationship to the needs of the international markets, is to remain petrified in the form from which it emerged from the war. There is to be no attempt to create an economic climate in which labour will move from inessential industries to those where it would give useful economic return, or which will permit of drastic revolution in the techniques or technology of production. Nor will there be any attempt to wring redundant labour out of industry. This, apparently, is the bargain that the Government will strike with the labour leaders in order to prevent them from overwhelming industry with demands for higher wages, but it is unlikely that even this dubious arrangement will be honoured.

Sir Stafford Cripps, at his press conference on Monday, gave the impression that while the Government would resist any attempts to allow wages generally to follow any upward movement of the cost of living which would result from

devaluation, it did not expect that all wage claims resulting from cases of hardship would be resisted. Before the nation becomes rent by arguments about what constitutes a hardship, it is essential that the Government and the unions make a fresh effort to think out a coherent wages policy. It is impossible to discuss in a few paragraphs the whole compass of such a policy, but there are three problems which must strike anyone who reflects upon the present position of wages.

In the first place, the wage is coming to be regarded not as a *quid pro quo* for a contribution to the economy, but as a species of welfare payment. The miners, the railway workers, and many others have rested their claims not on the fact that they are paid too little for what they do, but that they are not getting enough on which to keep a wife and family. This claim is as irrelevant to Socialist as it is to capitalist economic theory, both of which regard wages as a reward for economic services performed. This perversion of the true nature of wages means that they are coming to bear less and less relation to the economic value of the worker, to the value of the product, and therefore to the ability of the industry to pay. Industry is for the most part carrying as part of its labour, and therefore of its productive, costs a series of welfare charges which are properly the responsibility of the state. If it is difficult to contemplate a rise in the cost of the social services, it is even more dangerous to permit social service costs to enter into the cost of production. It should be clearly recognised that because a man cannot earn enough to keep his family in a particular job, it may be an argument for changing his employment rather than for raising the wage rate of his present job.

Secondly, the British trade unions have not begun to learn the distinction between high wages and high labour costs. Wages in Britain are low by American standards, and yet British labour costs were too high for the old value of the pound sterling to be maintained. If the British trade unions could bring themselves to recognise that they can have a continuously rising level of wages only if they actively co-operate in a more efficient use of labour and machinery, they would resolve many of the conflicts between their interests and those of the nation as a whole. But it is doubtful if the unions will learn this lesson for themselves since it conflicts directly with their interest. A swollen labour force in an industry means a higher membership, and therefore greater wealth and bargaining power for the unions in that industry. Only the Government, by deliberate policy as well as by propaganda and exhortation, could make plain the distinction between wages and labour costs, but a government which is at one and the same time determined to pursue overfull employment and *laissez faire* in labour relations is not well suited to undertake this task.

Finally, the Government—especially a Socialist Government—must bring itself to recognise that it can no longer maintain a bogus façade of neutrality in questions of wages and hours. If it is politically impossible for any contemporary British Government to lower wage rates, it must at least make up its mind in which industries and trades the economic situation demands or enables a rise in wages. Serious Socialist theory before 1945 contemplated that Government action would influence movements of labour and levels of production through control over wages. That aspect of Socialist policy has been forgotten since 1945, with the result that the wage structure of British industry is now in a state of chaos which makes nonsense of economic planning and free economic processes alike. If there are any Socialists who still believe in planning it is time they directed the attention of their party to the vital field of wages.

English for India

THE Indian Constituent Assembly's decision, after heated debate, to keep English as the official language for fifteen years before replacing it by Hindi is another sign of that readiness to face hard facts and to accept compromise of which Indian politicians have provided so many examples since independence. It is also—and this is perhaps even more important—the most notable instance yet of their capacity to cast aside nationalist passion and not to be deterred from making use of something which is British, merely because the British were once their rulers. Independence is not to mean revolution of destruction, but a rebuilding in which full use will be made of all that was of value in the institutions and the ways of the old regime.

The choice of the national language of India has involved a dilemma which was neatly stated by Pandit Nehru. English is today so important a language in the world that it is bound to remain a subject, and possibly a compulsory subject, in Indian schools. Yet it cannot be a universal language because its use creates between the English-knowing *élite* and the masses a gap which is politically intolerable.

English has, indeed, been to India what Latin once was to Europe—the great unifier and common medium of expression which has made the educated class not only physically but mentally at home in every part of their vast country. It was not just that English was the only language they all knew. It was even more that they were introduced through English literature to a set of new ideals which they could all share equally. Thus there has been created between the different parts of India, and also between India and the whole English-speaking world, that subtle mental bond which only a common language can give, and which even profound political divergence cannot altogether destroy, as is shown by the example of Spain and Mexico. So long as English remains a language in which every educated Indian is at home, England and India can never be foreign to one another.

Three generations of education in English have given Indians the freedom of the west and of its ways of thought in a way which is true of no other of the great countries of Asia. India alone has been enabled to see western civilisation from the inside and has thus been spared the strain and distortion which have been imposed on Japan, or even Russia, by the external limitation of a way of life whose material achievements they envied but whose spirit they failed to understand.

English is still the effective *lingua franca* of India, the language in which the clerk writes his letters, the student reads his textbooks, the journalist influences his audience. Many a husband and wife have no other common tongue. It is, moreover, often a very good English, as anyone who has heard Pandit Nehru or has read the *Hindu* can testify.

Hindi cannot quickly take its place without disruption. If Hindi were made universally compulsory tomorrow, half the university professors and senior civil servants in the country would have to be sent on leave, and many businessmen would have to close their businesses, while they learned the new language. Whole provinces would be unable to find more than a handful of candidates for the major professional and civil service examinations. Several of the High Courts would have to shut. Even the displacing of English as the language of intellectual conversation is not possible until Hindi has adopted an adequate scientific and mechanical vocabulary, probably by borrowing from English. English

should still have a future in India, even when Hindi does eventually become the national language. Every country must have some foreign language to provide it with a window on the outside world and just as for England this has long been French, so for India it is likely always to be English.

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But the other horn of Pandit Nehru's dilemma remains. English cannot be the common language of the masses. Some other medium must be found through which people from all over the country can talk to each other with ease, if politicians and trade union leaders are to be able to grow to national stature, if an industrialising country is to obtain full mobility of labour and if Indians are to feel themselves at home everywhere in India. For this purpose, Hindi is the only possible choice. Including its dialect forms, it is the mother-tongue of over one-third of the population. No other language can claim even half so many speakers. The Devanagiri script is a beautifully adapted instrument which provides one letter for one sound and makes child's play of spelling. The Roman alphabet does not have enough letters. The Urdu alphabet, with its lovely complications, taxes the mind as much as shorthand.

Hitherto, however, the great advances since independence have been made by the regional languages, of which Hindi itself is, of course, the greatest, and not by Hindi in its role as a *lingua franca*. The ordinary conversation of home, field and factory, like teaching in the primary schools, local administration and local justice, has naturally always been conducted in the mother-tongue. Since 1947 the range of the local languages has been further extended into the secondary schools, provincial secretariats and the higher courts, and this process is bound to continue until the universities and the High Courts also use the language of the home.

Between English and the local languages it might, therefore, appear that Hindi will have a somewhat limited role to play. But this is not so. It is ideally fitted to be the language which everybody can *speak*. Already perhaps half the population can understand and make themselves understood in it, and at the level of simple conversation it is not a difficult language to learn. Wherever large bodies of men of mixed origin meet together, whether in the army, on a political platform, at a railway station or in a factory, Hindi provides the ideal language for them to talk to each other; and in a country which is being welded more closely together every day by a growing sense of nationhood, the opportunity and the need for such mixed gatherings are increasing rapidly. Using a common language, every such occasion will contribute something more to the building up of a national spirit. Without it, every regiment, every workshop, every trade union committee meeting would be a source of sectional division and provincial jealousy. Common loyalties must have a common language in which the hopes, the ideals and the fears to which they give birth can be expressed.

The particular compromise which the Constituent Assembly has chosen to adopt is thus of great future importance. The retention of English in the immediate present is a long step towards that stabilisation of India as a great liberal state which is so vital to Asia and to the whole world. The selection of Hindi for the future is one of the last steps in that process of creating a nation which has now been going on for so many years.

NOTES OF THE WEEK

Devaluation at Westminster

The Government has wisely agreed to the request of the Opposition for a short meeting of Parliament next week. A debate in the House of Commons is essential, not so much to discuss the wisdom of devaluation—which is irrevocable—as to hear what other policies the Government has in mind for the long-term solution of the balance of payments problem and on all decisions of the Washington talks. Sir Stafford will be wise to be very frank and detailed, not only about these, but also about the discussions in which they were formulated. For only in this way will he clear up the element of mystery which still baffles not only the Opposition but also many Labour backbenchers—the mystery of why the Chancellor of all people should have at this moment an air almost of elation about Britain's economic prospect. This optimism which he has radiated since his return is clearly grounded on something deeper than a show of bravado for electoral purposes, but in his press conference on Monday he failed to explain it or to impart it to his hearers.

If his optimism is well founded, then the country should be allowed to scrutinise its foundations more closely—and there is no better means for this than a meeting of Parliament. If Mr Morrison could call back both Houses last September to force the progress of the Parliament Bill, he can well afford to have them recalled to discuss one of the most important developments in Britain's postwar economic history.

The Government must also be frank on its plans for retrenchment. So far these take the shape of an instruction from the Prime Minister to all Ministers to prepare a cut of the order of 5 per cent in their administrative expenditure for the current year. This, if it could be carried out, would bring some saving, but against it must be set the prospect of further Supplementary Estimates, of which some £21 million have already been brought forward, in spite of the ban that the Chancellor imposed on them in his Budget speech. And there is every likelihood that the service departments, faced with increased expenditure in the Far East, will be asking for more. The scope of a genuine retrenchment programme has yet to be made clear.

But the recall of Parliament will not solve one further mystery—the date of the General Election. There is no evidence on this side of the Atlantic to indicate that a November election is likely. Indeed, the consternation into which Sir Stafford's broadcast flung the Labour Youth Rally at Butlin's Holiday Camp at Filey on Sunday night, destroying at one blow the happy atmosphere of beauty contests and community singing, is not an omen for an immediate rally at the polls.

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The Acheson-Bevin Talks

For a week, Mr Acheson and Mr Bevin have discussed common problems of foreign policy. The talks have ranged over the Far East and the Middle East, and it is clear from the whole progress of the Washington conference that the need for the closest possible Anglo-American co-operation has never been more unreservedly felt by both Governments.

This strengthened desire for common policies does not, however, spring from a renewed fear of Russian aggression. It is clear, both from the atmosphere in Washington and from the quiet note struck by Mr Acheson in his opening speech to the United Nations Assembly, that the fears of war which have bedevilled the western world in the last eighteen months are receding. As Mr Acheson pointed out, the creation of the Atlantic Pact has put into practice the United Nations principle of collective security over a wide area, and this has undoubtedly

had a steadying effect. The war in Greece is a tragic exception to the general pacification of Europe, but some hope has been expressed in Lake Success that even here the Russians might now be ready to call off the long, futile and wasteful struggle.

The new challenge which Mr Bevin and Mr Acheson are anxious to meet jointly lies in another aspect of Russian foreign policy—the disintegrating effect of Communism upon backward peoples, whose nationalism has already been inflamed by a desire to be free of colonial status. If 1948 was the year of Berlin, 1949 is the year of China—perhaps of Hongkong. The two Foreign Secretaries have spent much of their time reviewing the situation in the Far East, the Middle East and in other areas where the spread of Communism could, without open war, withdraw large areas of the world from western influence. It is clear that one of the aims of Anglo-American policy is to establish local governments based upon independent nationalism, and then to give them all the backing that is economically feasible. Thus, both Britain and America are now apparently agreed on the need to give Japan a peace treaty, and thus stabilise its government.

In the Middle East, they are ready to pacify Arab nationalism by the creation of an independent Libya. A new emphasis is being put upon the economic pre-conditions of Arab resettlement and Middle Eastern development. It is also significant that American commentators have been paying particular attention to the role of India as a bulwark against the spread of Asiatic Communism. The suggestion is beginning to be widely made that the United States must reduce the strain on the sterling area by providing some of the economic assistance which India at present secures from its sterling balances.

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Dr Adenauer States His Policy

In the new German Cabinet announced on Tuesday Dr Adenauer has given the key economic posts to members of his own Christian Democrat party. Professor Erhard will carry on his work of the last year as Minister for Economics, Dr Schaeffer is in charge of finance and Herr Storch is Minister of Labour. Free enterprise, "not applied dogmatically," and "based on social obligations," will be their watchword. His allies in the right-wing coalition get five posts, three of them likely to be storm centres: Vice-Chancellor and Minister for the European Recovery Programme, Housing and Reconstruction, and Refugees. To find the capital to build houses by private enterprise, to plan building and to spread the 8,000,000 refugees—increasing every month—more evenly over the *Laender* should keep ministers from the German Party and the Free Democrats too busy to have much time for inter-ministerial sniping.

The main tasks and techniques of a Christian Democrat economic policy have been clear for some time. What was still uncertain, until the Chancellor made his statement of policy, was the line to be taken about Germany's external relations—one can hardly speak of a foreign policy so long as they are under the control of the Allied Commissioners. Dr Adenauer obviously had to be obstinate about dismantling in order to forestall critics to the right and left; for the same reason he had to be conspicuously firm about the Oder-Neisse frontier. Much of the rest of what he said, in restrained language, was applauded by the Social Democrats of the Opposition. He was grateful to the Americans, nice about Mr Bevin and conciliatory to the French, and asked that Germany be accepted into "the European union" as soon as possible, tactfully not mentioning the Council of Europe by name.

Subsequent debates should show whether or not it will be

possible to work out in Bonn the makings of a bi-partisan foreign policy. To achieve this right at the start would be a sure way of quickly creating goodwill in western Europe; above all it could remove from Dr Schumacher the temptation to mobilise nationalist feeling behind Social Democrat opposition to the new government. Dr Adenauer has begun by striking a moderate note; it would be most unfortunate, and would certainly delay Germany's progress towards real independence, if the opposition were to try to achieve power by thumping the patriotic drum and so force Dr Adenauer to sharpen his tone.

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It is a pity that military government has come to an end this week in a state of confusion about the validity of its laws, the permanence of the Allied Commissioners' staff, and their competences under the Occupation Statute, which was handed to Dr Adenauer on Friday. Nothing is clearer than that the Statute offers opportunities for the piecemeal nibbling away of Allied powers, by processes in which the British public will take no interest until something particularly flagrant occurs.

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Step-by-Step Ulster

The oft-repeated slogan "Step-by-step with Britain" (writes a correspondent in Northern Ireland) has kept the workers of Northern Ireland aware of the fact that social services and working conditions owe much to Northern Ireland's status within the United Kingdom. This accounted for the annihilation of the Labour Party, which hedged about Partition at the recent general election, and it accounts for the strike of electricity workers who claim that their employers are out of step with Britain's nationalised electricity industry.

The strike is an unofficial one, since the Arbitration Tribunal rejected the 1½d. per hour wage increase demanded, and the unions were consequently bound to accept the decision. But the spokesmen of the strikers claim that the dispute is a vital one for all workers in Northern Ireland, since it concerns the honouring in Northern Ireland of wages agreements negotiated nationally in Great Britain and hitherto locally accepted. They reject the employers' case that the superannuation scheme in the industry should be considered and demand absolute wage equality with their fellows in Britain. This is "thinking imperially" with a vengeance. With the nationalisation of the shipbuilding industry, a distinct though perhaps distant possibility, the workers of Belfast are on the whole in sympathy with the claim for absolute equality of treatment with their English and Scots brethren.

Already the strikers have been supported by some thousands of shipyard workers and it is probable that the dockers will refuse to discharge coal for the power stations which are at present functioning with the help of the navy and army. Yet the most revealing aspect of this strike is not the solidarity of labour but the extent to which the workers in Northern Ireland, especially in Belfast, have become dominated by their shop stewards. As in Britain, the official trade union leaders seem impotent in the face of unofficial strike action engineered by over-zealous shop stewards.

This fact is a serious one. The most vital need for Northern Ireland is to diversify its industries. One factor, among many, that has induced British industrialists to set up factories in Northern Ireland, has been the quality and spirit of the workers here. If Northern Ireland becomes the scene of those unofficial strikes so prevalent in Britain, industry may well turn aside from Northern Ireland. The strikers are dimming the lights, but even dim lights can flash red.

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Critics and the Masterman Report

The staff side of the Whitley Council for the Civil Services has been smouldering for two months over the Government's

acceptance of the Masterman report on the "Political Activities of Civil Servants" [Cmd. 7718] which was commented upon in *The Economist* of July 2nd. The unions had the opportunity for fanning their grievance into flames at the Trades Union Congress, and succeeded in carrying their objections against the wishes of the platform. The Congress is thereby committed to supporting the civil service unions in their demands for fuller civic freedom, and in this they have been joined by the Liberal party.

The sense of grievance arises from two causes. On the one hand the Government accepted the recommendations of the Masterman report on the day the report was published, and without first consulting with the Civil Service staff side. The staff side are therefore suffering from a strong sense of injured dignity. As the staff side played an important part in the setting up of the Committee, the Treasury's handling of the situation appears to have been lacking in tact and even in common prudence.

The real bone of contention is, however, the alleged restriction on the political activities of 300,000 members of the clerical and typing grades of the civil service. The Masterman report advocated complete political freedom for some 600,000 industrial and manipulative civil servants and post office workers. Above these it drew a line and virtually debarred from political activity the administrative, professional and technical staff and all the clerical and typing grades which serve them. Its justification for merging the clerical and typing grades with the higher grades was that their work was so entwined with that of their superiors that to allow political freedom to the one and not to the other would produce a host of anomalies.

Freedom is very sweet to Englishmen and in protesting against the Masterman report, the civil service unions have grasped a thread that runs continuously through English history. But common sense logic no less firmly equates the incorruptibility of the civil service with its freedom from politics. It would seem that the Masterman Committee has drawn the line too rigidly, including a great many card index filers and pen pushers above its line of demarcation. The straight line might have been intelligently indented, without infringing the central principle that executive and administrative civil servants have chosen their profession in the knowledge that it debars them from full participation in the political life of the community.

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Barter by Any Other Name

Mr Harold Wilson's speech on international trade agreements, delivered last Friday to the Summer School of the Institute of Bankers, afforded a striking example of the chaos of distinctions without difference into which the desire to justify postwar trading practices can lead an honest man. His theme was the distinction between genuine bilateralism, barter exchange between pairs of countries (which is black), and the type of trade envisaged and encouraged by the thirty-odd agreements concluded by Britain in the last two years (which is white). True, the arrangements envisaged in every case "a rough equivalence of payments in the two directions," and in some agreements "there were understandings or undertakings about the supply of scarce commodities in both directions; but trade followed the usual channels, no "direct exchange" took place, and, above all, each deal was calculated and concluded in terms of money.

It would be pedantic to argue that any international deal involving a pair of inconvertible currencies, each of which, by reason of its inconvertibility, constitutes merely a right to acquire the produce of one of the contracting parties, must properly be classed as barter. These agreements, however, are of a particular kind. They are very largely deals in goods on which an *ad hoc* price has been set—compare the various prices ruling at one and the same time for wheat and coarse grains, or for cocoa, or for coal, in different markets covered by different

negotiations—and they are riddled with the kind of conditional sale on which Mr Wilson, in his capacity of controller of the home market, imposes condign penalties. (Sir Stafford Cripps, in his interview with the Canadian Press Association last February, was a good deal franker on this subject.)

It may seem unreasonable to make so much fuss about nomenclature, and there is undeniable force in Mr Wilson's plea that, but for these agreements, call them barter or not, the British standard of living, the level of world trade, and the recovery of Europe, would alike have suffered. They offered the only immediate remedy for a desperate situation. But it is equally undeniable that the artificial prices assigned to the goods concerned have powerfully contributed to maintaining and aggravating the discrepancy between costs in dollar and non-dollar countries.

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Greek Dilemma Over Albania

The sorely-tried Athens Government has had one more piece of dynamite thrust into its hands. The victory on Mount Grammos has faced it with the immediate decision whether or not to throw caution to the winds and invade Albania in pursuit of rebels who have slipped over the frontier. The Greeks have so far held their hand, but have issued a warning the terms of which, however justifiable in principle, have sent shivers down the spine of responsible observers. They have said in effect that, if the rebels come back over the border to renew their attacks, the Greek army will next time carry the campaign into Albanian territory.

There are two aspects to this declaration. First, it is quite understandable that Greek public opinion should demand and receive from its own Government assurances that nothing will be left undone to end the civil war once and for all. But retaliation on Albania is a more dangerous project than it was some months ago, when the idea was first discussed. Moreover, it is one thing to threaten drastic action and leave the enemy guessing about its nature, and quite another thing to commit a government in advance to an act of war. Although other statements with just as grave implications have been made by other governments as part of the cold war, this declaration from Athens is disturbing. The Greeks would be well advised, at this juncture in Balkan affairs, to say little and do nothing until their case has again been dealt with by the United Nations General Assembly—from whose agenda the Russians have failed to remove it. Otherwise they risk losing all that they have so desperately gained.

An attack on Albania could set up a chain reaction which at best might bring down Marshal Tito, and at worst could bring East-West relations to a crisis. Tito's eclipse would mean a serious weakening of the effort to stand fast against Soviet megalomania, to which neither British nor American foreign policy—to say nothing of the United Nations—could remain indifferent. It is safe to assume that a localised brawl in the Balkans, in which Tito would be tempted to hit at the Cominform through Albania, would suit Moscow's book. Every effort is being made there and in the satellite capitals to build up a case for intervention in Yugoslavia. The Greeks should beware of providing a pretext.

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Show Trial for Mr Rajk

Now we know all about Mr Rajk. Just as six out of the seven members of the Soviet Communist Politburo at the death of Lenin were, in fact, revealed as enemies of the party and the revolution, so Mr Rajk has been for twenty years a spy in the Communist ranks, either for the police of Admiral Horthy or for the Gestapo or for the American Intelligence Service. Also implicated in his foul treachery are, of course, Marshal Tito and the other Yugoslav Communist leaders, with whom he recently plotted to carry out a *putsch* in Hungary and who

were already working for Britain and America against Russia during the war. If we doubt these things we are contradicting Mr Rajk himself, who has included himself in all the accusations he makes.

Everything connected with the trial has been in accordance with the set pattern of such performances: the preliminary official announcements of the accused man's guilt over a wide range of crimes; the stereotyped resolutions of workers' meetings demanding punishment for the guilty man before he is tried; the fluent confession in open court, with all the political definitions up to date by the latest Communist text-books; the providential suitability of the confessions to the current propaganda line of the Cominform, and the miraculous conformity of events a dozen years ago to the situation which has existed since Tito's break with Moscow eighteen months ago. The only difference—if it can be called that—is that the language of the prosecution has reached a new level of violent beastliness.

Mr Rajk has no doubt made himself in some way obnoxious to the leader of the Hungarian Communist Party, Mr Rakosi, or to the Kremlin. But to eliminate and discredit Mr Rajk is clearly only a part, and a subsidiary part, of the purpose of this latest of Communist show trials. Just as the confessing Old Bolsheviks in Moscow in 1936-38 accused themselves, but above all Trotsky, who was beyond the reach of the Soviet police, so Mr Rajk has given first place in dishonour to Tito, whom the Cominform cannot so far put in the prisoner's dock. Tito's reputation as a sincere Communist is torn to shreds; he appears as a double-faced adventurer who never wanted to destroy capitalism in Yugoslavia—which will be good news to all the Yugoslav bourgeois who have been expropriated—and whose policies were dictated during the war years by the British and American military missions. The growing idea in Eastern Europe that heresy in the Party is possible without treachery has to be killed.

It is not only Tito who is now in disgrace; so also is Mr Zilliacus, who has appeared to espouse Tito's cause. *Pravda* has now declared that his stand has "aroused the indignation of the democratic people of the entire world." The confessions of Mr Rajk, and of the Yugoslav exile Mr Brankov in the same trial, must have put Mr Zilliacus in an awkward position, for he has previously given the impression of considering the confessions made in Communist show trials as worthy of credence. He must now admit either that he was all wrong about Tito or else that Communist confessionneering is the dirty business most non-Communists think it to be.

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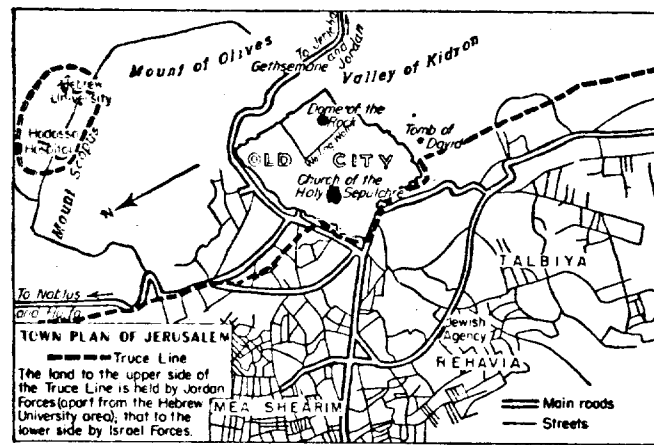
Who Shall Internationalise Jerusalem?

The delegates at the current Assembly of Uno have a hard decision to make about Jerusalem. Are they to uphold a vote which they gave as lately as last December, to internationalise the city and its environs as far south as Bethlehem? Or are they to bow to the result of a war, accept the divisions hewn out since then by the local Israeli and Jordanian military commanders, and establish an international frontier line through the very streets of the world's most sacred city?

Obedient to the instructions they gave last December, their Conciliation Commissioners have evolved a plan for international management on what is virtually a cantonal basis, with a neutral judiciary. This, like so many past plans for Palestine as a whole, is neat as a pin on paper, and eminently workable, given a will to work it in Jerusalem. But this will, now as in the past, is non-existent. King Abdullah, speaking from Spain, which he has been visiting, has declared that he cannot cede a yard of Arab sovereignty. The comment of Mr Sharet, before leaving Israel for Flushing Meadows, was even more categorical. The modern or Jewish part of Jerusalem, he said, was an integral part of the state of Israel. Had it not been so it would never have survived the siege. Surrounded as it is

on three sides by Arab-held territory, it must remain Jewish and retain the right to organise its self-defence.

Is it, in these conditions, possible to organise the "effective United Nations control" which the Commissioners' plan so optimistically prescribes? Its suggestions for administration begin with a division of the area into a Jewish and an Arab zone, each under its own responsible municipal authority. To these two authorities, it suggests delegating all matters except those reserved in the plan to the United Nations. The principal rights denied to these authorities are that to



admit immigrants in such a way as to upset the present demographic balance; that to convert their police, of which they may run 500 each, into para-military organisations, and that to supervise access to the Holy Places. These matters are to be the charge of a United Nations Commissioner appointed by the Assembly and making annual reports to it. He may enrol guards to protect the Holy Places and his own security, and for him and these the United Nations will pay. He is to be assisted by a General Council of fourteen, of whom ten are to be selected by the zonal authorities and four by himself. The Judiciary is to be international and to consist of judges of foreign nationality, elected by the United Nations, as are those of the International Court of Justice.

Whether such a scheme would ever have worked is doubtful. Its maintenance would depend on force and forces which Uno lacks, for unless it were protected by a military regime far more stringent than that once run by the British, terrorists would wreck its proper running. Certainly it is inapplicable now. The best course for the Assembly, therefore, is to cut its losses and save its breath for the internationalisation of the Holy Places, to which both Israel and Jordan would agree.

The Health Service in Practice

The many Americans who, on arrival in this country, want to know how the health service is working in practice can hardly do better than to buy a copy of the special number of *The Practitioner* which is devoted entirely to the subject. Articles have been contributed by practitioners in every major branch of the service (a big and unfortunate omission is any account of the mental health services); there is an article by that often neglected person, the patient—in this case a former private patient; and other articles deal with administration, the working of the health service in Scotland, and cost.

In view of the hostility of a large section of the medical and dental professions before the service was introduced, it is surprising that the opinions expressed by the practitioners are, on the whole, not unfriendly. Very occasionally, political bias peeps out; but criticism is in the main constructive, and there seems a general desire to make the best of a service that, in one form or another, has obviously come to stay. Severe criticism is expressed of the division of responsibility for the maternity service, which may, in the opinion of the writer of the article, be reflected in a check to the fall in infant and

maternal mortality. Otherwise there is little dissatisfaction with the machinery of administration—the regional boards for hospitals, the local executive councils for the general medical services, and the local health authorities for the preventive and after-care services.

What is striking, however, is that the criticisms of the working of the service as a whole are very similar in all the articles. There is general agreement that it was introduced too quickly, before facilities could be expanded to anything like the amount necessary. The article on dentists, for instance, which is in the main supported by the report of the working party on the "chairside times" of dental treatment, also published this week*, emphasises the almost intolerable burden of work placed on a profession that tends to be abused simply because, in trying to fulfil a huge public need, it is also making a great deal of money. There is also agreement that private practice, in the specialist service, is being unduly penalised by the regulations on charges for private beds and operations in hospitals. Most of the practitioners deplore the growth of committee work and form-filling, and many of them refer to the abuse of the service by a small minority of the population.

The trouble is that, although some economies could be made by cutting out extravagance, the only way to make real improvements in the service is to expand its facilities and thereby increase its cost. Yet a rise in its cost is out of the question, or ought to be, for some time, and a more immediate question is to decide how can expenditure on the present services be prevented from rising. Here, again, there is almost general agreement throughout the practitioners' articles that the patient should make a token payment when he uses the service's facilities. This step would not be an easy one for any political party to take. But what is the alternative? Arbitrary reductions in fees and salaries cannot be carried out indefinitely without serious repercussions on the standard of treatment; in any case they are an unfair way of compensating for the Government's gross underestimate of the public's demand for the health service. Since the people want the service they must pay for it, and a token charge may be the best way of making them realise that the service's success or failure depends on their recognition and acceptance of this fact.

School or School-Factory

A recent tour of old and new school buildings confirms a very pertinent remark of an inspector, quoted in the 1948 Annual Report of the Ministry of Education. The newest school buildings, he said, are so indistinguishable from "social centres or territorial drill halls or new factories for light industry" that they fail to command that respect and attention that a school building ought to inspire.

This criticism touches something deeper than the question of prefabrication or of the decision (now reversed) to build only single-storey schools in order to economise in steel and timber. It is a criticism of the attitude of mind which produces schools as stereotyped shells, excellent as far as window space and lavatory accommodation go, but so lacking in character that a child moving from one identical playground or classroom to another can only with difficulty appreciate that he has made a change of environment.

To say this is not to deny the advantages of the new schools over the dark and debased Gothic of the earlier school building. But the effect of the 1944 Education Act, which made the county council the education authority, has undoubtedly been to reproduce the county architect's blue print fifty times over. Nor is the prefabrication method to be blamed for the dreariness of postwar school building. It permits a new flexibility in the planning of schools with certain economies in cost.

What is at fault is the failure to recognise that a school by its very nature is a very individual organism and that to stereo-

* HMSO. 1s. 6d.

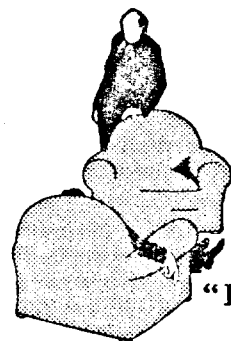
type school building is in a sense to frustrate the whole purpose of education. But the defect goes deeper than school building and is a reflection of the harm that has been caused to the whole concept of building by too great an emphasis on its utilitarian functions. A recent article in *The Nineteenth Century*, by Professor C. A. Mace, in discussing industrial morale says of the building industry:

How much less efficient the industry is now than it was before no one can say, and so far as it may be less efficient no one can say to what extent this is due to factors over which no one has control. As for morale, how could any industry expect to display a healthy self-confidence when it is being scolded by so many critics? What the industry needed most at the end of the war was a moral tonic—the chance to earn merited praise. Instead of being asked to build so many temporary houses with substitute materials, it might have been asked to include within its programme a couple of cathedrals, or better still, a town of a thousand homes to house the families of a thousand heroes—houses to stand a thousand years and to bear comparison with anything to be seen in, say, Oxford or Cambridge. No one can be sure that the builders would have "fallen down on the job."

A Split Among the Swiss

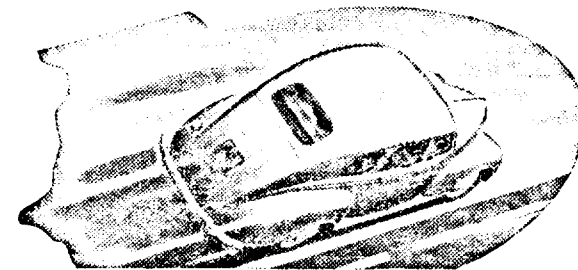
The Swiss are in the middle of a constitutional crisis which is of interest in itself and not without bearing upon everyone's problems. For many years the Federal Government has used emergency powers to deal with economic difficulties *ad hoc*. During the last war this practice was extended and the federal budget was balanced only by levying a direct federal tax, which the Constitution of 1874 does not sanction. In spite of Switzerland's great prosperity and a good deal of discussion of financial reforms which might bring the fiscal system into harmony with the constitution, no reform has yet been achieved.

During this year agitation against the "arbitrary" methods



"I think I'd like
a White Horse

better than anything"



She's a Lady

Sometimes you just don't want to use all the zip this car's got. Today you're feeling lazy. Of course you could whip through the gears and jump to 60 in 22½ seconds and stream along the straight at well over 75, and you could... But today it's different—you feel like crawling... You light a cigarette and drift silently along. Yes, you notice things about this car—how the curved windscreen lets in so much more of the landscape—how practically the bonnet tapers away to give you a close-up view of the road. And the back seat passengers enjoy wide visibility and relax in complete comfort. Your seat comfy? Want to be nearer the wheel? There's no need to stop. Just wind the handle and take the seat forward a bit. That's better. Forward a bit more. That's perfect. You relax and admire the way she takes the curves—the disdainful way she treats the hills. This is the time to find out the gentle ways of this car. The slightest tiptoe for the clutch and brakes. And that 50 B.H.P. engine just waits for you to tell it what to do—and it does it. Try and see from how slowly she'll pick up on top gear. That's a test for a 1½ litre car. She does it smoothly from a mere traffic crawl. A big car flashes past. A whim seizes you. A touch on the throttle and—still in top—you could be... But no. Today you are in the mood to enjoy the Javelin's other qualities—calm and quiet and instantly responsive. Yes—this car's a lady. *Javelins came 1st and 3rd in the 1949 Monte Carlo Rally, 1½ litre class. 1st in 2 litre (touring class) a bit. That's better. Forward a Belgian 24 hour Grand Prix.

See the Javelin at Stand 151 at the International Motor Exhibition, Earls Court.



1½ LITRE JOWETT JAVELIN
take a good look
when it passes you



MAXIMUM PRICES:—Bottles 33/4, ½-Bottles 17/5
as fixed by the Scotch Whisky Association

Can Unesco Come to Earth?

Without increased material means the United Nations Educational, Scientific and Cultural Organisation (Unesco) may become merely "a collection of symbols and a laboratory of illusions"—such was the warning given by Dr Torres Bodet, the Director General, at the opening meeting of the fourth general conference in Paris last week. This warning will carry much greater weight than it would have done a year ago, when there was a widespread feeling that Unesco in fact was already what Dr Torres Bodet has now warned that it may become.

Since he became Director General less than a year ago Dr Torres Bodet has tried to follow the golden rule which he himself sets forth in his report—"that it is better to keep to a small number of items than to cover a great number of fields to which only superficial attention must needs be given." He has also pointed out that the production of general studies on this and that will "only touch the imaginations and hearts of the peoples" if they result in practical action from which concrete benefits can be expected. And Unesco can now point to a number of practical contributions towards better international understanding. Such for instance is its "International Handbook of Fellowships, Scholarships and Educational Exchange," a unique publication containing information on over ten thousand awards in nearly thirty countries which should really promote increased international educational exchanges. Likewise Unesco's surveys of educational reconstruction needs in various war-devastated countries and its world-wide campaign to meet these needs, is an eminently worthwhile task.

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Since Unesco is showing some signs of starting off down the right road, why is it still willing to be diverted down byways which can lead to little practical benefit to the rest of humanity? Ought Unesco, for example, to devote even a small part of its resources to an inquiry

to analyse and define the main connotations of liberty, democracy, law, equality, which have emerged in the history of political and legal philosophy; to determine their practical influence today; and to estimate their importance in current ideological controversies?

Surely this sort of inquiry could be safely left to private enterprise. It is shocking that, when Unesco itself reports children in many countries still lacking adequate education,

The Function of Government

Either the Legislature must undertake the regulation and management of the whole business of society, or it must not undertake to manage a part. Its proper function is to protect the people in carrying on their own business. By undertaking to look after their health, it is required to look after their milk and bread and beef, and make itself responsible for all. The people may suffer from improper or neglected cultivation, from an injudicious application of manufacturing strength—is there to be a Board of Agriculture to regulate the crops, and a Board of Manufacturers to apportion production and consumption? There is no part of society which may not be as much contaminated from feeding cows and manufacturing milk, as from forming a sewer; and if government is bound to prevent injury from the one, it is bound to prevent injury from the other. On the principle now in vogue, government is made responsible for the existence of evil in the world, and is held bound to eradicate it. A surer means could not be invented to bring governments into disrepute, and destroy them. They are really required to change creation, and must cause disappointment, must fail to fulfil the onerous duties required of them, and must fall beneath popular anger.

The Economist

September 22, 1849

nearly \$130,000 should be spent on such pompous nonsense while the Department of Reconstruction gets a bare \$417,000.

Again, the idea of establishing an order of priorities is excellent. But it is rather discouraging to find that the only projects which have been labelled as of secondary importance are the establishment of an "international computation centre," the promotion of the publication of a journal on philosophic and humanistic studies, and a volume of essays on the philosophical principles of human rights; and a report on what research "should be undertaken on native cultures in Africa in order to further the purposes of Unesco." All these projects might well have been scrapped altogether. Paradoxically, in fact, Unesco continues to be haunted and handicapped by the breadth and grandeur of the vision which dazzled those who drew up its constitution. It has also been slightly infected by the Teutonic tradition in American sociological research. Dr Torres Bodet cannot expect a response to his appeal for more funds until Unesco has given even more convincing evidence that its feet are planted firmly on the ground and that it can keep the professors on the leash.

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Boomerang for Dr Dalton

At a Labour Party rally at Filey last week, Dr Dalton thrust his head out a little too far on the subject of Strasbourg and the Council of Europe. He is reported to have said, among other jeers at the Opposition, that Mr Churchill and his fellow Conservatives would propose measures for greater unity in western Europe which would not fit in with the kind of speeches they made at Strasbourg. This remark might prove a stunning boomerang—for two reasons. First, because many sound and ambitious things were said by Labour delegates in Strasbourg which the Labour Party would not dare to endorse in an election year; second, because if there was anyone who tried to blur the distinction between delegates as individuals (which they were) and delegates as representatives of governments in power (which they were not) it was Dr Dalton himself.

If there is to be argument about whether the Conservatives or Labour can best afford to preach unity in western Europe and its practical consequences to meetings in the constituencies, it can be said straight away that both will find it equally embarrassing and difficult. At a time when Labour Ministers have shown scant respect for European solidarity, with actions and omissions discussed in a leading article in this issue, Dr Dalton would have been wise not to have trailed his coat. In any case, it is surely the interest and the duty of both parties to try to make their policy in western Europe bipartisan. Who knows which will predominate at next year's Strasbourg meeting?

By propagating the legend of a great Conservative conspiracy at Strasbourg the Labour Party is making itself look rather silly; for there were only six Conservatives there against eleven members of the Labour Party. As it was Mr Bevin who launched the policy of Western Union and Mr Attlee who said that Europe must federate or perish, it looks as if Dr Dalton is rocking the party boat in his best bonhomous manner.

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Why the Sea is Boiling Hot

It probably started with Mr Pollitt, who is, after all, a Lancastrian:

He laughed like anything to see
Such quantities of sand:
If only this were free for all,
He said, it would be grand.

So the Blackpool Communist Party moved on to the sands and carried the class war in among the deck chairs and the sand castles. After them stalked the Blackpool Corporation, with writ, interim injunction and formal undertaking. The Communist Party retreated. "It's getting as dark as it can,"

said the Secretary. "Why, we're under a pier! We're on private property!"

Oh, Marxists, come and walk with us!
The Town Clerk did beseech. . . .
The eldest Marxist winked his eye,
And shook his heavy head—
Meaning to say he did not choose
To leave the oyster-bed.

More soberly, this week the Chancery Court of the County Palatine of Lancaster has decided that the Communist Party of Blackpool may hold meetings on the borough sands, provided they hold them on private property. Blackpool beach belongs to Blackpool Corporation, save for three narrow strips under the three Blackpool piers. The freehold of these strips is vested in the companies that own the Blackpool piers. They are private property. It is not open to the Corporation to prohibit meetings there: that prerogative belongs to the Pier Companies alone and, so far, they have taken no exception to Communist meetings, provided they are held beneath their boards (in which decision they are, perhaps, a little forgetful of the lesson of November the Fifth?).

The law has triumphed again, in defence of the right of the individual to urge that the individual should have far fewer rights than he now has. But may not the Blackpool Communists' redness of cheek be due, in part, to the fact that they owe this right to advocate the abolition of private property to the fact that private property still exists?

Target for Cyclists

If bicycles could ring their own bells there would come from the luggage vans and cloakrooms of the main line railways such a tumultuous tinkle as would reach the ears even of the Railway Executive. Bicycles on holiday are barbarously treated, and form among the goods and luggage handled by the railways an under-privileged and much-abused class. Dogs, two-day chicks, prams, horses—even the insensitive pig—are

Letters to the Editor

Devaluation

SIR,—Unless the recent devaluation of the pound is a deliberate short-run attempt to win new dollar markets and to end the speculative "embargo" on sterling, the present government has in my opinion embarked on an apallingly hazardous policy.

For the 30 per cent devaluation of the pound necessitates a more than 40 per cent increase in export sales at current prices if present dollar earnings are to be merely maintained at their existing level. And, even assuming that a 40 per cent increase in exports can be achieved, it is quite improbable that present domestic prices (including wages) can be maintained in the face of the inflationary pressures generated by heightened activity in the export industries. At the same time, we must certainly recognise the deflationary effect of our increased exports to the American markets where an incipient recession, in spite of recent stabilisation, is still in evidence—and a falling dollar national income augurs ill for British exports regardless of exchange rates.

Only if such drastic devaluation brings sizeable and immediate dollar purchases of sterling, only if it leads to considerable and immediate increases in our dollar markets, and only if these reactions are followed within a fairly short period of time by appreciation of sterling to a more reasonable dollar price (say \$3.50) can it, I believe, lead to any amelioration of our current economic adversity.

As an American who has chosen to live in Britain for the next few years and as a person who considers the welfare of our world to be dependent in many respects upon the spiritual, political, and economic welfare of Britain, I fervently hope that:

treated with the utmost respect, but the bicycle with impatience and derision.

A passenger wishing to take his machine on holiday, say to Scotland, can choose between sending it in advance or taking it with him—that is to say among the luggage on his own train. Both methods are expensive and dangerous. The bicycle may leave London cleverly balanced between suitcases; by the time it has crossed the Border it will have disappeared behind milk churns; by the time that the Highland line has been passed it may be invisible and unattainable. If a kind porter tries to segregate the bicycles in a party together, they will probably be swayed and jolted into intricate embraces that cannot be broken during the few minutes that the train stops at Kingussie or Glenfinnan. Forwarded all on its own, the bicycle may take a week to cover five hundred miles or three days to cover fifty miles, whichever is the worse.

Bicycles, like passengers, demand individual treatment; they become untidy and obstreperous if they do not get it. On the Continent, when in the station, they stand in stalls like horses; when travelling, they hang, like meat, from the roof. They are clearly labelled and sorted; to get them out on arrival demands neither brute strength nor subterfuge nor *pourboires*.

This is a matter of business, not merely of sentiment, for British bicycles are tough and can take it. British Railways should take more thought for their owners. How many passengers might not be tempted on to the railways, away from the buses and the dangerous high roads, if they thought that they would receive some slight evidence of care: racks or hooks in the luggage vans, quick access for porter or owner, skilful handling at stations, and quick delivery when forwarded. It is said that two million cyclists travel yearly by train; this is an astoundingly low figure. British Railways should revise their targets and treat bicycles with at least as much care as kippers or racing pigeons.

- (1) the Government, as Sir Stafford Cripps has implied, is prepared to appreciate the pound within the near future, or
- (2) that I am mistaken in my views concerning the possible outcome of devaluation.—Yours faithfully,

ROBERT W. CLOWER

Aberdeen

Currency Unions

SIR,—Is not the first step for the U.S.A. and the British Commonwealth to agree that their respective citizens should not be regarded as "aliens"? Eire and Britain are now completely independent, but their citizens are not "aliens."

Is this not a useful precedent, and one likely to lead to closer unity?—Yours faithfully,

STANLEY UNWIN

40 Museum Street, London, W.C.1

The New British Aircraft

SIR,—Your comments on "The New British Aircraft" (September 10th) are discouraging. America is the only country in the world even capable of competing with our latest types, yet we are far ahead of America in our gas-turbine engine development.

On the other hand, the potential customers, the airline operators, are world-wide. "Prestige and strategy" may prevent us from selling to the Americans, but the Belgians, Dutch, Swiss, etc., want aircraft that will give them the lowest operating costs and maximum utilisation. Up to the present day the European airlines have been operating with converted

military transports—Dakotas and Skymasters and a few later modifications of these designs. In 1946, 290 aircraft out of 472 operated by the European airline companies (excluding British) were in this category; the remaining types were even less suitable for the job. Since then only the Americans have produced suitable replacement aircraft and British companies were not bound by prestige when ordering Constellations and Stratocruisers. The factors which governed their acquisition were financial not strategic. Similarly, the British Empire airlines have been forced to operate American types, but now that we have economic aircraft available this situation will change.

Therefore, on the showing at Farnborough, it is hard to believe that the dollar-starved European countries and the Empire alike will not be very good customers for our virile aircraft industry.—Yours faithfully, ROBERT SOWTER

87 Fox Lane, Palmers Green, N.13

[The Note on page 582 on September 10th made it clear that the British aircraft industry is far ahead of the industry of any other country in the development of gas-turbine aircraft for civil use. The operating economics of these aircraft have yet to be tested in practice. A world-wide export business in civil aircraft will need the American airlines as customers, and the Note drew attention to the difficulty which American airline companies may have in bringing themselves to recognise the superiority which the British product is likely to have in the next few years. It is to be hoped that they will overcome the difficulty and buy the British gas-turbine aircraft on a large scale; but this cannot yet be taken for granted.—EDITOR.]

Hard Work for the City

SIR,—Sir Stafford has drawn upon our final reserve leaving us with the stark reality that we have no choice but somehow to make our production costs competitive.

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The Stock Exchange was one of the earliest industries to adopt a five-day week; a reversion to 5½ days would really prove the seriousness of our plight and provide a positive example of emergency action which would be followed throughout the land.—Yours faithfully, W. A. KINNEAR.

1c Park Avenue, Mossley Hill, Liverpool, 18

The Repellent Germans

SIR,—Your reference to the Germans as "a not very attractive people" might be dismissed as a lapse of taste. But it is worth noting that it coincides with a number of other utterances, similarly evoked by the German elections. While it was right that the sinister undercurrents made visible at the German elections should be criticised, and salutary that the Germans should know how shocked we were, it was rather sad that so few English publicists made any allowance for the irresponsibility of politicians at election time (of which we had experience in 1945 and are like to have again).

Now the full volume of these criticisms is reaching Germany, with additional matter. There was the foolish because inaccurate and ill-documented attack on Bishop Dibelius. Then on August 29th *Life* published a map illustrating possible western defence in the future, and showing in dramatic figure the explosion of three super atomic bombs carefully sited along the Rhine, the middle one appropriately at Bonn, the seat of the new government of the Second Republic! I think I can

understand the dismay and discouragement of responsible papers in Germany like *Sonntagsblatt*, Bishop Lilje's brilliant weekly. Would it not be more helpful if, instead of lecturing, or even patronising, the Germans indiscriminately we took rather more seriously our responsibility towards that minority (however tiny and however unattractive) who are honestly seeking to explain us to their fellow-countrymen?—Yours faithfully, E. G. RUPP

Richmond College, Surrey

SIR,—Mr Merton's apologia for Germany's part in the last three European wars misses the essential points. In order to judge guilt for the war of 1870 it is not important who the contemporaries thought guilty but who was actually responsible according to the documents. In so far Mr. Merton's quotation from *The Times* is irrelevant. He would do better to quote Bismarck himself who has expressed himself repeatedly with cynical frankness—particularly in his memoirs—about the way in which he alone brought about the war.

Guilt for the 1914-18 war was certainly not Germany's alone; nevertheless here too it remains a fact that the Kaiser's Government did little to hinder it. For the rest, Hitler's sole guilt for the 1939-45 war has manoeuvred Germany so much into the role of the eternal aggressor that the crime of 1939 completely overlays the neglect of 1914.

No service is done to Germany by the way in which constant attempts are made on our part to minimise our share in responsibility for the events of the last seventy years. On the contrary the way to re-establishing a common policy can only be prepared by clear and honest confession of what was wrong. Mr Merton's differentiation between the individual Hitler and the German people is completely unreal. In the life of states the citizens are liable for the deeds of their government to at least the same extent as shareholders for those of their board of managers and often as much as the partners in a company without limited liability. Would the German people have been ready in the event of victory to leave the fruits solely to the Nazi Party?—Yours faithfully, KURT GRAT BLUCHER

Baumgartenmühle, Germany

Ashridge

SIR,—As a former student of Ashridge I am writing to ask you to do all in your power to influence opinion to the ends that either—

1. The work of Ashridge shall continue uninterrupted, and on a strictly non-party basis, or
2. General Paget shall be persuaded to carry on the work he has been doing at Ashridge in some new establishment, and that funds be found for it.

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I think that it is most unlikely that the first-mentioned alternative is now possible because (a) I doubt if anyone will now believe that Ashridge is, under the new arrangements, strictly non-party, (b) because the good results achieved by Ashridge in the last few years have been built up around the personality, character and ideals of General Paget, and (c) because I doubt if anyone will be able to achieve good results with the kind of work General Paget has been doing, so long as the governors insist on another activity under a separate head sharing the same buildings and services.—Yours faithfully, A PROFESSIONAL ENGINEER

The Corporate State

SIR,—I am very surprised that your reviewer, in trying to place Christopher Hollis's book *Can Parliament Survive?*, should have ignored the suggestions of an illustrious Victorian who not only proposed a corporate state, but tried to do something about it.

I refer to the Prince Consort's friend and associate, John Scott Russell: a marine engineer of distinction, and one of the nine purchasers of the Great Exhibition building which was transferred to Sydenham. It was from Sydenham that he launched his famous New Social Movement which was noticed by most of the newspapers and *The Economist* in 1871. Scott Russell's plan was to form a Council of Legislation and a Council of Workmen: which together would work for a seven point programme which was, in essence, socialistic. The interesting thing about John Scott Russell's scheme was that he secured the nominal adherence of the Earls of Lichfield and Carnarvon, the Marquis of Salisbury, Lords Henry Lennox and John Manners, Sir John Pakington, and Sir Stafford Northcote. Even more surprising was the support he received from the working class leaders like George Potter (editor of the *Beehive*) and Daniel Guile, secretary of the Ironfounders. Indeed, it was at the *Beehive* office that the preliminary negotiations were begun.

So much of a stir did the scheme cause, that Gladstone delivered a public speech to his constituents at Blackheath on November 28th, 1871, in order to devote some time to criticising it. The date is very significant: for the following year marked the assembly of the Trade Union Congress at Nottingham for the avowed purpose of putting pressure on Parliament in order to secure the items in their political programme. Scott Russell's plan was to capture the Trade Unions for the Conservatives. He certainly gave the Liberals a bad fright, and some of their language on the question uses the two significant words "socialism" and "communism."—Yours faithfully,

W. H. G. ARMYTAGE

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STAPLES

Books and Publications

Making of a Marshal

"Eastern Approaches." By Fitzroy Maclean. 532 pages. Jonathan Cape. 15s.

ONLY twelve years ago the Croat Josip Broz was purging the Yugoslav Communist Party of grave heresies then worrying the Comintern; his fondness for ordering people about earned him among his friends the nickname Tito. Now Marshal Tito is defying his old masters and neighbours and turning towards his old comrades, while political trials in Hungary are being staged to prove that the bold heretic of Belgrade is, and always has been, nothing but a Fascist and an enemy of the Soviet Union.

This then is a specially good moment for a book by the Englishman who knew Tito best in the two years when he became a European figure, who had no illusions about his Communist views or his political ambitions, and who helped Mr Churchill to decide—with his eyes wide open—that the Partisans must be supported on the battlefield whatever the political consequences might be. It is pleasing to think that the Tito who, after a party, revealed sufficient knowledge of English to recite "The Owl and the Pussy Cat," may read this book and chuckle, as he is reminded of Mr Churchill's advice when they met for the first time in Naples:

My friend Marshal Stalin told me the other day that his battle with the peasants had been a more formidable and perilous undertaking than the battle for Stalingrad. I hope that you, Marshal, will think twice before you join such a battle with your sturdy Serbian peasantry.

That was one flash of insight into the future. There was another when Brigadier Maclean was reproaching Tito for having slipped away from his British friends in the Dalmatian island-base of Vis in order to pay a surreptitious visit to Moscow, Tito replied—

Only recently Mr Churchill went to Quebec to see President Roosevelt and I only heard of the visit after he had returned. And I was not angry.

Through such anecdotes and in the occasional analyses of Yugoslav personalities and politics with which the story of the Partisan campaign is interrupted, the second half of this book makes an authoritative contribution to the history of the war in the Balkans and the postwar settlement; but it is made with modesty, even casually. The narrative is throughout highly personal, laconic where it might have been pompous, reserved where it might have been exuberant, full of the pleasures of life, and unsentimental both about the dangers that beset the author and his colleagues and about the qualities they showed in action.

The thread that runs through the book, stretching from Moscow in 1936 to Belgrade in 1945, is what Flecker's pilgrims to Samarkand called "the lust of knowing what should not be known." It drew Brigadier Maclean into spending his leaves

from the Moscow Embassy on unauthorised journeys to the Asiatic republics of the Soviet Union, to Bakhara and Samarkand, to the confines of Sinkiang and India, to Baku and Tiflis.

There is an excellent chapter, written with acuteness and distinction, on the amazing trial in Moscow of Bukharin, Yagoda and Rykov, respectively the leading theorist of the party, head of the NKVD and first successor to Lenin, which the author attended as an official observer in 1938. It gets to the root of the question why there can be such confessions, such humiliations, such self-accusations; and it is in the final speech made by Bukharin, despite all Vishinsky's efforts to bully him into silence, that the author finds the explanation. He is summarising what Bukharin said:

Why had he admitted his guilt? In prison he had had time to look back over his past and he had asked himself this question: If I die, what shall I be dying for? It was then that he had found himself looking into a black abyss, and had realised that, if he died unrepentant, there would be no cause left for him to die for. If, on the other hand, he were by some extraordinary chance to be spared, there would, without repentance, be nothing left to live for. . . . It was then that all the positive qualities of the Soviet Fatherland came back to him more forcibly than ever, and it had been this that in the end disarmed him completely and caused him to bow the knee before party and country.

For good measure Brigadier Maclean gives us, too, some of the best sketches of the work of the Long Range Desert Group in the Libyan Desert that have yet appeared. One of the outstanding impressions of this book is of the ease with which the author and his fellow-officers secured at the highest level the co-operation of aircraft, naval craft, technical branches, politicians and other specialists. Flying Fortresses would arrive at precisely 11.30 in the morning to annihilate a German transport park in a remote Yugoslav village; it was possible to talk to Mr Churchill on the transatlantic telephone at short notice; and junior officers were invested with political powers which would make a Foreign Office official shake in his shoes.

To foreigners who know no better these are all manifestations of the legendary British ability to run a vast secret service with persons who call themselves gentlemen. This enthralling book will fortify the legend and doubtless inspire young men of another generation to take the "golden road to Samarkand."

The Irish Puzzle

"Craigavon, Ulsterman." By St. John Ervine. Allen and Unwin. 676 pages. 35s.

THE interest of a new political biography may be twofold. It may describe a person of unusual or curious character. Alternatively, the subject may be a bore, but may be placed in a political situation of exceptional importance and complexity. No one could put Sir James Craig (to give him his more familiar name) into the former category, although the author gives an unexpected and pleasing picture of the charm which lay behind Craig's rigid refusal to compromise on essential matters. But the political circumstances in which the first Prime Minister of Northern Ireland worked, and the conditions which produced the gravest constitutional crisis in Britain since the Reform Bill of 1832, must be of profound interest to all modern historians. Unfortunately Mr St. John Ervine, who writes as an avowed and passionate Ulsterman, is not the man to illuminate the problem of Irish politics between 1912 and 1922.

Why was it that in Ireland during those years the rules of liberal democracy which had hitherto governed British politics fell into abeyance? According to these rules minorities accept majority decisions, force is outlawed as a political weapon, and the machinery of government is politically neutral. Ulster not only refused (understandably) to accept the majority verdict

in Ireland, but, though this was not a clear issue, almost certainly would also have refused an adverse majority verdict in Britain. The private armies later to be such a sinister feature of Europe between the wars emerged first in Ulster, later in the South, while after 1920 an open civil war developed in the South. Finally the conduct of Sir Henry Wilson at the War Office and the "mutiny of the Curragh" in 1914 showed that the political neutrality of the army was in doubt, and started a feud between the army and the Liberal party which was to have serious consequences in the First World War.

Englishmen persisted in regarding all these incidents merely as aspects of the peculiarly tiresome character of the Irish, as annoying aberrations from the normal course of British development. In fact, however, Ireland merely displayed in a relatively mild form those dark and bitter passions which are all too familiar on the frontier lands of Europe, in Alsace, in Poland, and above all in the lands of the Austro-Hungarian Empire where alien landlords, racial hatred and religious intolerance rendered meaningless the ordinary rules of political democracy. With no common agreement upon fundamentals political compromise is impossible, and no such agreement existed then or exists now in Ireland.

A discerning history of these years has yet to be written. Meanwhile Mr St. John Ervine's life of Craigavon along with the official lives of Carson and Redmond will be one of the indispensable factual sources for the future historian.

Market Economy and Soviet Economy

"Markt-Wirtschaft und Sowjet Wirtschaft." By Adolf Weber. Richard Pflaum Verlag, München. 463 pages.

Professor Adolf Weber, who is one of the oldest living German economists, presents a well written and amply documented descriptive analysis of the market economy in general and the totalitarian economies of Nazi Germany and Soviet Russia in particular. He explains the principles, methods and results of the two contrasting economic regimes to the Germans. The emphasis is on the analysis of the German market economy modified by voluntary co-operation of the individual effort in all parts of the economy, i.e. trade unions, employers' associations, consumer and productive co-operatives, cartels, concerns and syndicates, etc. Professor Adolf Weber then makes this comparison:—

The real contrast to the Market Economy is the direct (absolute) *Command Economy*, that is to say, the *Administrative Economy* under central and authoritarian control. The will of the State reigns supreme. The commands of the State regulate the relations of the individual activities according to a comprehensive and unified economic plan. Allocation and delivery as ordered by the State are substituted for buying and selling on the market. Private initiative is suppressed by official direction.

Only in Soviet Russia has the direct command economy been fully established. Nazi Germany's economy is described as an *indirect* command economy, in which by necessity and

against the original economic ideas of the Nazis, the political regime transformed the market economy, leaving, however, some market institutions formally intact. This may create the illusion that the market economy was not fundamentally changed, only regulated by State intervention which developed a regime known as "steered economy." The description of the Nazi-German and the Soviet Russian types of the command economy proves the inevitable decline in the productivity of labour and the interminable struggle for order in the bureaucratic chaos of the command economy. In short the economic experiment of the planned economy in Soviet Russia is shown to be a failure.

Professor Adolf Weber is convinced that Lenin and Stalin misunderstood the "historical materialism of Marx," that they over-estimated the importance of the machine-technique and believed it possible to replace the price as a regulating factor of the market economy by State orders and State regulation. The general aim of a continued increase in the standard of living could be achieved within a market economy, intelligently steered by a State administration conscious of the productivity that is implicit in freedom, where co-operatives, trade unions and other market organisations regulate and modify individual initiative and effort. In fact, Professor Adolf Weber concludes, the aim of Marxist Socialism could be achieved in a market economy.

France Beyond the Sea

"Les Richesses de la France d'Outre-Mer." By Charles Robequain. Payot, Paris. 221 pages. 480 frs.

M. CHARLES ROBEQUAIN, who is professor of geography at the Sorbonne, has presented a highly condensed description of the economic geography of the territories of the *Union Française*. The French Empire is something of a blank in the general knowledge of the average Englishman, so that M. Robequain's book provides a convenient compendium of the areas' more important economic problems. His treatment of the subject rests on the assumption that the *Union Française* is not, but must become, a viable whole; that France—like Europe's other metropolitan states, Britain, the Netherlands, Belgium and Portugal—should rejuvenate herself through a determined development of her overseas territories, especially in Africa. To achieve this end a co-ordinated attack on the economic deficiencies of the various territories is necessary, account being taken of the labour supply and of the characteristics of the inhabitants of each region. M. Robequain, who is a great traveller (he has already written a work on Malaya and the East Indies) pursues his analysis briefly and agreeably, making some interesting distinctions—for instance between small-scale individual colonisation, as in the Maghreb, and the colonisation of large capitalism, as in Algeria since the last war. The author's conclusion that foreign capital is indispensable to the development of the *Union Française* is in tune with the French Government's recent decision to permit American and Dutch/British oil companies to operate in Tunisia.

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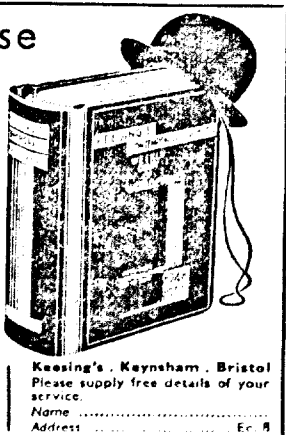
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AMERICAN SURVEY

Congress and the Gap

(From Our American Staff)

THE joint communique issued at the end of the Tripartite Ministers' Conference is a document which can mean anything or nothing. There was no doubt that the nine men who were there—Canadian, British and American all looked equally elated—thought that it meant, and intended that it should mean, a great deal. But much will depend on the ninety-six who were not there, more perhaps than Ministers coming from countries with less effective constitutional checks and fewer constitutional balances can realise, despite many examples of the ability of the Senate to dispose of what the Administration has proposed.

Much of the American and British satisfaction came, no doubt, from the report which the British delegates made, as their opening move, of the decisions taken by the Cabinet. Everyone in Washington had been bracing himself for a long and hard tussle over devaluation and the realisation that there was no need to preach to the converted, sent the talks off to a good start. But the greater part of the pleasure on all sides came from the rediscovery—which apparently needs making and should be made at regular intervals—that the members of the Truman Administration are not such confirmed supporters of *laissez-faire*, and the British Cabinet not such doctrinaire Marxists, as fancy suggests when they have not met for some months.

Of the achievements which could be announced, the first, and the easiest to implement, was the decision of the Economic Co-operation Administration to permit \$175 million of its funds to be used to finance British wheat purchases in Canada. The Administration is, presumably, satisfied as to the legality of doing this. There are many, however, who are inclined to agree with Senator Butler of Nebraska, who called it an "attempt to violate the intent of the laws we have passed"—even though, unlike Senator Butler, they may dislike the intent of the laws.

The value of the other short-term — and stopgap — measures mentioned will take some time to assess and will depend on the result of the American government's review of its stockpiling programme and the willingness of the rubber manufacturers to return to the use of a larger percentage of natural rubber in their products after some years of experience with synthetic. Not much can be done quickly to eliminate the anomalies of customs procedure, most of which, however absurd they may be, have achieved the status of law by administrative and court interpretation during the 25 years since the last statutory changes were made.

★

If devaluation and the sum of the contributions, individually small though they may be, from the United States and Canada, added to the measures already announced in the United Kingdom, can bridge the gap for three years there will be time for the real achievement of the meetings to take effect. What the *Christian Science Monitor* calls "the profound moral victory" of American-British-Canadian statesmanship may well seem remarkable in Washington where, only two or three weeks ago, the leeches appeared

to have sucked away so much of the blood of Anglo-American unity that its survival was doubtful. Thanks to the transfusion given by the President at Philadelphia, by the time the meetings began the colour had come back into the patient's cheeks, which, with the publication of the communique, developed a rosy flush.

This real achievement was that, for the first time, the bases were established from which attacks on the long-term economic problems could be made. Of first importance was the actual formulation of these problems, the recognition that, as Mr Douglas Abbott said at the beginning of the talks, "What we are faced with now is not so much a further effort at reconstruction, but rather adjustment to the new situation in world affairs." The British Loan was an attempt to give Britain the time and the resources to rebuild the world of 1938. When its inadequacy and the weakening of the British position became apparent, the Marshall Plan widened the sights to include the whole of Europe and the goal became the reconstruction of the world of 1913, a year in which the interdependence of the European economy, which was one of the expressed aims of the recovery programme, was a fact.

The devaluation of the pound, and most of the sterling area and other currencies, which, though only loosely allied with sterling are feeling the cold wind of the dollar shortage, is taken to be that adjustment which recognises the new situation in the world and marks the end of the postwar period of reconstruction. But though the Chancellor is congratulated everywhere on his courage—the figure of \$2.80 was greeted with an incredulous gasp—there are gloomy predictions of "industrial chaos and inflation" in England which, it is feared, will cancel out the advantages British goods should now have in dollar markets. The attitude of the TUC is being watched apprehensively by those who believe that if the wage line can be held, Britain will begin soon to pay her way.

★

One of the fundamental adjustments made by the United States was its recognition of the value of the sterling area. There had always before been a tendency to deplore its existence as a form of financial concentration camp; now the importance of its maintenance and development has been proclaimed. The communique, taken with the political conversations between Mr Bevin and Mr Acheson, suggests that the countries in the Indian Ocean area—and, in particular, those members of the Commonwealth who have become independent since the end of the war—are now to be built, thanks to a "flow of investment from the North American Continent," into ideological barriers to the spread of Communism from the east and dollar earners for the sterling area as a whole, rather than allowed to remain a drain on its dollar resources.

Another important adjustment from the American side was called, with proper delicacy, the recognition that "an essential element" in any campaign for increased exports to

the dollar area "was the creation of a feeling of confidence on the part of sterling area exporters," the feeling that "they will be afforded the opportunity to remain in the markets . . . in which they will have gained a place and that the minimum of difficulties will be placed in their way in entering those markets." After devaluation, it is too much to expect that many of the present obstacles are likely to be removed.

The affirmation of a principle by the Administration in 1949 does not imply its acceptance by Congress between now and 1952. The Senate at the moment seems to be some way behind the National Association of Manufacturers in its attitudes. The NAM has lately issued a report, containing the statement that "the necessity for developing an import surplus is inherent in our position as a creditor nation," which seems to have, as Mr Lowell Mellett remarked, caught "industry's political representatives somewhat unprepared."

Certainly such men as Senators Wherry and Malone, both of whom are assumed to come into that category and both of whom will still be in the Senate three years from now, have so far shown no sign of wavering. As soon as devaluation was announced, the former said that something would have to be done "to assure fair competition in the United States" and Senator Millikin—an important man as far as tariffs are concerned because he is the chairman of the Finance Committee when the Republicans control the Senate—feared that a flood of imports would "intensify the distress in which many of our producers already find themselves." During the debate on the Reciprocal Trade Agreements, Senator Malone spoke of Britain "forcing other countries to remain a member of the sterling area" and of the lengths to which it "will go to capture a large share of our markets abroad" and even Senator Aiken, one of the most liberal Republicans, was afraid that "no American business or the jobs of American working people can be considered safe from becoming pawns in the game of international politics."

★

When a party of visiting European journalists was in Washington Senator Vandenberg recounted to them the immense majorities by which foreign policy measures had passed the Senate and declared that "there is powerful consistency in these attitudes." He had only just left the Senate, where the votes on amendments to the Trade Agreements Act (the imposition of quotas on the import of furs and petroleum were only avoided by the Vice-President breaking a tie in each case) showed that an equally powerful consistency still exists on the part of Senate Republicans and a few Democrats with industries in their states which believe themselves to be in danger. The President's authority to negotiate further reciprocal tariff reductions was extended for two years without any restrictive amendments, "peril points" being discarded by a vote of 43-38. But one of the three Democrats who voted for the Republican amendment to keep the "peril point" provision, introduced by the Eightieth Congress, was Senator O'Mahoney, one of the Administration's most reliable supporters on foreign policy. His colleague, Senator Hunt, was also, though absent, paired in its favour, which suggests that the State of Wyoming is so apprehensive about the effect of Australian wool and Canadian cattle imports that both its Senators had to desert the Administration to save their political skins.

A real attempt to remove tariffs on an adequate scale, not merely to reduce them at the rate undertaken in the last fifteen years, and to do it at a time when European exporters are making a determined effort to make their goods and their prices more attractive, might easily bring cries of anguish from enough States to entail certain defeat, even with a

continuing Democratic majority in Congress. To be sure of success, the Administration must see that the cries are stifled. They can only be stifled by education. It remains to be seen whether it is possible to carry out such a vast job of education in the time left. It would be unwise for countries hoping to make an honest living in the near future to count too much on its success.

Enforcing Competition

[FROM A SPECIAL CORRESPONDENT]

THE revival of activity on the anti-monopoly front reveals a number of groups pressing in different, and too often conflicting, directions. One stimulant has been the recent victory of the Federal Trade Commission over its long-standing enemy, basing-point pricing. (This system ensured uniform delivered prices over a trading area through agreement on a basing-point, such as Pittsburgh, from which all freight charges to the consumer were calculated, whatever the location of the supplier.) The basing-point battle, however, was only part of a larger campaign: the extension of anti-trust activities from attacks on obviously collusive price-fixing or the dominance of an industry by a single company, to include less obvious things such as trade practices suspected of reducing unduly the pressure of competition, especially in fields dominated by three or four large concerns.

Consequently, there has been a great growth of commission-made and court-made case law on trade practices, with multiplying uncertainties as to whether a certain practice is or is not illegal for one industry after a similar practice—with some inevitable differences in the circumstances—has been put out of bounds for another. Interwoven with this new offensive is the traditional hostility toward the "concentration of economic power" involved in mere growth in size of business units. Last, but not least, the reaction against the growing power of the trade unions, which produced the Taft-Hartley Act, is leading to a renewed move to apply the anti-trust laws to organised labour, or to modify labour's present exemption from them.

On each issue there are at least two sides to be heard. But a majority of the contestants (though not all the members of the Federal Trade Commission) probably would agree on the need of clarifying the law. The agreement, unfortunately, does not extend to what should be clarified. Big business wants to be assured that its present practices are legal, while the anti-trust authorities want it made clear that they are illegal, or that power exists to declare them so if they are used in ways that impair competition. Small business, in the name of preserving competition, wants to be protected from many of its rigours.

Both Houses of Congress have passed similar Bills (with different qualifying amendments) legalising freight absorption, where it is not used monopolistically—whatever that may be construed to mean. Here the original initiative was taken by those who fear that recent decisions on delivered prices will lead to uniform prices at the mill (as they have

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

done in the steel industry) and prevent rivals from competing by selling in one another's territory. But on the floor of the House the initiative was seized by those who consider it more important to protect small business, against domination by a few large concerns, which might escape present legal definitions of monopoly. The court decision against the Atlantic and Pacific chain grocery stores and the present suit to break them up, reveal the same suspicions of bigness.

The problem of maintaining competition presents a series of dilemmas. The tendency of the anti-trust authorities is to construe any mitigation of the most extreme competitive pressures as coming within the ban of the law. But where competition is unmitigated, we have "sick industries"; and the government is called in, for example, to support agricultural prices, and protect resale margins under the "fair trade" laws. Before the war, price-floors were set for bituminous coal, and this may happen again.

The tendency to protect small business by treating size as an offence, in itself underlines the need for greater clarity as to the part it is desirable for small business to play. Some think that its most important service is to furnish effective rivals to the existing giants. In that case, freedom of growth, to really large size, should be encouraged. Others think the continued existence of many small concerns is itself important, as affording multiple opportunity for entrepreneurship. But when the point is reached at which further growth in mere size becomes legally dangerous—wherever that point is set—then the incentive to compete in securing more business is impaired, and the vigour of competition is weakened by the very measures taken to protect and maintain it.

There is similar confusion of thought concerning vertical integration, with its perplexing mixture of efficiency and sheer "bargaining" advantages. There seems to be an idea that combining two profits is wrong, but it is also held that passing one of them on to the buyer is unfair to the non-integrated competitor, for it involves using the profit derived from one stage of production to subsidise competition at another stage. There is also a latent conflict, which might become actual in the future, between the maintenance of competition and the private stabilisation of industrial investment foreshadowed by the President's Council of Economic Advisers. The CEA urges that private efforts must bear a major part of the load, instead of laying the whole burden on the government. If private stabilisation of investment is ever undertaken, it will have to make terms with the anti-trust laws.

What amounts to the framing of new regulations of trade practices is taking place under procedures adapted to the older concept of forbidding offences against existing and understood rules. This creates numerous difficulties. In addition, some strange legal doctrines are creeping into the civil procedures. These include placing the burden of proving his innocence on the defendant, and the doctrine that something one firm might legally do becomes constructively "collusive," if it is aware that another is acting in the same way. Does this mean that all uniform market behaviour is now constructively illegal? Moreover, the Federal Trade Commission's findings of "fact"—which make the law—are final if supported by evidence. These advantages for the prosecution have been built up to offset the advantages of economic power and expensive legal talent on the other side, and the former tendency of the courts to lean towards the defence of business interests. But this tendency seems

to have been reversed in the Supreme Court; and the weakening of the rights of the defence may come to be considered serious.

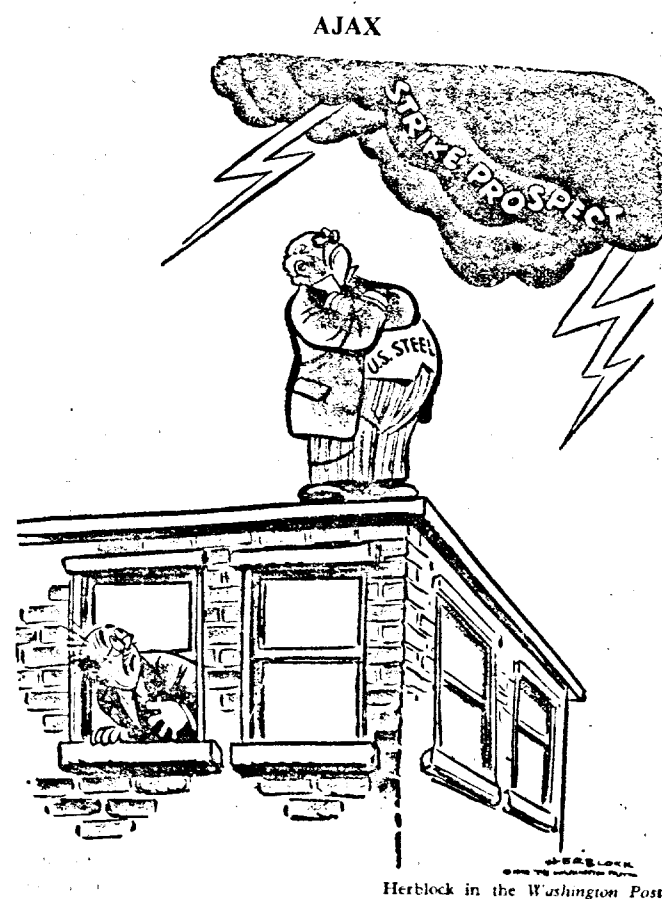
Finally, there are drawbacks in trying to "clarify" the law by changing the language, which has been at least partially construed in past cases, and introducing fresh language. This means the process of construction must, at least in part, be started all over again. The legal effect of the new language remains uncertain until it in turn has been construed. So "clarification" may itself breed fresh uncertainty.

These difficulties are the price that has to be paid for the determination not to allow American industry to be cartelised, or to be "rationalised" by the kind of planning business would introduce, if left wholly to its own devices. The results will be sadly imperfect and fumbling; in part perhaps even self-defeating. Rational theories will wage a difficult struggle with politics, in which private interests masquerade under theories of public welfare. But a democrat who agrees with the main objective may prefer to accept some decisions with which he does not agree, rather than see the general effort emasculated.

American Notes

"No Welfare, No Work"

The sunshine spread over the industrial scene by the welcome given the fact-finding report on steel wages has proved short-lived. Half a million miners came out on strike this week, varying their traditional war-cry from "no contract, no work," to "no welfare, no work." The steelworkers seemed likely to follow them this weekend until Mr Truman appealed for a six-day extension of the present truce. The companies, which have been daring the lightning to strike, have not



Herblock in the Washington Post

climbed down completely, but have agreed to give "earnest consideration" to the report and the public interest.

What Mr Lewis calls the "voluntary social convulsion" in the mines followed the refusal of some southern operators to continue paying the 20 cents a ton royalty into the miners' welfare fund until a new contract is signed. The old one expired on June 30th. The fund's trustees last week called a halt to all except emergency benefits, and Mr Lewis accused the operators of "bleeding the fund white" and warring against the sick, the old, and the dependent. But most of the fund's difficulties are due to Mr Lewis's own enforcement of a three-day week east of the Mississippi, and the consequent reduction in the number of tons of coal mined, and the size of royalty payments. His object was to cut the stocks of soft coal to increase his own bargaining power, but the miners have worked so well on the permitted days that soft coal above ground is adequate for at least a month. The same is not true of anthracite, which may be why Mr Lewis encouraged the hard coal miners to call a sympathetic strike. Their independent welfare fund is also calling a moratorium, though all contributions have been paid in, a fact which encourages the suspicion that benefits in both cases have been granted on too generous a scale. No doubt Mr Lewis hopes that the strike will produce a new contract with even larger royalty payments for welfare.

The steel industry, emerging from its daze of relief that no wage increases were recommended by the President's fact-finders, now feels it applauded too soon. After consideration, it has decided that the welfare and pension payments which the board urged should be financed entirely by the companies, represent an "entirely revolutionary principle" in American social security—and a costly one. This is a trifle ingenuous as the US Steel Company led the way, in 1946, in agreeing to Mr Lewis's demands for company financed benefits for workers in the mines it operates.

The steel companies insist that if workers do not contribute, they will be "stripped of responsibility for their own future security." The less advertised fear—and one which has some basis—is that the sky will be the limit for welfare plans toward which workers pay nothing. To the unions this attitude amounted to a refusal to regard the steel report as a "basis for negotiation" and indeed, the companies have stoutly maintained that they are not bound in any way by the report. They took part in the hearings only on the President's assurance that doing so committed them to nothing. Mr Truman, however, in seeking to avoid a strike, has put heavy pressure on the companies by announcing his fullest agreement with the board's recommendations on pensions and insurance.

Mr Truman's Supreme Court

Mr Truman could afford to lose no time in filling the vacancy on the Supreme Court caused by the death of Justice Rutledge, for the Court reconvenes on October 3rd, and with only eight Justices sitting instead of nine, there are likely to be many evenly divided opinions. His latest appointment, Judge Minton of Indiana, will please neither the Catholics nor the Republicans; since Justice Murphy's death the former are without a representative on the Court for the first time in three-quarters of a century, and Justice Burton, Mr Truman's first appointment, is, after 16 years of Democratic rule, the only Republican on a bench traditionally shared by both parties. The ill-health of yet another Justice, Mr Reed, who is eligible for retirement, may give Mr Truman an opportunity in the near future to correct this lopsidedness of the Court. Mr McGrath, a strong contender, but too recently appointed Attorney-General to be eligible, would satisfy the Catholics if not the Republicans.

Judge Minton is an old friend and former Senate colleague of Mr Truman, but in other respects the choice shows that

Mr Truman has not been wholly indifferent to the outcry which greeted the elevation of Mr Tom Clark to Justice Murphy's seat. Eight years on the US Circuit Court of Appeals has given Judge Minton time to acquire the judicial temperament the critics found lacking in Mr Clark. There has been a tendency recently to look outside the federal and state judiciary for new recruits to the Supreme Court and Mr Truman is to be congratulated on not following it this time. Apart from the benefit to the Court itself, the hope of advancement encourages men of ability to accept appointments to the lower courts.

Judge Minton also has a strong New Deal flavour, too strong for some who remember his support for Mr Roosevelt's plan to pack the Supreme Court. The deaths of Mr Murphy and Mr Rutledge threatened to leave Mr Truman with only two Justices who could be relied upon for a liberal construction of the Constitution and unfailing championship of the rights of the individual. Mr Clark is regarded as a radical only on the anti-trust issue, and his recent service as Attorney-General will prevent his participation in many such cases. The so-called "liberal" wing of Justices Douglas, Black, and Minton will now oppose the "conservatives," Justices Frankfurter, Burton and Jackson. In the centre, wooed by both, stand Chief Justice Vinson and Justices Reed and Clark, who are likely to follow his lead.

The prospect, therefore, is for more of the 5-4 decisions and dissenting opinions which have become characteristic of the Court. Mr Truman, who in many of his utterances is to the left of Mr Roosevelt, and who has had more opportunities than Mr Roosevelt enjoyed in his first four years of altering the judicial balance, has been remarkably reluctant to seize his opportunities to "pack the Court."

Rush-Hour in the Schools

American schools and universities opened their doors this month to 32 million students, more than have ever before been enrolled. The colleges, which were the first to feel the post-war educational boom, expect no serious increase; they already have a million more students than they had before the war, and the rush of veterans financed by a grateful government is beginning to ease off. The bulge is at the two extremes, in the graduate and professional schools to which the veterans, and others, are moving on, and in the elementary schools. It is at the foot of the school ladder that the crowding is most acute; the elementary schools are being swamped by the heavy crop of war babies which began to reach school age last year and which by 1956 will have added seven million children to the today's total of 20 million.

Overcrowding already condemns many children to sub-standard schooling; desperate boards of education, short of classrooms and teachers, are forced to employ the insufficiently qualified, increase the size of classes and resort to a shift system, and the use of such unsuitable premises as basements and Quonset huts. By 1956 it is estimated that another quarter of a million teachers will be needed; last year only 17,000 were graduated to meet a present replacement need of 125,000. The number of classrooms also needs to be increased by half in the next six years. The high schools are even less prepared for the tidal wave now making its way toward them.

American education may face its most critical year, as the Commissioner of Education believes, but Congress is still paralysed by the serpent of religious prejudice which it has discovered coiled inside the apple of Federal aid. Mr Lesinski has dissolved all the House Labour Sub-committees to end the obstruction, but the question of religious discrimination in Federal aid has become a full-fledged political issue in the New York elections, and many Congressmen may prefer not to be stung so near the end of the session.

Mr Lehman, the Democratic candidate for Senator, has redeemed himself with the Catholics by his support for the

Senate Bill, which would permit the States, if they wished, to use Federal funds to provide transportation and textbooks for the three million children in Catholic schools. His opponent, Mr Dulles, has ducked the religious controversy by opposing all Federal aid as part of the trend to "statism," which he deprecates, but in the mayoralty race aid to parochial schools is denounced by the Republican and upheld by the Democrat. New York is the centre of another political school storm over the Feinberg Act. This makes advocacy of overthrowing the Government ground for dismissal from the schools, rules that membership in a list of subversive organisations (not yet published) is *prima facie* evidence of disloyalty, and as interpreted in New York City, requires bureau heads to report on the loyalty of janitors, principals on that of teachers, and so on up the educational hierarchy. The Communist Party has brought a suit to test the constitutionality of the Act, and its many other critics have been encouraged by the decision (now being appealed) that Maryland's even most extensive application of the theory of "guilt by association" is unconstitutional.

* * *

Wines from the West

Last year Americans drank over 120 million gallons of wine, nearly twice as much as in 1938, and more than four-fifths of it came from California. Whisky distillers have been accused of trying to stunt the growth of their infant competitor, but in fact the wine industry's present discomfort seems to be due to its own growing pains. Success has gone to its young head and vintners have been producing more than they can sell, especially now that whisky, scarce and expensive during the war and post-war years, is becoming both plentiful and comparatively cheap.

The popular-priced American wines account for over 90 per cent of the country's total consumption and sell at 30 to 70 cents a bottle. They can be compared, even if not always favourably, to the continental *vin ordinaire*, but in California

these wines are mass-produced, with little regard for either the need for ageing or the variety of the grapes. Quality suffers even more from the raisin-growers' habit of dumping their surplus crops into the wine vats, a habit which the Federal Government is now trying to check by means of export and other subsidies for raisins. In an attempt to steady the price of the wine itself, the movement of this year's vintage is to be controlled by a Californian state marketing order, which limits the amount each vintner can sell.

Meanwhile, the Californian Wine Institute is trying, by means of an advertising campaign, to convince Americans that wine is not an expensive drink for special occasions only, but a pleasant accompaniment to any meal. The co-operation of hotels and restaurants is being sought, but just as important are training courses for wine waiters. These are particularly needed if the prejudice against American vintage wines is to be overcome.

Of the 378 wineries in California, about 20 produce what are called premium wines, which also come, on a small scale, from Ohio and New York. Production of fine wines was begun in California soon after the turn of the nineteenth century, by immigrants from Europe who, more recently, have been joined by refugees. They had experience of European methods of viniculture, pressing and ageing and, after experimenting with soil and climate, they have established vineyards from European stock which produce Californian wines of a quality equal to that of famous continental vineyards. Sales of these vintage wines reached 3 million gallons last year, about the same as those of imported wines, and vintners hope that the market which they established during the war will survive the resumption of European imports. The US Customs authorities are doing their best to protect this market, as will be remembered by those who read, in the *New Yorker* magazine, of the complications in which Mr James Thurber was involved by the attempt of a grateful recipient of a CARE parcel to reciprocate with a bottle of Cointreau.

THE WORLD OVERSEAS

The United Nations in Perspective

(By a Correspondent)

A SUMMARY of the work of the United Nations, with its immense complexity of organs and activities, must be hard on the eye, and generalisations about it must be dangerous. Some things, however, are common to all its parts. It is designed to keep the peace, and it is by its success in doing so that it must be judged. Besides this aim, all its other work—even when it is non-political activity, such as running down drug-smugglers or stopping epidemics—can only be successfully carried out in peaceful conditions. Conditions since the armistices have been far from peaceful; and so the United Nations now looks like the seashore at the bottom of a spring-tide—full of living beings, some of them active in pools, the rest still and closed, passively awaiting the return of the sea.

Last autumn, at the Paris Assembly, the sea retreated almost out of sight. The Great Powers in Berlin were conducting hostile operations only just short of war; ordinary diplomatic exchange between them was reduced to meaningless formality; the Foreign Ministers' Conference had broken down. The mood of the Assembly reflected the general deadlock. Not only did the Soviet Union and its satellites defy the Charter; the Czech delegate blandly asked why the Balkan states should not help Greek guerrillas, whether the western Powers would not do the same for their friends? Even a small nation like Israel refused to comply with the laws of war, or to accept any intervention by Uno except the ratifying of its victory. The appeal of Hyderabad was refused by India in terms recalling Goebbels's worst manner. Small wonder that delegates left Paris exhausted, frustrated and unwilling to gloss over the failure of a disastrous meeting.

The hopeful portents of the time were outside the United Nations. They were the progress of Marshall Aid and the success of the air-lift. It was to regional organisation that the western powers were turning, in tardy imitation of the Russians.

A Useful Meeting Place

The impotence of the United Nations is written into its Charter with the Great Power veto in the Security Council. This is consistently used by the Russians to get their way or to protect their supporters, in opposition to six-sevenths of the world. Normal Assembly voting has been 54 to 6, Security Council voting 9 to 2, the two being the Soviet Union and its puppet fellow-member. (In the first votes of the present Assembly it has been noticed that that Russian vote in the Assembly appears to have fallen to a regular five. The representatives of Yugoslavia are presumed to have regained their independence as a result of Marshal Tito's quarrel with Moscow.) This means that the United Nations is powerless both to enforce peace and to create the pre-conditions of peace. This year the atomic committee, the committee on other (or "conventional") armaments, and the Staff Committee charged with organising the international force provided for in the Charter have all reported deadlock. The points of disagreement are technical, sometimes almost trivial; but this does not matter, for if either side gave way on them—and the west has tried this—the Russians simply think up something else to cause trouble. The demand for an international force has now dwindled to Mr Lie's request for 300 guards and 2,000 "truce-keeping" volunteers, guards such as might have saved Bernadotte. The Russians refuse even these, and the point is coming up again in the present Assembly.

Uno, despite its toothless state, remains the centre where international disputes can be raised and where, in theory, they should be justly settled. During the past year, Uno has been dealing with the Berlin blockade, the fighting in Greece, Palestine, Kashmir, and Indonesia, and the future of the Italian colonies.

The Berlin conflict was raised in Paris by the western powers as a dispute, and kept alive by Mr Evatt, the Assembly's president, in an attempt to arrange neutral mediation. The Russians presented a blank refusal to both approaches. In fact, however, the west had won the siege of Berlin, and the May Assembly at Lake Success saw Mr Malik of Russia talking behind the scenes to Mr Jessup of the United States. From these talks flowed negotiations for the ending of the blockade, and the resumption of Four-Power talks on Germany. Thus Lake Success provided a useful meeting-place for disputing governments, and a milieu in which Russia could begin accepting the consequences of a defeat. But it was the Air-Lift and the Atlantic Pact that decided the issue in Berlin—not Uno.

Violation of the Charter

The Greek question was kept within the competence of Uno, in spite of the most vociferous propaganda by Mr Vyshinsky to discredit the United Nations observer commission. Again this year the commission reports that Albania and Bulgaria have helped the guerrillas. Yugoslavia has ceased meddling, but Rumania has taken its place. If the frontier war ceases it will not be due to Uno, but to the Greek army. All the same, the Greeks attach great importance to having impartial witnesses to the interference of the Balkan states; so that Uno may be said to have served the cause of law here.

Palestine offers the greatest example yet of violation of the Charter. Uno has been constantly engaged with a dispute for which it has a direct responsibility and in which it has neither prevented war nor obtained justice. The result was obtained by truce-violation, foreign gun-running, genocide—as that crime is defined in the convention of 1948. The merits of the case were set at naught by the partisanship of the United States in forcing a partition which rendered war inevitable. Even then, if they had chosen, the Great Powers could have prevented war and mass deportation. As it is, a number of men have given devoted work, some besides Bernadotte their lives, to permit the United Nations to affix the rubber stamp to successful aggression.

India and Pakistan have presumably too much sense to begin an all-out war. Hence the New Year's Day cease-fire in Kashmir. The Uno mission has since then offered five different solutions, ending with mediation and a truce supervised by Admiral Nimitz. This plan would seem to aim at recognition, according to the Charter, of the right of people to choose their rulers. It remains to be seen if pressure by Assembly opinion will induce India, the stronger state, to accept the plan already agreed to by Pakistan, and to allow a real plebiscite. This would mark a real success for Uno as mediator.

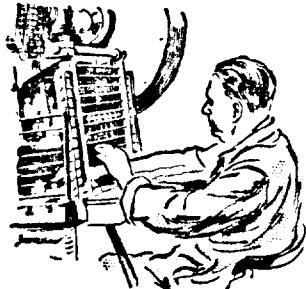
Truce in Indonesia

Indonesia, after bitter fighting with the Dutch, has come to conference at The Hague. The United Nations Committee of Good Offices certainly did a great service in keeping the ways

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to truce open; but the United Nations did not stop the war, and it will have no part in the settlement.

The Italian colonies were the subject of a realistic though oddly written, report on the merits of the case, and especially on the views of the peoples of the colonies. They wanted a variety of things, among which the return of Italy was included only by the tiny minority of remaining Italian colonists. In the May Assembly a "compromise" offered Tripolitania to Italy, whereupon the people rioted. The plan failed to get the needed majority, because all the Asiatics backed the native peoples against the Great Powers, and the present Assembly must tackle this problem once more.

Working Without Russia

The lesson of these disputes seems to be that Uno can only make just settlements if all the Great Powers are united in putting their strength behind justice, an event as rare as daisies in December. But Lake Success does offer a meeting-place even when relations are strained, and it succeeds in tidying up the results of quarrels which have really been decided by force. This is far indeed from the purpose of the Charter, but it is also far from nothing.

This appears clearly when the technical work of the United Nations comes into view. Most of this, like security, should be world-wide with many local variations. Like security, it has had to be worked out without Russia, but unlike security it is still within the United Nations. Russia belongs only to the main Economic Council, and to the drug and transport committees. But it allows the satellites to remain members of bodies like the Economic Commission for Europe, the only economic body which bridges the East-West gap; to take part in the health organisation, in food and agriculture, in the relief fund for children. True it is that bodies which are Cominform-free, like the refugee organisation, are the more efficient because they do not have to waste their energy in unravelling the tangles tied by the Communists. But even the satellite governments take part in work of immense value. Poland is deeply interested in supporting measures against tuberculosis; Czechoslovakia in retaining as much as it is allowed of its trade with the West. For the western countries the use of the United Nations bodies is obvious. On some of them, even in their early stages, it is worth paying large sums if only for long-term benefits. Food and agriculture, for instance, is the obvious field for practical world planning, and though American particularism has wrecked Boyd Orr's vision, it is still worth sustaining for its information and its campaigns for improving the yield of crops and for preventing loss by pests.

Australia's Pre-Election Budget

[FROM OUR MELBOURNE CORRESPONDENT]

EVEN Mr Chifley's political opponents have not accused him of window-dressing in the Budget which he introduced into the Commonwealth Parliament on September 7th with an eye to the federal elections later in the year. There were neither spectacular tax concessions, nor any election baits or promises which might facilitate the return of Labour to office. The two opposition leaders, Mr Menzies and Mr Fadden, contented themselves with describing the Budget as "a dismal prospectus for the long-promised golden age."

Mr Chifley offered in his Budget no concessions in either individual or company taxation, but granted reductions in sales tax, entertainments tax, customs, excise and primage duties amounting to £9,650,000 a year. Taking into account reductions in direct taxation rates made earlier in the year, to operate from July 1st and costing £36½ million, the full cost to revenue of

tax concessions coming into operation in 1949-50 will be approximately £46 million.

For 1949-50, Mr Chifley is budgeting for a deficit of £35 million. The estimated expenditure of £567 million is a new high record and includes a grant of £10 million to the United Kingdom. The revenue for the year is estimated at £532 million, but Mr Chifley's recent budgets have usually under-estimated revenue. It would be by no means surprising, if business continues at the buoyancy of the last twelve months, to see the year end with the national accounts balanced—if not showing a surplus on operations.

The Federal Budget has been balanced for the second time since the war. The year 1948-49 ended with revenue and expenditure exactly balanced at £425 million, whereas Mr Chifley originally budgeted for a deficit of £17,700,000. The total revenue for the year, £535 million, was £42 million above the estimates, the main increases being £26 million from income tax and social services contributions, £11 million from customs and excise and £1,800,000 from pay-roll tax. There is, however, every reason to suspect that the last three financial years have ended much more favourably than the bare figures have indicated. One authority says that the reduction of the Commonwealth's short-term debt through the redemption of Treasury Bills suggests that the Government in effect achieved surpluses of about £70 million in both 1946-47 and 1947-8.

Great Postwar Improvement

There has in fact been a tremendous improvement in Australia's national finances since the war. In 1944-45, the last full financial year of the war period, revenue fell short of expenditure by £266 million, which had to be borrowed. The huge wartime gap between revenue and expenditure has now been closed, while at the same time five major tax reductions have been made since 1945, gifts totalling £35 million have been made to the United Kingdom, social services expenditure has risen from £39 million a year to £81 million, and £132 million has been paid in subsidies to keep down the cost of living.

The buoyancy of public finances has been directly brought about by a succession of good seasons and soaring prices for Australia's exports, because of the strong world demand for primary products, particularly wool, wheat and base metals. The national income rose in 1948-49 to a new record of £1,955 million which is nearly two and a half times the figure of 1938-39. Personal expenditure on consumption in 1948-49 was £1,418 million, having increased by £184 million, or 15 per cent, since 1947-48.

It seems clear that the Commonwealth Government is using the Budget to promote its economic and social policy rather than to attempt to gain an election advantage through tax concessions. It takes the view that its financial policy is amply justified by the economic position in which the Commonwealth finds itself today. Financial policy is directed toward the objective of full employment, which has been maintained since the

COMMONWEALTH BUDGETS SUMMARISED

	1946-47		1947-48		1948-49		1949-50
	Estimate	Actual	Estimate	Actual	Estimate	Actual	
Revenue	£ mn. 385.0	£ mn. 412.0	£ mn. 397.0	£ mn. 457.0	£ mn. 492.9	£ mn. 535.0	£ mn. 552.0
Expenditure	444.0	450.0	427.0	455.6	510.6	535.0	567.0
Surplus or Deficit ..	- 59.0	- 38.0	- 30.0	+ 1.4	- 17.7	...	- 35.0

war ended. As Mr Chifley points out, every available worker has had a job, every new worker has found a job, and the total of wage and salary earners in work has risen rapidly. In June this year it was 75,000 above June last year and 720,000 above June, 1939. Mr Chifley has said:

These basic facts—far more than anything else—explain why we have been able to throw off the burdens of war, reduce taxes, increase production, improve social services and find the way to our present strong financial position.

The government will go to the public in a similar frame of mind to that with which it faced the electors in 1946. Then Mr Chifley refused to meet offers of sweeping taxation reductions by Mr Menzies with counter offers on his own part. He merely said that taxation would be eased when practicable. Mr Chifley, whatever his basic political philosophy may be, is fundamentally a conservative in financial matters.

This has been well demonstrated in the postwar years when Budgets in many ways might more appropriately have been framed by a treasurer with a Conservative rather than a Socialist frame of mind.

The significant exception to Mr Chifley's conservatism in money matters is, of course, his obsession about private banking, which led to the government's decision in 1947 to nationalise the Australian trading banks. Last year, when the High Court declared invalid the government legislation to nationalise the private banks, this looked like being a major election issue; but now that the Privy Council has decided against the government, it is possible that issues less complicated and less legalistic will weigh more, with the electors.

Expansion of Secondary Industries

The government is able to go to the country pointing to a creditable achievement in financial matters. But Mr Chifley is fully aware of the effect on the Australian economy of any severe recession in prices of primary commodities on world markets. Lower prices for wool, wheat and metals will result in a fall in the Commonwealth's export income in the current year unless prices return to their recent peaks, which seems unlikely. It is for that reason that the Government regards sterling funds, which are now standing at something less than £A400 million against an average of £A34 million in 1939, as a buttress against a sudden fall in export income. In 1930, when primary produce markets collapsed overseas, Australia's capacity to import was crippled, and the domestic standard of living suffered greatly through inability to obtain vital goods from overseas. Today, with the Australian economy much more self-contained through the building up of secondary industries during and subsequent to the war, the Commonwealth is much better able to meet a world-wide depression than previously. The Labour Government naturally claims much credit for having achieved this position. It has actively encouraged the expansion of secondary industry and the inflow of British and American capital. It can point to the establishment of the Australian motor-car industry and the expansion of the steel industry, in addition to the establishment and expansion of many other industries in the heavy and chemical field.

Although the general elections are only about two months away, nothing more than pointers have yet been given of the lines which the government and the opposition will take. But if the two previous campaigns are any criterion, it can be taken that the Budget presented by Mr Chifley on September 7th will give the pattern of the government's election campaign. In essence, it will stand on its achievements rather than on any promises that it might offer for the future.

Employers and Workers in Japan

[FROM OUR TOKYO CORRESPONDENT]

WITH hoarse democratic shouts of "Down with Communism!" Japanese employers are rushing in to hold down working conditions and wage scales and to knock out the tottering Japanese trade union movement. They have been swift to scent advantages in the current labour retrenchment programme, imposed by the belated "austerity" orders of Mr Joseph M. Dodge, the Detroit banker whom Washington despatched to Tokyo to enforce the economic reforms which General MacArthur had been gently discussing and benevo-

lently postponing. Unemployment in Japan is expected to reach the four million mark as the public services and big industries shed their tens of thousands of surplus employees, and the government fumbles apologetically the task of unemployment relief and reabsorption. Without a doubt, the government services have been swollen by excess employees. The only abundant Japanese natural resource, as General MacArthur has observed, is manpower—largely unskilled, always underpaid. The present developments were inevitable and overdue.

But Japan, fundamentally an industrious nation, is not accustomed to unemployment. The current disinflation programme, with thousands of long-service workers out on the streets in stunned bewilderment, has been a much greater shock to the nation because it has been delayed. Had rigid retrenchment been ordered at the outset of the occupation, it would have been accepted as a matter of course. Today, after four years of the mildest military occupation of a defeated nation in history, it has surprised employer and worker alike. Recovering from their surprise, Saito-san and Suzuki-san, the new democratic industrialists, who have replaced or are "dummying" for the purged Mitsui and Mitsubishi operators, hope to seize this opportunity of stifling the first faint struggles of organised Japanese unionism, groping, immature, ill-led, but still confusedly dedicated to the strange proposition of higher wages, shorter hours and an improved standard of living.

Ineffective Strike Threats

The Communists have infiltrated the usual key unions—transport, communications, mining, teaching, heavy industry. They raised their voices loudly when the Prime Minister, Yoshida, introduced his "economic stabilisation" decrees. They threatened "a summer revolution," "an August labour offensive" (which has now been shifted to September, or it may be October) and a programme of strikes from one end of Japan to the other.

But only words were violent as the dismissal notices were issued. The age-old Japanese instinct of obedience to authority, like all Japanese instincts, has been unaffected—perhaps only strengthened—by four years of occupation. And then even the words lost their violence when an elderly, inoffensive railway executive, charged with the technical responsibility of sacking surplus railwaymen, was found, cut to pieces, on a Tokyo railway track. In the ensuing uproar, the Communists were naturally, and perhaps correctly, blamed for intimidatory murder. The public revulsion against the Communists in general, and dismissed railwaymen in particular, was bitter and spontaneous. That was seven weeks ago. There has been no arrest. The railwaymen, like other dismissed workers, wilted under horrified public opinion. Some railwaymen, before quitting their jobs, bowed and placed flowers on their superior officers' tables.

Now employers, in common with the government, are exploiting the situation with Oriental expedience and mock-humble opportunism. This week the Japanese League of Employers' Association, in a long report full of pious phrases and unashamed hypocrisy, has drawn up recommendations for nation-wide adoption by all employers who are hampered by the existence of unions, whether Communist-infiltrated or not. They said among other things:

It was for a time regarded as a legal issue whether or not an employer could dismiss his employees on the ground that they lacked the sincerity to co-operate with him. However, the latest mass discharge of railway employees has furnished a decisive precedent. We are authorised to dismiss all those who either have committed acts interfering with the normal management of enterprises or who have assisted others in the commission of such acts.

The implication is that "such acts" mean the murder of executives on railway lines or elsewhere, or the derailment or wrecking of trains. Actually, there can be no mistake that the smoothly lacquered words interpret "lack of sincerity" as

holding office in a union, insistence on contractual rights and even "carrying out political movements to overthrow the Yoshida Cabinet."

Breakaway Unions

One paragraph touches delicately on the democratic possibility of encouraging rival unions:

When a second union is organised for the purpose of improving the condition of the enterprise by means of adequate labour-management collaboration in harmony with the actual state of affairs, the employer should give priority to this second union, regardless of the number of its members.

Other useful suggestions are made for reducing retirement allowances "in view of the present social and economic condition of the nation," for revising labour contracts, for restricting union membership and for "otherwise democratising labour unions." The moral effect of including union officials among the first batch of discharged employees is gently referred to in passing, but, in all fairness, only a suspicious person could construe the passage as a deliberate incitement to employers to adopt this stratagem in order to discourage union aspirants. The observation is merely dropped, with an Oriental shrug, like the seed which sometimes fell on stony ground. Finally, the League pays warm tribute to the remarkable legislation, proposed by the Government, which will empower the police to arrest and punish equally all the leaders of any union of which an obscure member has committed a crime of violence.

If the western observer accepts the theoretical design of all this anti-union activity and intimidation as a prudent defence against Communist sabotage and machinations, he will naturally commend the democratic fervour of the Japanese industrialists. But if he gives a thought to the restoration of oligarchic control of Japanese industry and to the holding down of Japanese wages and living conditions to the old "rice-bowl" standards on world markets, he may well be excused a certain perplexity over the practical uses of the occupation.

The Future of British Business in China

[FROM OUR SPECIAL CORRESPONDENT IN HONGKONG]

By their official pronouncements and, even more, by their practice in the big cities of Tientsin and Shanghai, the Chinese Communists have made fairly clear what they propose to do about foreign business activities in China. These activities fall into three main categories. First, there are the foreign-owned factories and static enterprises, of which the most notable are probably the mines of the Sino-British Kailan Mining Administration in North China, the cigarette factories of the British-American Tobacco Company in Manchuria and various parts of China, and the British textile factories in Shanghai. These, it is clear, will be nationalised as soon as the Communists feel they have the technical competence to take them over. Some compensation will be paid but probably not on any great scale, for the Communists take the line that these foreign enterprises have made such high profits out of China in the past that nothing more is now due to them.

Need of Foreign Ships

In the second category are the importing and exporting firms. In this field more and more trade is being concentrated in the hands of monopolistic state trading concerns, and it is quite clear that trade with a Communist China in the future must be thought of as taking place on a government to government basis. There may be a place for a few of the larger British firms in the role of government agents; but experience in Tientsin suggests that the Communists are determined to try to do away with the foreign (and the Chinese) middleman. They have already made it virtually impossible for the smaller firms to carry on; and even the larger firms can only function on the basis of a strict official limitation of their profits.

The third category comprises certain subsidiary adjuncts of the first two categories, the most important being 'foreign shipping and banking.' Until the Communists have a merchant marine of their own—and this may not be for several years—they will perforce have to rely largely on foreign shipping. It is probable that in the early stages economic necessity will even oblige them to permit cabotage and navigation on the Yangtze, two things which the Nationalists banned after the war. The future of foreign banking is less promising, and it is doubtful if foreign banks can expect to do much more in a Communist China than they do today in the countries of eastern Europe.

China will continue to require two commodities from the west. First, it will require the products of the west, especially capital equipment and machinery of all kinds, if the Communists' plans for industrialising the country, which is the only way in which the standard of living can be raised, are to be realised. If it has to rely for these imports on Russia and the Soviet bloc, the programme of industrialisation will be slowed up indefinitely. Second, for a number of years to come, China will need to import a certain number of experts in all those technical fields in which the country is still so backward. It is, therefore, not the trade, but the way in which trade is conducted, which has changed.

End of the Merchant Era

We are witnessing the end of an era, the ending of one type of commercial relationship and the beginning of another. It is a painful and depressing experience. Many British merchants are probably going to be ruined. It is possible that we shall witness a drastic reduction in a general British economic stake which has been built up over the years by enterprise and courage and in which it is impossible not to take a certain pride. This reduction of our stake in China is occurring at a time when the problems presented by our export trade and the balance of payments are graver than ever before in our history. There is already much frustration amongst the British businessmen in China. There will soon be much bitterness, and it will be difficult not to let our views on the nature of the tremendous revolution which is taking place amongst a nation of 450 million people be coloured by what is happening to British interests in the port cities.

Nothing, however, is to be gained by blinking the facts. The Nationalist blockade, which the British merchants in Shanghai blame for many of their troubles, has undoubtedly accelerated the crisis, but the crisis would have come anyway sooner or later. Indeed it is arguable that it would have come under the Nationalists too if they had ever been sufficiently strong to establish a united and efficient Chinese government. The monopolies established in the early days of the Sino-Japanese war like the Central Trust and the China Tea Corporation; the restrictions on foreign shipping after the war; the various measures to enforce economic nationalism; all these things were symptomatic of the underlying trends. They were pointers to the future. They were abortive because of chronic governmental inefficiency and corruption.

There is now an administration in China which is sometimes inefficient because inexperienced, but which, by all accounts, is learning fast; which is determined to push through, albeit with certain modifications, the basic economic principles of the Marxist philosophy; and which so far has displayed not the slightest trace of governmental corruption as traditionally practised in China in the past.

Allied Powers in Germany

[BY A CORRESPONDENT]

LAST Wednesday the three allied High Commissioners handed to Dr Adenauer, the German Chancellor, the Occupation Statute which will regulate their relations with the German Federal Government, which was formed the previous day. The

statute affirms the desire of the occupying powers that the German people should enjoy the maximum possible degree of self-government consistent with the basic purposes of the occupation. (These basic purposes are not defined in the statute.) Therefore, it says:

the Federal State and the participating *Laender* shall have, subject only to the limitations of this instrument, full legislative, executive and judicial powers in accordance with the basic law and with their respective constitutions.

The fields of activity in which powers are specifically reserved to the occupying authorities are carefully, although sometimes rather vaguely, set out. First, and most important, are foreign affairs; foreign trade and exchange; disarmament and demilitarisation including scientific research, prohibitions and restrictions on industry and civil aviation; controls over the Ruhr; restitution of property, reparations, decartelisation, trade discrimination and foreign interests in Germany; displaced persons and the admission of refugees; "respect for the basic law and the *Land* constitutions"; "the protection, prestige and security of allied forces . . . the satisfaction of occupation costs and their other requirements." Over internal action control is reserved

only to the minimum extent necessary to ensure the use of funds, food and other supplies in such manner as to reduce to a minimum the need for external assistance to Germany.

The German Federal Government and the *Land* Governments may legislate in these reserved fields after having given due warning to the occupation authorities, who may impose a veto.

Right to Resume Control

The control over certain fields thus specifically given to the occupation authorities could be extended over the whole range of German activities. This is implied both by the right of the High Commissioners, under certain circumstances, to resume in whole or in part the exercise of full authority, and by their power to veto legislation. They can resume governmental authority if they "consider that to do so is essential to security or to preserve democratic government in Germany or in pursuance of the international obligations of their Governments." All federal and state legislation and amendments to *Land* constitutions will become effective twenty-one days after their official receipt by the occupation authorities, unless disapproved by them. The authorities undertake in turn not to disapprove of legislation unless, "in their opinion," it is inconsistent with the basic law, the *Land* constitutions, other German legislation or allied directives, "or unless it constitutes a grave threat to the basic purposes of the occupation." Any amendment of the basic law itself will require the express approval of the High Commissioners.

A mammoth task made necessary by the change in Germany's status is the sorting out of the mass of legislation made both by the three military Governments and by the *Land* Governments in accordance with allied directives. It is laid

down in the Occupation Statute that all this legislation is to remain in force until either repealed or amended by the occupation authorities in accordance with the following provisions:— (a) Legislation inconsistent with the Occupation Statute is to be either repealed or amended to make it consistent; (b) legislation based upon the reserved powers is to be codified; (c) all other legislation is to be repealed by the occupation authorities when requested by the appropriate German authorities. It has been agreed that the codification of legislation should be completed by December 1st.

It is obvious that the text of the Occupation Statute does not in fact reflect at all clearly the shape of things to come in western Germany. It is an attempt to reconcile fear of resurgent German nationalism with a desire to see democratic Germans play a full and useful part in the life of western Europe. It is therefore, perhaps, inevitable that it should raise almost as many questions as it settles. Will the Allied High Commissioners, for instance, rely on exercising control principally through their power of vetoing legislation or through some system of administrative controls? Will they control foreign trade through an organisation similar to the Joint Export-Import Agency or will the Germans be given almost a free hand, subject only to discreet supervision? To what extent will the Germans be allowed consular and other representation abroad?

Twelve Months' Trial

The announcement made last week that the Federal Government would be allowed to send its own delegation to the forthcoming International Labour Conference at Geneva specifically stated that this was not to be considered a precedent. Again the "protection, prestige and security" of allied personnel might involve almost nothing at all, or might if necessary be used to cover the introduction of a great deal of restrictive legislation.

Everything, in fact, will depend on the interpretation which the High Commissioners give to the statute, and that in turn must depend on the behaviour of the Germans. It is therefore hardly surprising that one of the principal German criticisms of the statute should be that it contains no provision for any arbitration court to which the Germans can appeal against the High Commission's decisions. To them the most encouraging clause is the last, which states that after twelve months, and in any case within eighteen months of the statute coming into force, the occupying Powers undertake to review its provisions "with a view to extending the jurisdiction of the German authorities in the legislative, executive and judicial fields."

Politics in Pakistan

[FROM OUR KARACHI CORRESPONDENT]

It is commonly said that politics in Pakistan are a matter of personalities. This is in the main true, for there is virtually

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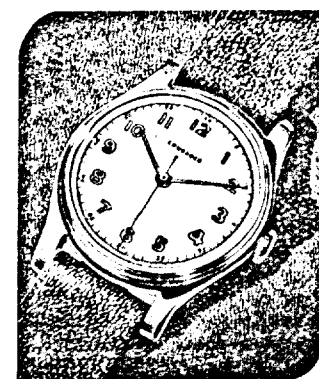
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only one political party and only one policy; but there are certain strong undercurrents, and in the long run personal factors may prove to be mere froth in the surface of the stream, except where they meet these deeper currents.

The Pakistan Muslim League, which is the Government party, has nominally taken on a different character from the old All-India Muslim League. The latter used to claim to represent the entire Muslim nation of the sub-continent, whereas the new organisation is no more than a political party. There is a small parliamentary opposition, slightly more effective than its numbers warrant, consisting of the Hindu representatives from East Pakistan; and a splinter Muslim party has recently come into being, under the style of the Awami (People's) League. Apart from these, the Muslim League holds the field unchallenged. The only serious threat arose in the first half of 1948, when disgruntled elements—including the leaders of the Red Shirt movement, the Ahrars—and the Socialists formed an organisation called the All-Pakistan People's Party, with its headquarters in Peshawar. This was rapidly bludgeoned out of existence by the North-West Frontier Province Government, under Khan Abdul Qayyum Khan, who has shown himself anything but squeamish in his use of the Public Safety Act for suppressing opposition, and some of the organisers are still undergoing detention.

Lacking the stimulus of opposition, the Muslim League has lost much of its momentum and, though still supreme as a political force, has shown signs not so much of disintegration as of growing inertia and decay. These signs have been more visible in the provincial Muslim League councils than at the centre; in the West Punjab in particular, the provincial organisation has forfeited the respect of the public altogether (and the West Punjab has some claims to be regarded as the nerve centre of Pakistan). The Central Council has still considerable prestige as, though presided over by Choudhry Khaliquzzaman, an elder statesman, it is really controlled by Pakistan's wise and able Prime Minister, Mr Liaquat Ali Khan. His government is a Muslim League government and stands or falls with the League. Its stability is unchallenged, except by a few mice gnawing at the roots—these words are Liaquat's own—and, indeed, there can be no overt challenge until the new constitution has been framed and general elections are held under its provision.

“Islamic Social Justice”

The policy of the League is Islamic Socialism. Many observers would be glad to know exactly what this stands for. It does not connote Socialism as understood by the economists, and no reference to it was made in the “objectives resolution,” which embodies the main principles on which the constitution of Pakistan is to be based, or in the Prime Minister's speech introducing that resolution in the Constituent Assembly. Constant references were, however, made to “Islamic social justice,” which is perhaps the same thing. This was described as based upon fundamental laws and concepts which guarantee to man a life free from want and rich in freedom, a life wherein the principles of democracy, freedom, equality, tolerance and social justice as enunciated by Islam shall be fully observed, and adequate provision made for the minorities freely to profess and practice their religions and develop their cultures. Brave words indeed! In practice, stress is being laid on the principle of equal opportunity for all, and Islamic Socialism is taking practical shape in agrarian reforms.

Here we meet the first of the main undercurrents. Agrarian reforms are being played up by the Muslim League but, while many votes will be gained thereby, obstinate opposition must be expected from big landlords who dominate the Provincial legislative assemblies. East Pakistan has led the way with a Bill for the abolition of big *zamindaris*, which is likely to be passed before the year is out. In West Pakistan a committee appointed by the League has made drastic recommendations, including the abolition, without compensation, of hereditary *jagirdaris* (assignments of land revenue), limitation of proprietary holdings, and tenancy reform. The Muslim League has given the report its blessing, but has avoided too definite

a commitment on the main issue, the limitation of the size of holdings. In the North-West Frontier Province agrarian reforms have already led to the formation of the Awami League by recalcitrant *jagirdars*.

Mullahs versus Progressives

Even more important among the wider issues affecting the future of the state is the ideological clash between the *mullahs* and what might be called the progressives. Islam recognises no priesthood, and, therefore, it is claimed there can be no question of Pakistan becoming a theocracy; but it cannot be denied that the *mullahs* or *maulvis*, to whom the people look for religious guidance, have very great influence. They tend to take an obscurantist attitude towards modern ideas of progress, and to follow the letter rather than the spirit of the *shariat* in regard to such matters as seclusion of women. The progressives, on the other hand, are working for a modernist and go-ahead state, and deprecate any kind of fanaticism. “The ink of a wise man's pen is of more value than the blood of martyrs” is an Islamic text which might well be their motto. Part of the importance of this controversy is that therein lies a threat to the authority of Mr Liaquat Ali Khan, who is in the forefront of the progressive school of thought. The late Mr Jinnah would never have allowed the *mullahs* to gain the upper hand.

The third main undercurrent consists of the ill-concealed tussle between the provinces and the centre. Provincialism is rampant and has defied the efforts of broader patriotism to suppress it for the sake of the unity and discipline which Pakistan so badly needs. So far as East Pakistan is concerned, for geographical and ethnographical reasons it was inevitable that the province must be allowed to go its own way to some extent and to enjoy a considerable measure of autonomy. But the provinces of Western Pakistan could easily be amalgamated under a single administration, and most political thinkers feel that in the interests of unity, no less than of economical and efficient administration, this should be done. Mr Jinnah would have carried through amalgamation; but it is doubtful whether the present Central Government feels itself strong enough to overcome the opposition of provincial politicians in the Constituent Assembly. Sind is already showing signs of revolt, under the leadership of the ex-Premier, Mr Khuhro. This remarkable man continues as president of the Sind Provincial Muslim League Council, although disqualified from holding public office for three years, having been found guilty by a Special Court of Inquiry on no less than 62 charges, 34 of which constituted cases of gross misconduct. A typical Sindhi, he dominates the province like an old-time Tammany Hall boss, and is likely to prove himself a thorn in the side of the centre, especially as a champion of the big landlords.

A Champion of Civil Rights

Another personality who at present holds no public office, but is prominently in the public eye, is Mr H. S. Suhrawardy, a former Premier of undivided Bengal. He is a declared foe of the present Muslim League set-up, and, with his flare for politics and intellectual ability, is a force to be reckoned with. He stands for better relations with India, in the interests of the Muslim community in that Dominion, and has prominently associated himself with the cause of the refugees, who have not been made too welcome in the provinces of Pakistan. He also stands for repeal of repressive legislation, which gives him an opportunity to attract much attention as a champion of civil rights. The platform is, indeed, an admirable one for any opponent of the Government, for there is a widespread feeling that the various provincial Public Safety Acts have been abused. Mr Suhrawardy has at present no strong provincial affiliations, and this, together with the fact that he is a modernist by outlook and persuasion, may lead to his ultimately joining up with Mr Liaquat Ali Khan. This would be a good thing for Pakistan.

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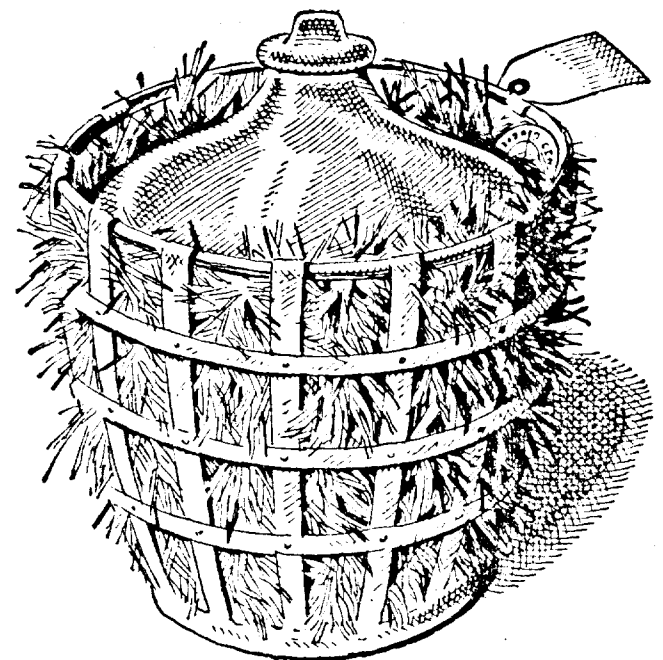
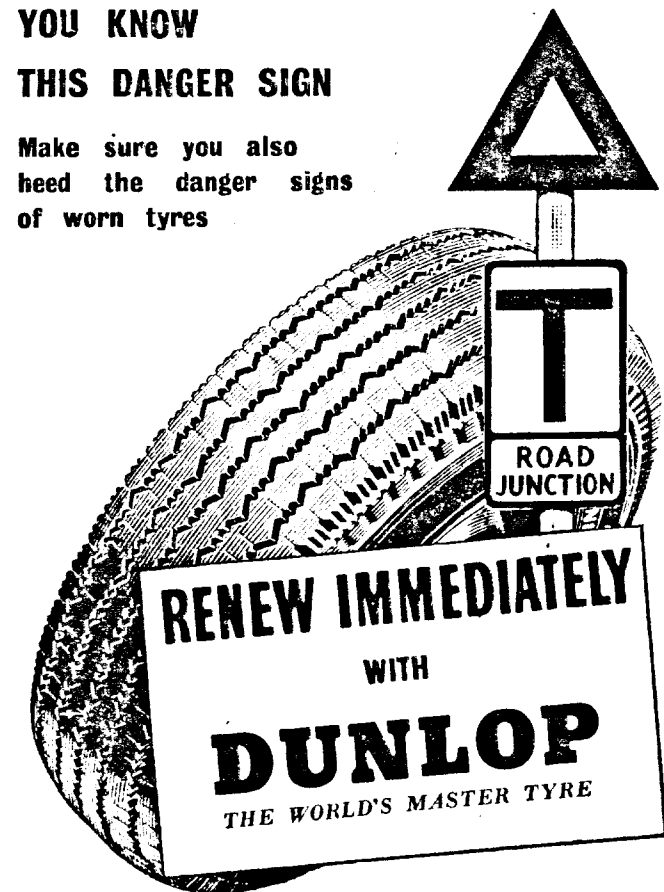
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THE BUSINESS WORLD

Devaluation and the Consequences

The dust and disturbance caused by devaluation will take some time to settle. Issues which for some months past had been in doubt have been decided ; but in turn new problems have been created by the alignment of currencies which themselves will have repercussions upon prices and trade throughout the world. To trace in detail the effect of the new exchange rates upon the potential course of trade and economic activity is at this stage scarcely possible, even in the case of countries like Britain and the United States which are most directly affected. The articles which follow contain little attempt at prophecy. They set down the alterations which have been made in the world's exchanges, and the immediate effects which may be expected to follow ; they examine the conditions which will now determine the success of British exporting on the dollar area, and the effects of devaluation upon British prices and costs ; important repercussions on the security markets are reviewed in the fourth section ; and, finally, oil economics are examined as a special case which may become in some respects less tangled as a result of devaluation than it was under a regime of artificial currency relationships.

The Exchange Adjustments

THE devaluation of the pound, which took effect immediately after the Chancellor's broadcast on Sunday, September 18th, has been followed by even more rapid and violent exchange adjustments throughout the world than occurred in the corresponding period of 1931. Many of these adjustments, which are described below, had been formally announced by the time the British banks and Stock Exchange reopened on Tuesday morning, after their enforced closure on the Monday. Others have followed in quick succession during the week, so that, by the time of going to press, most of the major countries had already declared their attitude and twenty separate devaluations (many of them also involving dependent currencies) had taken place. No definitive statements had been made by Argentina, Italy or western Germany.

The new official rate for sterling against the US dollar is \$2.79½-2.80½, compared with last Saturday's rate of \$4.02½-4.03½ ; it will be noted that the opportunity has been taken to reduce the dealing margin from ½c. to ¼c. This depreciation in terms of dollar value amounts to 30.5 per cent, and the arithmetical equivalent increase in US dollar prices in terms of sterling is 44 per cent. This, accordingly, is the increase which has been made in the sterling price of gold, which is now 248s. per fine ounce compared with 172s. 3d. last week.

* * *

Though the devaluation itself had been widely expected, the actual parity adopted took the world by surprise. Beyond the very small circle who actually made the decision, few anticipated that the new parity would be as low as \$2.80. The International Monetary Fund has approved the new rate—but that of itself does not dispose of the question whether so drastic a depreciation was justifiable.

There is known to have been a school of thought, both within and outside official circles, which would have preferred the rate to go free, or at least that some form of free market should have been devised, on the ground that it is

impossible now to determine the equilibrium rate. Sir Stafford Cripps, without specifying his reasons, has stated this week that no such system could have been worked. He may be right. The position of sterling as an international currency would certainly have made any such experiment more difficult to conduct successfully than the comparable system operated by countries such as France and Italy. A freeing of the rate might have deterred rather than helped the world-wide realignment of currencies which is following inexorably in the wake of sterling's devaluation. The definite cut in the sterling rate has at least provided a new basis by reference to which the other countries have been able to make their own decisions.

The new parity of \$2.80 appears low in terms of all available criteria. The free market rates for various categories of transferable sterling ranged before the devaluation from \$3.10 to \$3.20. The forward rate for sterling in the New York market on the eve of the decision indicated a discount of no more than 20 per cent on the then official parity. It was only in the largely artificial markets for pound notes, in which any appreciable turnover depended on the "double smuggle" and values were depressed accordingly, that rates approaching the new parity were to be found. Surprise at the extent of the devaluation of sterling has been greatest in some of the overseas countries which had pressed most assiduously for a break with the old parity. The Canadian Government, for example, whose experts have taken a leading part in the campaign for devaluation in the past few months, was genuinely surprised at the extent of the cut ; though the Canadian and US Governments were informed at the opening of the Tripartite talks that devaluation would take place, they were not told the exact rate until the last moment. The unexpectedly large devaluation by Britain was the main influence in determining Canada's decision to take this opportunity of restoring the discount of nearly 10 per cent on its dollar in terms of the US dollar. In France the decision of the British Government has been severely criticised not because the pound has been devalued but on the grounds that it has been devalued too much. The Minister of Finance,

M. Petsche, has publicly described the new sterling dollar rate as a "trade-war rate" and has suggested that Britain's initiative in this matter was unilateral and so constituted a breach of the intra-European collaboration to which the countries participating in the European Recovery Programme are committed.

The severe cut in the sterling parity has had the effect of abolishing at a stroke the free markets in which transferable and bilateral account sterling was dealt in at a discount below the official parity. The only market in which any activity of this kind has been reported this week, and where sterling has been quoted at a discount on the new parity, is that for Chinese sterling. It is easy to guess from what quarters the sales of Chinese sterling are coming at the moment. The officials who have control of this sterling and who are selling now that the Communists are hot on their trail are not likely to be guided by precise calculations of what may be the standing of sterling a few months hence. They are taking whatever price offers for a quick sale ; no wider significance need be attributed to the behaviour of this market.

With the sole exception of Pakistan, which has declared its adherence to the former dollar parity, the countries of the sterling area have come into line with Britain. The Pakistan incident may probably be regarded as a temporary aberration. As there appears to have been lack of co-ordination in informing Pakistan of the devaluation of sterling, the new Dominion is perhaps suffering from a sense of injured pride. There is also the fact that on balance Pakistan is a net earner of dollars. The opportunity of exhibiting superiority over India, which devalued the rupee in conformity with sterling, is also one which must have proved tempting. The decision leaves the Pakistan rupee at 2s. 2d., or at a premium of 44 per cent over the Indian rupee at 1s. 6d.; since the two currencies are virtually interchangeable and the frontier is wholly devoid of effective exchange control, a situation has been created which obviously cannot endure for more than a very short time. The agreement between Pakistan and India when they divided up the reserves of the formerly united country provided that the two currencies should be maintained at parity with each other. The lawyers on both sides will be able to argue to infinity as to which party broke this agreement.

The only real uncertainty about the reaction of sterling countries to Britain's devaluation was whether Australia would take this opportunity of bringing its pound back to parity with sterling and with the neighbouring New Zealand pound. This has not been done, and the Australian pound remains at the old discount of 20 per cent on sterling (i.e. a rate of £A125 per £100). The virtual unanimity and cohesion maintained by the sterling area in the devaluation move has provided one more testimonial to the strength of the links which bind the members of this club. After the revaluation of 1931, it may be recalled, South Africa enjoined upon itself fifteen months of abstinence. This time it has seized the higher gold price with both hands. Incidentally, on the eve of devaluation the Union Government unexpectedly called for repayment in sterling the remainder (£12½ million) of the £80 million gold loan—despite the general assumption that the gold value of this sterling was in effect guaranteed by the loan agreement. This action has given rise to the belief that a new financial arrangement between Britain and South Africa is now being hammered out.

Every western European currency, save the Swiss franc, has now made some response to the devaluation of sterling. The Scandinavian countries have gone the whole way with Britain. Sweden, it may be noted, has thus more than retracted the

misconceived appreciation of its currency which it made in 1946 ; though it is still, of course, dearer in terms of sterling than before that move was made. The Netherlands has also devalued by the full 30 per cent. This move immediately posed a difficult problem for Belgium, which had previously announced its intention of not changing the dollar parity of the Belgian franc. Second thoughts, stimulated (in the context of the Benelux Union) by the Dutch initiative and also by the

THE NEW PARITIES AND RATES

(1) Currencies in Step with Sterling (30½% Devaluation).

The following countries have devalued by 30.5 per cent against the dollar and thus have maintained parity with Sterling. Their new dollar values are as follows :—

	Old Dollar Value	New Dollar Value		Old Dollar Value	New Dollar Value
U.K.	4.03 to £	\$2.80 to £	Egypt	\$4.133 to £E	\$2.871 to £E
S. Africa ..	\$4.03 to £	\$2.80 to £	Israel	\$4 to £	\$2.80 to £
Australia ..	5.22 to £	\$2.24 to £	Holland ...	2.65 guilds to \$	3.86 guilds to \$
N. Zealand ..	\$4.03 to £	\$2.80 to £	Denmark ..	Kr 4.79901 to \$	Kr 6.90714 to \$
India	30.225 c. to Rupee	21 c. to Rupee	Finland ..	160 marks to \$	230 marks to \$
Ceylon ...	30.225 c. to Rupee	21 c. to Rupee	Norway ..	Kr 4.96278 to \$	Kr 7.14286 to \$
Burma ...	30.225 c. to Rupee	21 c. to Rupee	Sweden ...	3.60 crowns to \$	5.18 crowns to \$
Eire	\$4.03 to £	\$2.80 to £	Greece ...	No fixed value	15,000 drachma to \$
Iraq	\$4.03 to dinar	\$2.80 to dinar			

* Special rate for exports at \$3 to £1.

(2) Currencies Devalued by less than 30½%.*

The table shows the extent of the fall in dollar value in each case, and the residual effective depreciation of STERLING in terms of each currency.

	Old Dollar Value	New Dollar Value	Devaluation against Dollar	Old Sterling Value	New Sterling Value	Effective Depreciation of Sterling
Canada	par	\$1.10½ Can. to US \$	9.1	\$4.03 to £	\$3.08 to £	23.6
Belgium	43.83 frcs. to \$	50 frcs. to \$	12.3	176 frcs. to £	140 frcs. to £	20.4
France	330 frcs. to \$ (free rate)	350 frcs. to \$	5.6			
	272 frcs. to \$ (com. rate)		22.2	1097 frcs. to £	980 frcs. to £	10.7
Portugal	24.95 Esc. to \$	28.75 Esc. to \$	13.3	100.60 Esc. to £	80.50 Esc. to £	20.0

* Italy, while not making definitive change, has allowed the free rate for the US dollar to rise from 575 to 617 lire, representing a depreciation of the lira by 6.7 per cent.

(3) Currencies whose Dollar Value is to remain unchanged.

In each of these cases the dollar rates are unchanged, and the depreciation of sterling against the currencies concerned is the full 30.5 per cent. Accordingly, the table shows only the change which has occurred in their rates against sterling.

	Old Sterling Value	New Sterling Value		Old Sterling Value	New Sterling Value
Czechoslovakia	202 cr. to £	141 cr. to £	Persia	129 rials to £	90.20 rials to £
Pakistan	18d. per rupee	25.9d. per rupee	Poland	1612 zlotys to £	1120 zlotys to £
			Switzerland ...	17.35 frcs. to £	12.12 frcs. to £

extent of sterling's devaluation, induced the Belgian authorities to change their minds and devalue by about 12 per cent. The differential devaluation between the Belgian franc on the one hand and sterling and the Dutch guilder on the other should have a welcome effect in restoring equilibrium between Belgium and the two other countries.

France has taken the opportunity of the devaluation to

remove the final traces of the two-decker exchange rate structure which survived from the 1947 devaluation of the franc. It has abolished the old official rate of 214 francs to the dollar which until last week was used as one of the two factors in calculating the commercial rate for dollars and other currencies; that rate was the mean between the official rate and the free market rate. The free rate has now been made the sole determinant in fixing the commercial rate, and has been allowed to move from 330 francs to 350 francs to the dollar. At the new sterling-dollar cross-rate of \$2.80, this gives a sterling equivalent of 980 francs to the pound, compared with 1,097 francs. The new French franc parity has not yet been notified to the International Monetary Fund, but when it is it may be assumed that the dollar rate of 350 francs will be chosen. On the basis of the old commercial rate the effective devaluation of the franc against the dollar is 22 per cent, so that sterling's effective devaluation against the franc is reduced to 10.7 per cent.

Italy is maintaining the system by which the official rate for the lira is fixed each month on the basis of the average level of the free rate during the previous month. This gives Italy complete freedom of action and that freedom has been used this week in allowing the free rate to move from 575 to 617 lira to the dollar. The lira has thus been effectively devalued, though within the setting of the former free market mechanism, and so far only to the extent of 6.7 per cent.

The devaluation of sterling took place on the very day on which the new German government took over autonomy in currency matters, and thus provided an initial problem of some magnitude for the directors of the Bank Deutscher Laender. They are expected to devalue the western mark, but to go only part of the way in following the depreciation of sterling. Portugal has devalued the escudo by 13.3 per cent against the dollar, despite the "hardness" of its currency. Among European currencies, this leaves only the Swiss franc to stand in splendid isolation at its old gold parity. It may, however, be significant that the rate for financial dollars, which last week was quoted at 3.97 Swiss francs as against the official rate of 4.30 Swiss francs, has this week risen to the official level. In other words, there are people in Switzerland who are beginning to take the view that the Swiss franc may be devalued later and that US dollars at a discount are attractive.

The eastern European currencies have not followed the general devaluation movement. This is hardly surprising. Exchange rates are not a primary factor in the foreign trade of these countries. If Polish coal, for example, is in danger of being priced out of the European market as a result of devaluation elsewhere, the position can and, no doubt will, be restored by reducing the price of coal and not by reducing the rate of the zloty. The commercial arrangements between Britain and the eastern European currencies are established in sterling, and the devaluation of sterling should not, therefore, have any effect on them, at least so far as Britain is concerned.

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In the Western Hemisphere by far the most important reaction to the devaluation of sterling was the decision of the Canadian authorities to restore the margin of roughly 10 per cent between the Canadian and US dollars. The appreciation of the Canadian currency decided upon in 1946 after the removal of price control in the United States has thus been nullified. The Canadian Finance Minister, announcing the move, said that, in view of the substantial devaluation of many currencies, Canadian exports would meet

increasing competition. It was in the light of that factor and in order to soften the impact of higher prices of Canadian goods on Great Britain that the decision to lower the value of the Canadian dollar was taken. Thanks to Canada's decision (which leaves the effective sterling devaluation at 23.6 per cent in terms of the Canadian dollar) the arithmetical increase in Canadian prices in terms of sterling is only just under 31 per cent, compared with the 44 per cent increase in US prices in terms of sterling.

In Latin America the attitude of Argentina is of greatest moment to Great Britain. The Argentine authorities have up to now maintained an attitude of studied indifference to the devaluation movement and have declared that there will be no change in the parity of the peso. They have further claimed their right to the revaluation of sterling in their accounts at the Bank of England in accordance with the gold or dollar-rate exchange guarantees given to them in the course of the recent financial and commercial negotiations. The Argentine authorities also claim that they hold a similar revaluation clause in respect of the sterling price in the meat contract; this matter is in dispute between the two governments and has been submitted to the Anglo-Argentine committee set up to interpret the recently negotiated agreement. The Argentine accounts are one of the three groups of known sterling accounts on which an exchange revaluation guarantee will now have to be implemented. The other two are the Portuguese account, in which about £70 million is estimated to be held, and the Iranian account, in which there is about £40 million. With an estimated £85 million in the Argentine accounts, this makes a total of about £195 million, on which the revaluation clauses will require a payment by Britain of about £86 million.

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The devaluation of sterling was followed by a rise in the price of gold from £8 12s. 3d. to £12 8s. per ounce. The London price for essential silver was raised from 44½d. to 64d. this week to accord with the New York open market price parity, but later dropped below parity, to 62½d., owing to offerings of scrap silver to take advantage of the sterling profit.

The members of the International Monetary Fund whose currencies have been devalued will have to make good, by payments in their own currencies, the reduction in the gold value of their currencies held by the Fund. The statement of currency held by the Fund on April 30, 1949, showed a sterling holding of £336,926,000. To make good the devaluation of sterling this figure would have to be written up by nearly £150 million. This will have to be created as non-interest bearing debt of the British Government payable on demand to the Fund and held by the Fund depository in London, namely the Bank of England.

The wholesale devaluation of European currencies has inevitably caused a situation of indescribable confusion in the affairs of the new Intra-European Payments Agreement. The contributions and drawing rights laboriously worked out in the last few months and published a fortnight ago are expressed in dollars but were based on estimates of balances of payment worked out in terms of local currencies. When reconverted into local currencies at the new rates, the drawing rights expressed in dollars bear no relation whatever to the probable balances of payments for the coming year. The whole exercise will probably have to be done again, though this is a matter to which OEEC in its present confusion can have had no time yet to devote any attention.

Trade and the New Pound

EXPORTS sold at the same sterling price as before devaluation will now bring in 30 per cent fewer dollars per unit; such exports will have to be increased by 44 per cent in total volume to bring in the same dollar return as before. Exports sold at the same dollar price will now bring in 44 per cent more sterling. It is within these ranges that the advantage presented by devaluation lies. Whether these are permanent advantages rests largely on the interplay of devaluation upon costs and prices; to the extent that the sterling cost of British exports rises (as it assuredly will rise) the new incentive provided by devaluation will be reduced. The only convenient assumption, at present, is to assume that costs remain unchanged.

On that footing, a statement issued this week by the Board of Trade is intelligible, if not especially enlightening. If British exporters already hold an assured dollar market which cannot easily be expanded "it may well be appropriate for a number of exporters to raise their prices in terms of sterling so as to earn something like the same amount of dollars as previously." In other words, if American demand for their products is highly inelastic, they can exploit that fact and secure their 44 per cent sterling export bonus. Where the American demand is relatively elastic (which is likely to be more true for those British products which had previously priced themselves out of the American market) sterling prices will have to renounce part of the increase—some of them perhaps the whole potential 44 per cent—if they are to be re-established in the dollar markets.

This formal exercise in reciprocals, however, does not carry the matter very far. While the sterling price of raw material imports is bound to rise (not merely for dollar imports, but for raw materials from the sterling area too), so the dollar cost of raw materials from the sterling area which are used by American or Canadian manufacturers will fall. The advantage to be gained by, say, Malaya is a larger volume of exports of rubber to the United States at a price which is lower in dollars but higher in sterling. It follows that the sterling cost of rubber to British manufacturers will be higher. What the sterling area gains from sales of raw materials to the dollar markets will to some extent—perhaps to a material extent—be offset by a rise in sterling raw material costs to British manufacturers and exporters.

This factor (quite apart from any consequential rise in wages which may have to be conceded) will reduce the export bonus which British exporters may now enjoy. But this bonus will also be shared by exporters in other countries which have devalued their currencies in terms of the dollar. It is an advantage which the whole of the soft-currency world enjoys (and indeed, to some small extent, even parts of the hard currency world, including Belgium and Canada), not an exclusive advantage for Britain alone. It is not merely "a vast number of British exporters" which have been presented with an incentive to increase their exports to dollar markets. Indeed, it has yet to be discovered whether, over a considerable range of potential exports, the previous attractions of "soft option" trade within the sterling area have been completely broken down. A 30 per cent cut in the dollar price may obtain an entry for a given line of British goods in the American market which had previously been uncompetitive. But if the same goods can be sold at an unchanged sterling price in the

sterling area they are likely still to find their way there, particularly since producers of raw materials in the sterling area will have more sterling to spend.

For the great majority of potential exports, changes in merchandising methods, design and salesmanship remain as essential after devaluation as they were before. The one thing which may lure British exports from the sterling to the dollar markets is the prospect of a higher sterling return. The same return (in sterling) would be unavailing to persuade exporters to make the switch. A "higher return," moreover, has to be discounted by two other factors. First, there is the extra cost and trouble of attacking a new dollar market with all its risks and difficulties; many British traders have avoided this in the past, because they had no inducement to take the plunge, and some of them may ask if the inducement is sufficient now. Secondly, the profit incentive, in the minds of many traders, will be calculated at something less than half the gross profit, because of the incidence of Income Tax and Profits Tax.

These points in no way minimise the necessity for increasing dollar receipts, but they do suggest that devaluation is not the all-powerful single incentive which the Chancellor claims. The extent of the increase in dollar exports which would be required to fill the visible trade gap between Britain and the United States and Canada can be measured on the austere assumption (which is plainly worse than the truth) that the price level in sterling of all British exports to the dollar market remains unchanged. The following table shows the calculations:—

UK VISIBLE TRADE WITH DOLLAR AREA
(£ Million)

	Jan. to June 1949	After 25 per cent Import Cut (£—\$4.03)	At New Sterling Prices (£—\$2.80)
Imports.....	207	155	220 (say)
Exports.....	88	90	90
Visible deficit.....	121	65	130
Increase in exports to close visible gap, assuming sterling export prices un- changed.....	137%	72%	144%

These are broad figures, based on the experience of the first six months of this year. The effect of devaluation will be to increase the sterling cost of dollar imports above that of the first half of this year, even after taking the 25 per cent cut into account. If the arbitrary assumption is made that sterling export prices remain unchanged (they will to some extent rise, but by how much cannot be guessed) the required increase in physical exports to close the dollar gap in visible trade would be about 140 per cent—rather more than would have been required to close the gap in the first six months of this year. This exercise sets a high target which, it is to be hoped, will not have to be attempted until 1952-53, after Marshall aid has ceased.

Such an increase implies a considerable degree of elasticity in American demand (which it would be fairly reasonable to count upon), a successful resistance to cost inflation, and successful competition with other European countries for the new opportunities in the dollar market. The following table does no more than hint at some of the potential export

items which keener prices and more ambitious salesmanship should assist:—

BRITISH EXPORTS TO USA AND CANADA				
(£ Million)				
	Canada		United States	
	8 Months, 1948	8 Months, 1949	8 Months, 1948	8 Months, 1949
Spirits.....	1.2	1.1	6.1	6.2
Pottery, etc.....	3.1	3.6	1.2	1.3
Iron and steel manufactures.....	0.8	1.8	0.2	0.1
Non-ferrous metal manufactures.....	0.8	2.1	3.5	2.4
Machinery.....	3.3	3.2	2.5	1.9
Cotton textiles.....	4.2	3.8	2.0	1.1
Wool textiles.....	12.4	11.8	3.5	2.9
Silk and rayon.....	2.1	2.1	0.3	0.2
Other textiles.....	1.3	1.2	2.8	2.6
Apparel.....	1.7	1.4	0.9	0.9
Chemicals.....	1.0	1.0	2.0	1.1
Paper, cardboard, etc.....	0.2	0.2	0.5	1.3
Vehicles.....	5.9	11.7	6.8	3.4
Of which:—				
Motor cars.....	1.7	4.7	3.2	1.0
Agricultural tractors.....	0.2	0.2	0.2	1.5
Commercial vehicles.....	0.2	0.5	0.4	0.1
Miscellaneous.....	5.5	6.3	11.8	7.4
TOTAL.....	43.7	51.5	43.9	32.9

In terms of increased volume, textile exports, both to Canada and the United States, show real promise—but probably only at the sacrifice of a large slice of the export premium, for these are largely the categories in which local price competition is most acute. Spirits and pottery (both of which have held up quite well) should retain most of their export

premium, since the need for concessions in dollar prices should not be so pressing. Whether, in these particular cases, the incentive will evoke a large response in increased exports to dollar markets is perhaps more doubtful. Machinery should enjoy greater opportunities in Canada, and perhaps make some recovery in the American market. It would be optimistic to expect mass sales of British cars to the American market, even at new prices which fully reflected devaluation of the pound, but Canadian prospects may be more hopeful.

Success in dollar trade, however, would bring other problems in its train. In order to fill the gap (on the lines crudely indicated in the first table) any increase in sales to the dollar markets would have to be found from output which now finds its way to the sterling or home markets, unless total output can be increased. But if incomes at home remain unchanged (*a fortiori* if they are increased) and if the earnings of the rest of the sterling area rise (which seems probable since their dollar spending is rationed by agreement and their exports to dollar markets will bring in more sterling), there will be so much the less restraint on demands which have for many months past been comfortably competing for goods which might otherwise have found a market in the United States. This is particularly true of the large range of miscellaneous goods which defies individual classification. It is here that a new attempt must be made to capture some part of the American market. But it is here also that American ideas of packaging, and the American pleasure in novelty and “gadgetry” need to be satisfied.

The Course of Prices

IT was the signal advantage of devaluation in 1931—for Britain, though not for the rest of the world—that the fall of the pound caused an even greater fall in world prices. Evidently, the Government seems to cling to something of the same hope now, to judge from the Chancellor's attempts in his broadcast to minimise the effects of devaluation upon internal prices and the cost of living.

One pretension in his broadcast must be rejected immediately and vigorously. “We shall not tolerate” declared Sir Stafford Cripps in a passage clearly intended to suggest that apart from bread nothing else need go up in price “anyone taking advantage of the situation for their own profiteering.” This is politics—and empty politics too, because the machinery of price control is so creaky. But it is even emptier economics. When a merchant raises the price of an item which has cost him \$4.03 from 20s. to 28s. 9d., he is merely taking proper account of the fact that his future supplies will cost 28s. 9d. at the new rate of \$2.80 to the £. The Revenue will, in any event, take over half of the so-called “profit” of 8s. 9d. from him, but he is entitled to make every effort he can to maintain his capital intact, and not to scatter it to consumers in the form of falsely low prices. This lesson in elementary economics is never learned, or at least never accepted, by Chancellors. There has been enough consumption of capital during the wartime and post-war inflations to make it quite unnecessary for Sir Stafford to pray in aid a specious argument in the hope of persuading the public that prices need not rise because they can live on stocks.

Clearly, the argument that “we must wait and see what happens” to dollar prices is a very unsatisfactory point at which to leave the analysis of the effects of devaluation. There is no such thing as painless devaluation; it works through changes in prices, and it is just disingenuous to suggest that such changes in prices redound to the benefit of exporters, and

have no countervailing disadvantages for importers and consumers. The Ministry of Supply, with a fine disregard of these political sentimentalities, has raised the sterling price of the non-ferrous metals to the full extent of the devaluation. Given its policy of following the American metal market (whatever the merits and demerits of that policy may be) the Ministry was plainly right to take the step of adjusting its sterling prices and to ignore any charge that it was “profiteering.” The Raw Cotton Commission, whose selling prices have for some time been based on replacement costs, has also offended the Chancellor's canon, though not to the full extent, by raising its prices.

It is quite impossible, at this stage, to attempt any estimate of the prospective changes in the terms of trade which will follow devaluation. Much depends on the extent to which imports and exports are invoiced in terms of sterling, and the relative pressure which devaluation may exert on those terms for items which enter into sterling-dollar trade. Many food contracts specify sterling terms—though the Canadian wheat contract is an important exception. The Argentine meat contract (though it contains no formal reservations about devaluation) may also be a special case. A rough calculation covering six principal food imports (wheat and flour, bacon, meat, cheese, eggs and sugar) suggests that the eventual increase in personal expenditure on these items can be put at a minimum of 5 per cent, and may range as high as 7½ per cent. This result aligns closely with the short-cut calculation based on the official calculation that 16 per cent of the content of the cost of living index represents dollar imports. Since the sterling cost of such imports (assuming dollar prices remain unchanged) will increase by 44 per cent, the eventual rise in the index will be of the order of 7 per cent. This conclusion contrasts sharply with the calculation, based on the increase in the price of bread from 4½d. to 5½d., that the im-

mediate rise in the index will be little more than half a point.

This calculation of the eventual rise which may occur in the cost of living, however, makes no allowance for the rise in industrial costs which will occur through higher import prices of raw materials and which in due course will react upon the cost of living when it has percolated through into the cost of final output. A rough calculation of the effect of devaluation upon the cost of the principal imported raw materials (excluding oil) suggests that the average increase may be of the order of 10 per cent. This is a weighted average, which takes into account the division of supplies of eight leading raw materials (copper, lead, zinc, aluminium, cotton, softwood, hard timber, woodpulp and hides and skins) as between hard and soft currency sources, and reflects the pattern of imports and home production in 1948. It is an average, and particular sections of British industry may find that their raw material costs have increased by a much greater percentage—for example, those which use large quantities of non-ferrous metals or cotton. Moreover, if the prices of raw materials from the sterling area itself increase as a result of devaluation (which is highly probable) the average increase in the cost of raw material imports from all sources will be correspondingly larger.

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The following table shows the movements in American and British prices of leading raw materials and commodities after devaluation. In New York, rubber and cocoa are both cheaper, though they have not fallen to the same extent as the fall in the value of the pound. Conversely, the London price of rubber has risen from 11½d. a pound at the end of last week to 12½d. after having touched 13d. For materials where the British price follows the dollar price, in particular the prices of non-ferrous metals, British prices have been raised to the full extent, or nearly so. The Ministry of Supply, which resumed sales of non-ferrous metals (except tin) on Thursday quoted copper at £140 a ton, against £107 10s.; lead at £122 against £87 5s.; zinc at £87 10s. against £63 10s.; and aluminium at £112 against £93.

The Raw Cotton Commission appears slightly to have modified its recently adopted practice of charging replacement values for cotton. It has decided, apparently because it holds stocks, to temper the rise in raw cotton. American

middling 15/16” has been raised from 23½d. to 28.15d. a pound. The American price, however, has fallen somewhat during the past week, from 31.14 cents to 30.91 cents.

MOVEMENTS IN AMERICAN AND BRITISH PRICES						
Commodity	American Prices			British Prices		
	Unit	Last Week	This Week	Unit	Last Week	This Week
Copper.....	cents a lb	17.62	17.62	£ per ton	107 10	140
Lead.....	"	15.12	15.12	"	84 1	122
Zinc.....	"	10.00	10.00	"	63 10	87 10
Tin.....	"	103.00	103.00	"	869	949
Aluminium.....	"	17.00	17.00	"	93	112
Rubber.....	"	18 1	16 1	pence per lb	11 1	12 1
Cotton.....	"	31.14	30.91	"	28.50	28.15
Wool (top-64's).....	\$ a lb	1.69	1.63*	"	94	113
Wheat.....	\$ a bushel	2.08	2.09	shillings per cwt.	22.25	22.25
Cocoa.....	cents a lb	20.37*	19.51*	shillings per cwt.	190.5	190.3

* Nominal.

Tin remains unchanged, for the time being, both in London and New York. Devaluation finds the Ministry of Supply still unresolved on the question whether to allow the resumption of commercial dealing in tin, a matter which has been under discussion for many weeks and on which a decision is overdue. Clearly, a large adjustment of the sterling price is dictated now.

Such changes in prices as have occurred this week have been in conformity with the quite legitimate principle that consumers should pay replacement costs for their supplies. To that extent they make nonsense of the pretence that devaluation does not involve “profiteering” or that it will have no material effect on industry's costs. The hope that dollar prices may fall evidently lies at the back of these beliefs. But as this week's events have shown, dollar prices can fall at the same time that sterling prices rise. The question is rather whether dollar prices will fall more than in proportion to the cut in the value of the pound. If that were to happen there might be some satisfaction that sterling prices did not rise. But that could only be because demand for raw materials in the dollar market had itself collapsed—which in turn would mean that the problem of closing the gap had been rendered impossible by reason of an industrial slump in the United States. This week's price movements show that no such calamitous assumption is being made; but it is the only one which would justify the notion that the sterling prices of raw materials will not rise to some extent in conformity with the depreciation of the pound.

The Market's Response

FOR some time before devaluation, and in the day or two immediately after, investors were working by rule of thumb—devaluation would be good for gold shares, good for industrial shares with an important equity in dollar trade (shipping shares and insurance shares included), good for commodity shares, generally beneficial for industrial shares even if their activities were largely confined to the home market, and anathema to gilt-edged. That is the traditional pattern, and the market was content for a time to rest upon it. As a result, Monday (when the “House” was officially closed) produced the biggest street market for years, with a boom in gold shares, which flowed over into the commodity share markets. The volume of informal dealings in industrial shares was relatively small, though prices responded smartly. No dealings took place in gilt-edged stocks, but the caution of dealers was marked by an agreement to quote prices, when official dealings reopened on Tuesday, up to 1½ points

lower than closing quotations at the end of last week.

Second thoughts, however, have produced some very marked reassessments of the potential effects of devaluation upon security prices. When the market reopened on Tuesday, dealings were active indeed—some 13,686 bargains were marked—but the course of prices soon became confused. The prices agreed for gilt-edged stocks proved to be lower than was necessary, and the fall in the “longs” was limited to a point. Gold shares, active as ever, made no further headway—on Monday their rise caused a jump in the *Financial Times* index of gold shares from 109.52 to 129.63, but on Tuesday the index fell slightly, just below 129. Rubber shares further improved, while oil shares were, on balance, lower. Industrials, checked by fears of labour trouble and the possibility of an election, displayed no very consistent trend.

Then, on Wednesday, the unsubstantial foundations for

the boom were exposed. A rumour suggesting that the trade unions would insist on the reimposition of EPT and statutory limitation of dividends as part of a bargain for accepting devaluation threw the industrial market into confusion. The rumour appeared to lack foundation—if Dr Dalton could bring himself to dismiss EPT as a bad tax, it is hardly to be believed that Sir Stafford Cripps could bring himself to reimpose it. Business remained active, with well over 12,000 bargains marked, but even where turnover was highest—in gold shares—revised estimates of the outlook and profit-taking took their toll of prices. Gilt-edged stocks recovered the point or so which they had lost on Tuesday (compared with Friday's close)—as if nothing at all had happened over the week-end—but the *Financial Times* index of industrial ordinary shares suffered a setback of 2½ points, from 110.3 to 107.9 (actually lower than Friday's figure of 108.2) and the gold share index dropped by nearly 4½ points to 124.20.

This precipitate adjustment of prices suggests no lack of scepticism on the part of investors about the longer-run consequences of devaluation. Since all the evidence points to a complete lack of intention on the part of the Government to buttress "the change in the exchange rate" (which is the Chancellor's euphemism for the blunt word devaluation) by cuts in Government expenditure, stiffer interest rates, looser controls and a determined wage policy, there is good reason for such doubts. If interest rates are not to be allowed to rise and make their contribution to a policy of Government and private retrenchment, so much the better, in the short run at any rate, are the prospects for fixed-interest stocks. If, on the one hand the Government makes much of the incentive of profits now presented to exporters to dollar countries, and on the other hand is as prompt

as a private "profiteer" to raise the prices of the many raw materials which it buys in bulk, so much the

SECURITY PRICES AFTER DEVALUATION								
	1948		1949	July 5, 1949	Sept. 15, 1949	Sept. 20, 1949	Sept. 21, 1949	
	High	Low						
Gilt-edged								
War Bonds 2½%, 1952-54	103½	100	103½	100½	100½	100½	100½	
War Loan 3½%, (after 1952)	104½	101½	104½	100½	95½	94½	95½	
Savings Bonds 3½%, 1955-75	103½	96½	103½	99½	93½	92½	93½	
Treasury Stock 2½%, (after 1975)	85½	74½	81½	75½	70½xd	69½xd	70½xd	
Consols 2½%	85½	74½	81½	75½xd	71½xd	71½xd	72½xd	
Brit. Transport 3½%, 1978-88	101½	93½	102½	96½	91½	90½	91½	
British Gas 3½%, 1990-95	...	...	101½	95½	91½	90	90½	
Ordinary Shares								
Barclays Bank, Ord. £1	212/6	174/6	181/9	145/-	143/9	144/6	144/6	
Distillers Co., Ord. 4/-	32/9	25/-	30/-	25/4	27/9	29/4	28/11	
Victrola, Ord. £1	35/10½	23/6	35/4	27/4	29/6	30/-	29/6xd	
British Celanese, Ord. 10/-	25/6	18/3	22/7½	16/6	17/9	19/-	18/5	
Fine Spinners, Ord. £1	33/9	24/7½	29/3	21/1½	23/-	23/-	22/9	
Patons & Baldwin, Ord. £1	114/4½	90/-	97/6	68/9	69/-	73/9	73/9	
General Electric, Ord. £1	95/4½	80/-	92/3	82/3	79/6xd	81/6	81/6	
Austin Motor, "A" 5/-	38/6	29/3	33/10½	23/-	27/6	30/-	28/9	
Glaxo, Ord. £1	48/9	34/10½	37/9	28/-	34/6	37/-	36/-	
P.O.D., De-ferred £1	63/4½	49/6	52/3	44/-	47/6	48/6	48/6	
Asser, Portland Cement, £1	78/3	62/3	82/6	72/6	77/-	78/6	77/6	
Brit. American Tobacco, £1	61½	54½	58½	48½	48½	54½	44½	
Imperial Tobacco, £1	6½	4½	6½	5½	5½	5½	4½	
Lever & Unilever, £1	55/6	43/9	51/6	44/7½	42/6	43/6	42/6	
Dunlop Rubber, £1	79/9	67/6	77/-	62/6	65/-	66/-	65/-	
Hilberson's Bay, £1	92/6	72/-	81/-	65/-	77/-	76/6	79/6	
Turner & Newall, £1	90/9	72/6	87/-	72/6	79/6	82/6	82/6	
Oil and Commodity Shares								
Anglo-Iranian Oil, £1	10½	7½	9½	7½	7½	7½	7½	
Mexican Eagle, \$4	17/4½	13/4½	16/5½	11/10½	14/6	16/-	16/6	
Shell Transport, £1	85/7½	71/7½	78/9	62/-	71/3	75/-	73/9	
Deers Ltd., £1	45/-	25/6	28/9	22/-	21/6	19/-	18/6xd	
Petaling Rubber, £1	38/11	30/3	38/9	25/3	33/9	34/4	34/3	
United Siam B.-tong, £1	44/9	33/1½	41/3	24/-	33/9	35/9	36/3	
Riohana Corp., £1	14½	11½	14½	9	12½	13½	15	
Tromps Mines, 5/-	31/3	23/9	29/-	17/3	25/-xd	28/3	29/9	
Gold Shares								
Rijvoort, 2/6	53/5½	39/4½	58/9	45/7½	46/3	51/3	51/3	
Free State Devel., 5/-	41/10½	22/6	37/6	25/7½	31/3	35/-	35/9	
Randfontein, £1	24/4½	10/3	28/6	16/6	18/3	27/6	27/6	
Ashanti Goldfields, 4/-	53/3	36/6	51/3	39/3	42/3	48/9	48/-	
Crown Mines, 10/-	98/1½	65/-	100/7½	68/9	73/9	100/-	100/-	
Dugfontein, 5/-	55/7½	46/3	72/6	69/4½	78/9	76/3	76/3	
Union Corp., 12/6	10	10	13½	10	12½	13½	13½	

THE ECONOMIST, September 24, 1949

THE ECONOMIST, September 24, 1949

687

more doubtful does the estimate of export profits become. The reflex action that devaluation is "good for equities"—because it acknowledges the existence of inflation and allows inflation to exert its effect on prices—may in principle be sound enough; but how does this react upon wages and other costs in a period of full employment and high industrial activity? Not, in the market's judgment, in such a fashion that it produces an automatic increase in profits. And even where profits increase, more than half is mopped up in higher taxes, while, for the time being at any rate, the prospect of any general rise in dividends is remote.

If the honeymoon period has been brief, it has been for good reason. Quite apart from the larger issue whether devaluation will, by itself, do the trick of putting the dollar account in balance, the purely local adjustments under present-day conditions of costs, employment, and the temper of labour suggest no certain or lasting advantages for ordinary shares, save in those cases where they have a specific and assured interest in the dollar market. The revision of estimates of the effect of devaluation on gold shares is quite as necessary. The rise in the sterling price of gold will be of the greatest benefit to the low-grade mines; that was a foregone conclusion because a mine at the very margin of profitability should now be capable of quite satisfactory earnings. But three factors are being taken into account by the great majority of gold shareholders. First, there is the evidence of rising costs—further wage claims and higher prices for machinery and supplies. Secondly, there is fear, for which

past experience provides plenty of ground, that if devaluation produces larger profits for gold mining companies, the South African Government will not be slow to take a sizeable proportion of them in the form of increased taxes. In its conflict of mind between encouragement for the mining industry and the reinforcement of its own revenues, the Union Government has in the past tended to make relatively limited concessions to the industry. Its tax formula has indeed been framed to give assistance where it was most needed—for the low-grade properties on the verge of profitability. But even their restoration to comparatively satisfactory profits is not likely to go untouched by the tax collector in future.

The third factor—most imponderable of them all—is the revision of mining policy which may follow the higher gold price. Each property now has to take a decision whether to reduce its grade and prolong its working life or to continue mining the present grade of ore. That decision is complicated in each individual case by questions of the average value of ore, the extent of development already carried out, and the prospective balance of increased mining costs against the higher price of gold. Much time will elapse before these calculations can be made. But it would be surprising if there were not some tendency, for those mines which can contrive it, to mine a somewhat lower grade of ore than in the recent past, and thus modify the immediate expectation of higher profits by an extension of the prospective working life of their properties.

Oil—A Particular Case

IN a number of trades the devaluation of sterling will lead to a reassessment of trading prospects and a revision of industrial policies. The prospect for oil prices merits discussion in some detail. Measured by bulk or by value, oil is the most important commodity in international trade. Britain not only relies largely on oil as a source of energy and industrial materials for the British economy, but is also heavily engaged in the petroleum business as an international trader. It is not possible in the production and handling of petroleum to keep sterling and dollar expenditures entirely separate; nor has it so far been possible, in the marketing of the products, to prevent sterling and dollar price levels from reacting upon each other. It is true that, under the influence of the dollar shortage, a general distinction between sterling and dollar oil has come into being. But this distinction, unreal and incomplete in many ways though it is, has itself been at the root of one of the crucial American grievances against British trading and financial policy in the last eighteen months. The American grievance cannot be disregarded, if only because American help is needed for the British overseas oil development programmes. But the prolonged Anglo-American discussions in Washington on petroleum questions—discussions which began in the summer and have been resumed this month—have yet to bring matters any nearer solution.

It seems necessary to consider once more, in the light of the devaluation of sterling, what the American grievance is. Substantially it is the grievance against trade discrimination, against bilateralism, against the inconvertibility of currencies and the segregation of soft-currency trade. The American overseas trade in petroleum products has been going through a period of great difficulty in holding its markets in many parts of the world—and this in spite of the rapid expansion in world demand. Indeed, without ECA dollars—which have enabled the European importing countries to maintain

their customary purchases of dollar oil for the time being—the American companies would have lost trade heavily. The demand for oil that can be bought for sterling has, on the other hand, been greater than ever and has far outrun the supply.

The world oil shortage has, in fact, substantially come to an end and has turned into a shortage of currency to buy oil. An expansion of sterling oil production and refining can clearly help to remedy this shortage; but, carried beyond a certain point, it could lead to the ousting of dollar oil from many markets on grounds not of ordinary trading considerations, but of currency preference. The Americans have therefore shown an intelligible reluctance to go very fast in financing British overseas oil development with ECA dollars.

It is a simple step from this American attitude to the general American thesis—so powerfully pressed in the months which preceded devaluation—that the false parity of sterling was distorting (or aggravating the distortion of) the pattern of international trade. The over-valuation of sterling did not make sterling products difficult to sell; true, it made them difficult to sell in hard-currency markets, but in soft-currency markets they were irresistible. If this applied to high-priced British manufactures in general, it applied with special force to petroleum products, which were not over-priced in relation to dollar petroleum products. Sterling petroleum has therefore been (like high-grade coal and semi-



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finished steel) one of the bargaining counters used on the British side in bilateral trade bargaining. The use of sterling oil in this way in the Argentine agreement last summer aroused American indignation conspicuously.

Whether this policy was profitable to Britain is, for the purpose, irrelevant. There is evidence for supposing that it was not. "Sterling oil" is a convenient term for the products of British oil companies (which for this purpose include the British-Dutch Shell group) except so far as these operated in North America itself. But the costs of "sterling oil" contain a large dollar element. Something was learned of the size of this dollar element in June, when the Australian Prime Minister, Mr Chifley, said that the total net dollar cost of oil to the sterling area was more than \$400 million a year. Out of this figure, which was probably a modest estimate, it was learned in London that \$160 million represented purchases of dollar oil (after deducting sales of sterling oil to dollar companies), and the remainder represented the dollar element in the costs of producing sterling oil. This consisted partly of British purchases of American equipment for oil-getting and oil-refining, and some of it was of a capital nature. But it also represented the operating expenses of sterling companies in hard-currency areas—such as, for example, Venezuela, Curaçao, and Iran. It follows that, over an unknown sector of their trade, the British companies were expending dollars in order to earn sterling. Since the sterling oil prices were based on a parity of \$4.03 to the £, and the real value of sterling is now seen to have been lower, it would not be unreasonable to question the real profitability of these transactions.

The conclusion that sterling oil prices now need to be raised to reflect the diminished value of sterling is hard to resist. The costs of American equipment, of oil getting in Venezuela, of oil refining in Curaçao, have been increased by 44 per cent at a stroke. The bolivar and the Curaçao guilder have not been devalued; nor has the Iranian rial. American tanker freights are automatically made more costly; and if some of this increase is reduced, as time goes on, by a decline in demand for American tonnage, the increased demand for sterling tanker tonnage will cause sterling freights to rise. The oil development and refinery programmes will in any case need revision in the light of higher cost (in sterling) of American equipment—which is still indispensable for any scheme in which early delivery plays a decisive part. It is clear that, if the prices of the products were to be kept unchanged while the costs of investment went up, the economic basis of some major schemes would become questionable. Indeed, if trade in the products were to be based permanently on artificial price conceptions, an economic basis for the capital development

plans would be impossible to find. Sterling oil prices could, in fact, be maintained at the old parity of \$4.03 to the £ only by subsidy in some form. There is no reason to suppose that a British Government would undertake such a policy of subsidy; and the United States would in any case not tolerate it.

The status of sterling oil in the world markets, and the extent to which it is to be forced to move in a separate monetary sphere from dollar oil or (alternatively) subjected to the strict laws of supply and demand on a realistic price basis, must now have a leading place in the discussions in Washington. American pressure for a new set of arrangements in the world oil trade has been persistent for some months past, and such new arrangements have virtually been made a condition of ECA support for the oil development programme. The British Government has enough to do to defend its reasonable trading interests in petroleum, and will presumably not attempt in addition to maintain an unrealistic price system on a world-wide scale. The more readily and the more unequivocally it accepts this, the better will be the chance that the Washington talks may succeed in removing the obstacles to a rational and energetic programme of oil development. In the world markets British oil prices will inevitably rise. What happens, then, to the official contention that price levels in the British economy itself can—with the exception of the household loaf—be kept where they are "for the present"?

No doubt the Government can, if it chooses, insist that petroleum stocks already in the country shall be sold off at the present prices. This will mean selling them at less than their real value and less than their replacement value, and will represent another concealed dissipation of capital; still, it could be done. But new supplies arrive continuously, partly in the form of crude oil but still mainly in ready-refined form. Are these, too, to be sold at the present prices? About a quarter of the petroleum products sold in Britain are still, unequivocally, dollar oil. How will the increased cost of this oil be met? Who will pay the increased element of dollar cost in the remainder? By what means will the level of prices in Britain be insulated from the world price levels of the same products? How could this be done without again creating artificially high demand in Britain, which would once more need to be restrained by artificial means?

Devices of this kind would not square with the aim of entering yet more vigorously into world trade on a competitive basis, on which the Chancellor of the Exchequer laid so much emphasis when he announced and explained devaluation. To talk of keeping oil prices after devaluation down to their former levels is, in the circumstances, nonsensical.

Business Notes

Fresh Heart in the Motor Industry

For the thirty-two British manufacturers exhibiting cars at the annual Motor Show which opens at Earls Court next week, the announcement of devaluation could not have come at a more opportune moment. The organisers of the show, the Society of Motor Manufacturers and Traders, have sent 8,000 invitations to overseas visitors, though in fact the show may not have a great deal that is new to attract them. The range of mass-produced cars will be substantially the same as last year, when the big manufacturers presented their first post-war models. A year's experience has caused them to introduce various refinements which in some cases are important, and in others are concerned with detail and finish. The only new models shown will be in the sports and luxury ranges, with the exception of a Triumph made by the Standard Motor Company and a single model introduced by the Rover Company to replace the two at present made.

The industry, which was in danger of growing resigned to price resistance in the dollar markets, has been greatly heartened by devaluation; but then, it does not yet know what devaluation will mean. Reports from the United States already tell of dealers reducing the prices of British cars by 20 per cent. But Lord Nuffield has said this week that American dealers hold stocks of British cars which they must "liquidate." The possible range of price reduction is limited by the freight, insurance and other charges which have to be paid in the United States, as well as by the American distributor's margin. Freight, in particular, was a burden at the old rate of exchange, and the Austin Motor Company decided not long ago to send an experimental shipment of cars to the Middle West via the Great Lakes instead of overland, to see if freight charges could not be reduced. It is appreciated that the potential market for British cars in the United States is limited, and that the prevailing British prices have been too high even for this market. Second thoughts have suggested to the industry that devaluation may go only part of the way to correct that position. The whole American market for cars has been showing signs of change, and while certain of the American 1950 models are dearer, there is a noticeable increase in the number of lower-priced models being built by American manufacturers. This change has much the same influence as a general price reduction.

Some British prices have come down in the past months, but they have been for luxury and speciality cars made by firms like Daimler, Healey and Allard. The big manufacturers hold that the under-employment of their plant, which they attribute to the lack of sufficient steel sheet, makes it impossible for them to reduce their costs.

In Canada, British car sales have received some stimulus in the past months through the Canadian shortage of US dollars. Much the same has been happening in soft-currency countries, but some of these have also found themselves short of sterling and have had to limit the cars they import from Britain as well. Except in South Africa, devaluation is unlikely to augment British sales in the soft-currency markets, though it may at first close the door more firmly than ever against American cars. The South African Government is due to review the question of car imports this month, and there are hopes that the new sterling price for gold will encourage it either to permit once more the entry of assembled British cars, or to allow British manufacturers to go ahead with their postponed plans for local assembly.

Film Earnings and Exchange Rates

The American film industry, as a large earner and an extremely large holder of miscellaneous foreign currencies,

has lost heavily through devaluation this week. A vice-president of Paramount, Mr Paul Raibourne, put the immediate loss at \$30 million; this may be an underestimate. Mr Fayette Allport, the European manager of the Motion Picture Association of America, said that the foreign earnings of the American industry would be cut by at least 30 per cent. The president of MPAA, Mr Eric Johnston, spoke more hopefully when he arrived in Paris during the week for a review of the new position in the European markets for his members' products. He thought earnings would recover before long, because the increase in the cost of living in Europe would cause admission charges at cinemas to rise. His estimate, based on an assumption that the new exchange values would be allowed freely to react on internal price levels, may be valid for the freer economies on the Continent, but the degree of its application to the British economy is more uncertain.

So far as the British trading position of the American companies is concerned, the permitted remittance to New York of \$17 million a year will clear off £6 million, instead of £4.2 million, of their annual earnings in the British market. This will leave them a smaller surplus to be spent in other ways. A recent statement by Mr. Johnston indicated that the American companies had succeeded in spending \$25 million of their frozen earnings in the first twelve months of the Anglo-American film agreement; but how that money was spent is not known with any completeness. There are indications that American film earnings in Britain during those twelve months were not much more than \$50 million, so the companies will have (on that calculation) only another \$8 or \$10 million to dispose of.

It seems certain, however, that the American companies will now need to reconsider the ways in which their "frozen" money is spent. If British film production costs can be prevented from rising sharply, it may become worth their while to spend more on film production in this country. A film made here may, in their hands, earn more dollars in the United States than a sum equal to its cost would yield if translated into dollars at the new rate.

It is natural, therefore, that the film producing industry in Britain should hope for an increased flow of American sterling to the studios. British companies, at the same time, are hoping for better returns from the showing of their products in North America and, indeed, in all countries which have not devalued their currencies to the full extent of the sterling devaluation. A warning is necessary before either of these hopes is pitched too high. The American film industry is as strong in its entrenched position as ever, and is accustomed to react vigorously to any threat of market losses. If the present state of unrelieved hostile relations with the British industry continues, the British producers can probably not expect much American co-operation.

* * *

Marshall Aid and Wheat

The Economic Co-operation Administration in Washington announced last week that it would allow Britain to purchase \$175 million of Canadian wheat with ECA funds. This is about 60 per cent of Britain's commitment for this last season of the Anglo-Canadian wheat contract. It had been hoped, however, that some three-quarters of this dollar expenditure might be taken over by ECA. Nevertheless, in addition, ECA funds will be made available for bunker fuel and port and harbour dues up to \$30 million. Thus the total agrees with the estimate (on page 630 of last week's issue) of relief from this source of \$200 million. As it turns out, however, not all this amount can be considered a net dollar relief. To get "off-shore" purchases of Canadian wheat reinstituted, Britain

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has had to agree to purchase \$30 million of American wheat and \$10 million of other American agricultural commodities which are in surplus supply. Britain's total allocation of ECA funds will not be increased to cover these additional purchases, so that the net dollar gain to Britain is reduced to \$160 million. It has been reported, though not yet confirmed, that Canada, too, has had to agree to buy certain quantities of surplus agricultural products from the United States.

It is easy to criticise this giving with one hand and taking away with the other, but Mr Hoffman, the Economic Co-operation Administrator, was clearly in a predicament. The American Congress has not yet authorised ECA's appropriation, and the representatives of the farming states have been vociferous in their attacks on the use of ECA funds to buy goods from other countries when those same goods are in surplus supply in the United States.

Mr Brannan, the American Secretary of Agriculture, in his letter to Mr Hoffman granting permission to resume "off-shore" purchases of wheat, pointed out that the American farmer would gain by this move. Under the international wheat agreement, the United States has a guaranteed market for 168 million bushels each season. If Britain bought American wheat, other buyers who had previously bought from the United States would have to switch to Canada. Now Britain is buying not only Canadian wheat, but also American. It certainly looks as if Marshall Aid is making Britain buy up its season's quota under the international agreement before the price of wheat has a chance to fall.

* * *

Britain's Declining Exports

The sombre impressions of the preliminary trade figures for August, which were discussed on page 630 of last week's issue, were fully confirmed by a study of the detailed trade returns published this week. The total value of exports at £137 million were £4,500,000 less than in July, making a reduction of 3 per cent in the daily rate of export. The August figure was, however, £1,500,000 larger than in August, 1948, but the sharpness of the downward trend in exports in the past two months was ominous. It remains to be seen how quickly the devaluation of sterling will help to reverse this

THE TREND OF EXPORTS
(Monthly Rates—£ Million)

	4th Qtr., 1948	1st Qtr., 1949	2nd Qtr., 1949	July, 1949	Aug., 1949	Target, End 1949
Food, drink and tobacco.....	8.3	8.1	7.1	7.0	6.2	7.8
Of which:—						
Whisky, gin, etc.....	1.6	1.5	1.4	1.4	1.5	1.6
Refined sugar.....	1.2	1.5	1.4	1.3	0.8	1.0
Raw materials.....	7.0	6.5	5.7	6.6	5.9	8.7
Of which:—						
Coal.....	4.2	3.6	3.6	4.5	4.0	6.0
Manufactures.....	125.3	135.0	127.3	123.7	122.1	...
Of which:—						
Pottery.....	3.9	4.4	4.0	4.0	3.8	4.7
Iron and steel manufactures.....	10.1	10.3	10.1	11.4	9.7	10.5
Non-ferrous manufactures.....	5.4	5.8	5.2	4.5	4.6	4.0
Cutlery and implements.....	3.8	4.0	3.8	3.3	3.7	4.2
Electrical goods.....	6.6	6.9	6.8	5.5	6.5	7.5
Machinery.....	20.9	23.9	22.5	23.1	22.1	23.0
Cotton textiles.....	13.1	14.4	13.8	14.3	13.1	15.1
Wool textiles.....	8.7	9.1	8.5	9.1	8.5	10.4
Silk and rayon.....	3.4	3.9	3.4	3.7	3.3	4.5
Other textiles.....	2.5	2.3	2.0	2.1	1.8	2.5
Apparel.....	2.9	2.7	2.2	2.2	2.5	3.7
Chemicals.....	7.1	7.5	7.3	6.4	6.6	9.0
Vehicles.....	23.7	25.4	24.8	22.7	23.3	24.1
Others.....	3.4	3.7	3.9	4.1	2.9	...
TOTAL.....	144.4	155.3	144.0	141.7	137.1	...

decline, which, perhaps, in part can be explained by the incidence of holidays, the effect of the recent dock strike and the expectation of devaluation.

The accompanying table shows the value of exports last month for the main groups compared with July and the monthly rates for the three previous quarters. The targets for the end of the year have also been included to show how

far industry has gone in achieving them. These targets are now, of course, of only academic interest, since to earn the same amount of foreign currency as originally planned, British exports must expand much more sharply. The export of food, drink and tobacco has been declining since the first quarter of the year, while the shipment of raw materials which recovered in July declined once more last month. Among manufactured goods, exports of machinery and vehicles have to all intents and purposes been maintained at their target levels, though actual exports of each group last month fell below that level. Non-ferrous metal goods and steel manufactures are both within reach of their targets, but the other groups, especially textiles, have still some way to go.

The only groups which expanded their exports in August were cutlery and implements, electrical goods, apparel, chemicals and vehicles. The increase in the latter group was due mainly to an exceptionally high export value of ships to Argentina: exports of motor cars declined sharply on the month. Exports to South Africa were considerably reduced and those to both the United States and Canada were also smaller. But exports to Argentina continued their recovery which started in June and last month totalled £6,100,000 against £3,500,000 in July.

Imports in August amounted to £200 million which was only £1,700,000 below the June record. Larger quantities of meat and butter were received from New Zealand and of fresh fruit and vegetables from Italy. Among raw materials, the main increases in supply were raw wool from the southern dominions, timber from Finland and Yugoslavia and oilseeds from West Africa. There were also much heavier imports of jute piece-goods from India.

* * *

Intuitive Price Policy

The Board of Trade Orders to reduce the maximum retail prices of utility clothing, footwear, and household textiles come into force on Monday. Even before the devaluation of sterling it was impossible to regard this method of reducing the cost of living with anything but scepticism. *The Economist* pointed out at the time that costs in the industries supplying these goods were still tending to rise, and there was no evidence that any of the conditions for a real decline in the cost of living had been created. This was at a time when the Government was still holding to its intention not to devalue sterling. The President of the Board of Trade is reported to have told the retail traders, in the course of last month's wrangling over the implementation of the cuts, that his scheme was "intended to meet a situation in which a psychological hunch must take precedence over scientific data." This was all very well. But it is necessary to recall that this flash of intuitive vision was vouchsafed to the Government in July, before the Chancellor of the Exchequer took the cure in Switzerland. Sir Stafford Cripps told the press this week that he changed his mind about devaluation when he reviewed the position on his return from Switzerland.

Where is the "psychological hunch" now? It is only necessary to mention cotton to show that the hope of keeping textile prices down (not to mention reducing them) has become visibly illusory. In so far as they work at all, the arbitrary cuts in utility textile prices will widen the artificial price gap between goods which are officially "essential" and goods which are not. This can only tend to make the utility or "essential" goods more scarce and the other goods dearer still. By exacting from the industries concerned assurances that utility production will be fully maintained, the Government is trying to stave off these consequences; but this expedient (again, if it works) will restrict the supplies and inflate the costs of export trade.

Any consumers who may still be hoping for a real easing of their cost of living through the Government's intervention should note that on Monday, when the utility price cuts come

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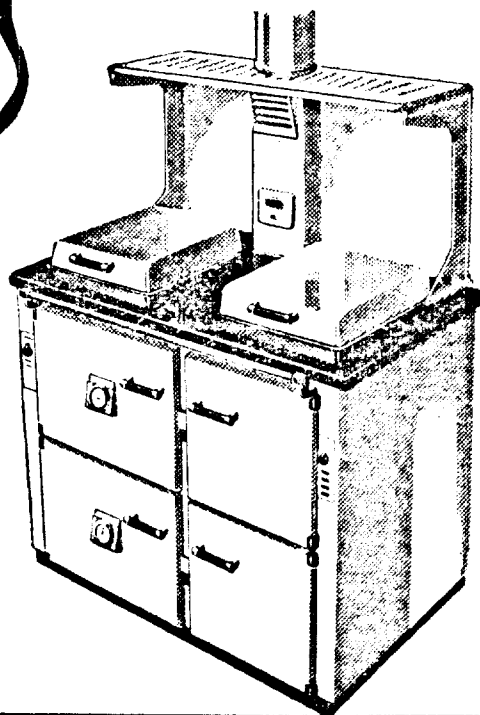
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into force, a number of other Orders also come into force—releasing from price control not only many non-utility textiles but also a wide range of goods of a kind which are outside the utility schemes. These include many household articles in common use. To remove the existing price controls as part of a programme for bringing about a more realistic cost-of-living structure—particularly if it had been done at a time when the state of trade was tending to bring prices down—would have been a useful thing. But it has, instead, been timed to coincide with the aggravation of the artificiality of prices in the utility sector. The President of the Board of Trade was reported this week to be “looking round” the field of household goods to see what further reductions (presumably in utility prices) could be made. In the light of what has gone before, this is not good news.

Shipping and European Payments

Only brief mention of the possibilities of increasing Britain's dollar-earning capacity through shipping services was made in the joint statement issued after the Washington talks. Perhaps it was considered that devaluation would provide the answer; but that remains to be seen. What is certain is that the Washington Administration has to use great tact in handling shipping problems, since strong pressure groups in Congress would like to see the United States support its mercantile marine to the limit that subsidies and flag discrimination will achieve.

The report of the Maritime Transport Committee of the Organisation for European Economic Co-operation (which was prepared at the end of last year, but has only recently been published) explains the importance of shipping, as an earner of foreign exchange, to the viability of the OEEC countries. Before the war the world looked to them for about 60 per cent of its tonnage, but in 1947 they showed a net deficit on shipping account of over \$300 million. This figure is arrived at presumably after taking into account the United Kingdom surplus of £24 million (for dry-cargo tonnage only) which was mentioned in the Government White Paper. The participating countries forecast that in 1952-53, although there will still be a small deficit with the dollar area, they will have an overall surplus on shipping account with non-participating countries as a whole of more than \$250 million. The devaluation of their currencies may help further.

The decline of European earnings from shipping was caused mainly by war losses. The participating countries lost over 22 million tons gross, and the British share of this was 11,800,000 tons. By the middle of 1948, with new building and purchases (for dollars) from the American surplus, passenger and dry-cargo vessels totalled 24.7 and tankers 7.4 million tons gross, compared with 32.8 and 6.9 million tons (including German ships) at the end of 1938. The British totals for mid-1948 were 12.5 and 3.5 million tons respectively, compared with 14.3 and 3.1 million tons at the outbreak of war. The report estimates that by mid-1952 the participating countries will have 28.5 million tons of passenger and dry-cargo vessels and 10.1 million tons gross of tankers at their disposal. Their large shipbuilding programme, though it has been criticised in America, will thus leave them with fewer dry-cargo vessels in 1952 than before the war, although there will be more tankers. Moreover, these estimates allow for the minimum possible loss through obsolescence and other causes, and already more than seven million tons are beyond the age at which they would normally be expected to give efficient service. Earning capacity depends on quality as well as quantity of tonnage. Nor does the availability of tonnage in itself ensure maximum earning capacity. As the Maritime Transport Committee points out, an essential condition is that the participating countries should be able to offer shipping services throughout the world, unimpeded by government obstruction or discrimination or other measures. This condition of things still appears distant.

Lord Lyle Fights Back

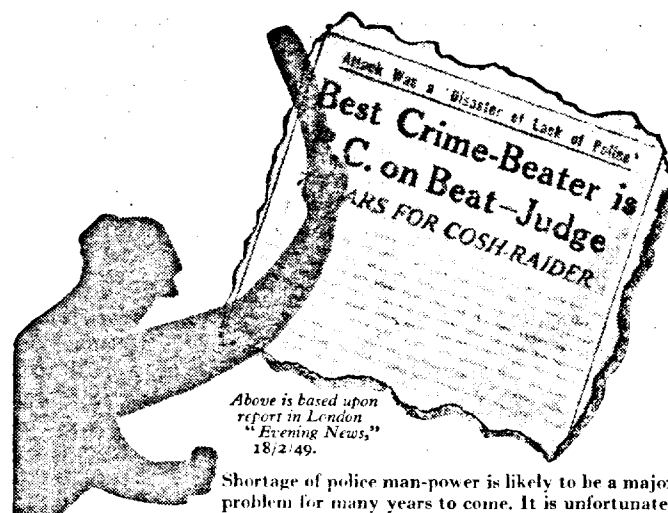
Lord Lyle's vigorous defence of private enterprise in the sugar industry was a refreshing reply to the Labour Party's proposals to nationalise sugar refining. It was clear, from the moment the challenge was made, that he would fight it and have no compromise with it, and last week's extraordinary general meeting of Tate & Lyle (which approved the resolutions to segregate the assets which are not concerned with sugar refining) was a lively and spirited affair.

Lord Lyle dealt in turn with three charges levelled at the company by the nationalists. First, the charge that the company is a monopoly is easy to disprove; it has not so far been put forward for investigation by the Monopoly Commission (which is the natural place where such allegations could be tested); and Lord Lyle stated that the company supplies no more than 53 per cent of the sugar consumed in the country. The remainder is provided as to 23 per cent by the British Sugar Corporation and as to 24 per cent by five other companies and by imports of refined sugar. Since the price of sugar had been kept low, new entrants to the industry had not been attracted, though there is nothing to stop them. The existence of a price ring in sugar was emphatically denied. On the charge that the company received a state subsidy, it was admitted that in 1928 the duty on sugar was adjusted to discourage subsidised imports of refined sugar, and that there was a subsidy to beet producers. But Lord Lyle maintained that the undertaking of the refiners to keep the price of sugar low has been scrupulously kept. If it had not been so, the remedy lay in the hands of the Chancellor of the Exchequer.

On the third issue of profits, Lord Lyle declared that the profits of the group might be largely in total, but that they measured its efficiency; he was not ashamed of them, and he hotly denied that they entailed any exploiting of the consumer. Net dividends in 1948-9 represented only 0.7 per cent of turnover or the equivalent of one-twenty-eighth of a penny per pound of sugar sold. The average consumption of sugar per head is 85 pounds a year, so that each consumer contributes about 3d. each year to the owners of the capital employed in the sugar refining industry. Lord Lyle is certainly entitled, on such figures, to his doubts whether sugar could be refined as cheaply if the industry were nationalised, though, as he recognised, inadequate compensation could be used to reduce the industry's capital charges below a fair and economic level.

Anti-Climax in Barcelona Traction

The application brought in the Vacation Court by minority holders of the Prior Lien bonds of Barcelona Traction for an interlocutory injunction to restrain the London Committee of Prior Lien bondholders, purporting to represent the whole of this class of bondholders in the bankruptcy proceedings against the company in Spain, has been dismissed by Mr Justice Devlin. The reasons for the judgment make it clear, first, that the minority bondholders may by other means still achieve their avowed object of setting aside the appointment of syndicos which duly took place this week. In fact Mr Justice Devlin was of the opinion that the plaintiffs' delay in taking steps to stop the intervention of the London Committee as representing the Prior Lien bondholders could be attributed to their awareness that it lay in the power of the receiver appointed in Canada to represent this and any other objection to the Spanish courts. Moreover, to grant the injunction would be tantamount to setting aside a judgment of the Spanish courts, an action which His Lordship held would be quite unprecedented. Further in his view there was a strong case for believing that individual creditors of the company could appear at the bankruptcy proceedings. On the other points brought up in the case the judgment points out that it would be difficult for the syndicos to sell the assets of Barcelona Traction at anything very substantially below their true value, and at any rate the proceeds should be sufficient to provide all the plaintiffs require



Above is based upon report in London "Evening News" 18/2/49.

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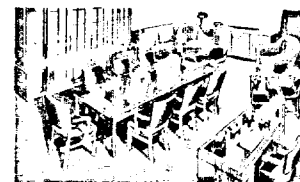
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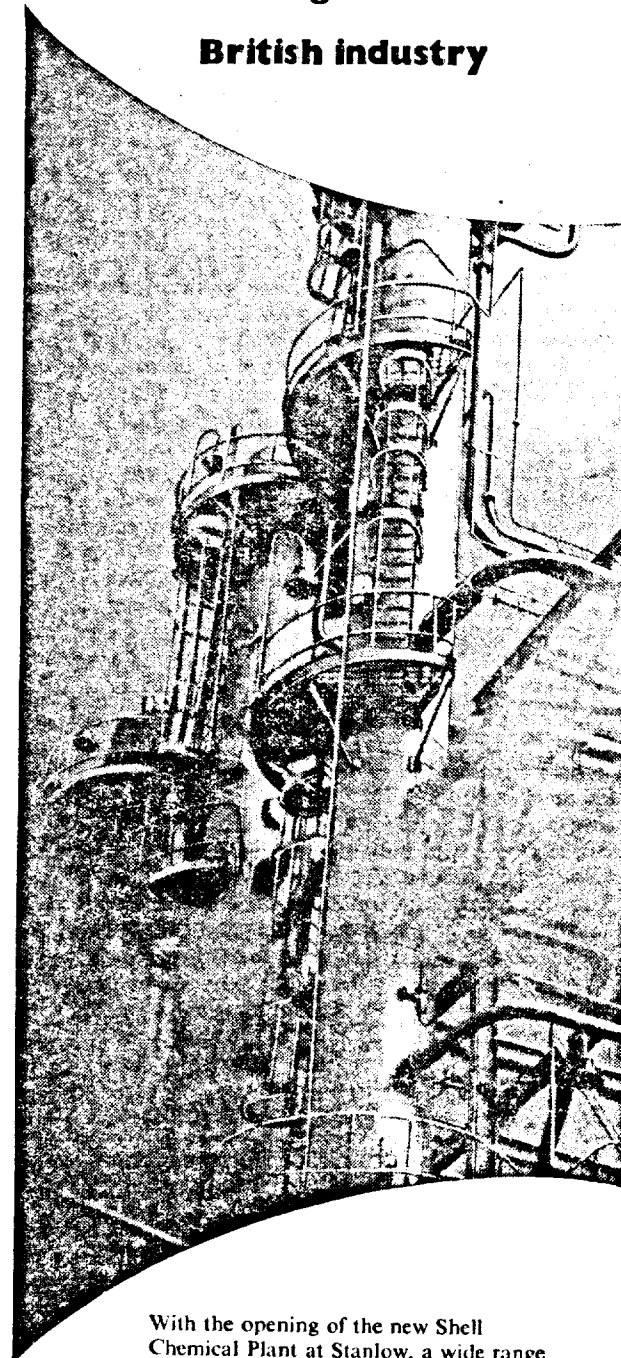


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in damages. Mr Justice Devlin saw no danger in the interests of the Prior Lien bondholders being depleted.

The attempt of minority prior lien bondholders to set aside the bankruptcy and prevent the majority from obtaining control of the company now shifts to Spain. The recent case in London has merely brought into the open long harboured accusations against the majority of the Prior Lien bondholders, of whom Senor Juan March is the most prominent figure. But it would be less than just not to state that time was not found in the crammed programme of the Vacation Court for the defendants in the recent action to reply to the charges laid against them both in the affidavits and the evidence.

Furness Withy's Future Finance

Although he gives full recognition to the Government's action in decontrolling freight rates last December, Sir Ernest H. Murrant, chairman of Furness Withy, emphasises in his annual statement that a further measure of liberation is still needed. He declares that the continuance of bulk buying and the chartering of tonnage by Government departments are preventing the shipping industry from making its maximum contribution to the national benefit. There are, of course, other problems which confront the industry. Sir Ernest cited the familiar difficulties of delays in port and labour disputes as two examples. He calculated that whereas in the year 1938-39 the average time spent at sea by the fleet of the Furness Withy group was 195 days compared with 170 days in port, in the past twelve months the figures were 164 days at sea and 201 in port. Last year, 750 working days were lost—the equivalent of laying up two ships with full crews on board for 12 months.

No end appears to be in sight to the rise in building costs. Sir Ernest's statement shows that the cost of the thirteen ships under construction for the group at the end of April had then exceeded the contract prices by £825,986 and the increases were still going on. The provision of funds from the group's own resources to finance its building programme may soon be a problem—evidently it has already become a problem for one subsidiary during 1948-49. Although the group's net liquid funds amounted to approximately £11½ million at April 30, 1949, its net liquid assets had been reduced to £2,405,344. Capital expenditure was very heavy last year. After providing £2,112,100 for depreciation, the written-down value of the fleet plus payments on account for tonnage building was increased from £12,420,651 to £16,503,753 on the year. Future commitments appear to be equally heavy, since outstanding contracts for new vessels at April 30, 1949, amounted to £8,312,576.

Patently, the capacity of the group to meet this expenditure without recourse to outside finance depends primarily on the trend of earnings. Here the prospect seems to be deteriorating. Trading profit declined slightly from £4,341,761 to £4,236,563 in the past year. The group's trade—and the country's shipping earnings—have been particularly affected by the fall in traffic and the diversion of business to Canada as a result of the changed status of Newfoundland. Some compensation has been obtained from the earnings of new vessels commissioned during the year—the *Pacific Unity* among others—and 2½ months' profits from the reconditioned *Queen of Bermuda*. The flow of Marshall Aid supplies has also been a relieving factor but United States shipping has been the chief beneficiary in this trade. Furness Withy should however be well placed to participate in the increased traffic to the United States which should follow the devaluation of the pound.

SMT Preference Repayment

Holders of the 6½ per cent preference stock of Scottish Motor Traction have not been deterred by the effect of the recent House of Lords judgment in the Wilsons and Clyde Coal case nor by the weight of legal opinion against them in

pressing their claim for a repayment of their stock above par. Nor, despite the passing of resolutions by ordinary shareholders at an extraordinary meeting in Edinburgh on September 16th which *inter alia* approved the repayment, is the attempt yet at an end. They will have a final opportunity of opposing the repayment when it comes up for court sanction. But at any rate their attempt to prevent the meeting of ordinary shareholders by applying to the Court of Session for an interdict on the grounds they had not received proxies to attend the meeting came to nothing.

The repayment of the preference capital of SMT is part of the company's capital reorganisation scheme, details of which were given in the September 3rd issue of *The Economist*. This scheme was approved at the meeting on a card vote showing an overwhelming majority of shareholders in favour after it had failed to be passed on a show of hands. The Transport Commission did not exercise its right to vote on the four resolutions put forward. Scottish Motor Traction has now become a holding company. After the necessary court approval for the reduction of capital there will be a distribution of £8,047,836 3 per cent Transport Stock, 1968-73 (received in payment for the assets acquired by the Transport Commission), in the form of a payment of £4 (nominal) for every 5s. ordinary stock unit held. Thereafter the principal assets will consist of two operating companies—SMT Sales and Service, which has taken over the SMT department previously engaged in the selling and service of motor vehicles, and Scottish Midland Guarantee Trust, a hire-purchase concern. It was stated at the meeting that the profits of SMT Sales and Service for the period April 9, 1949, to September 30th were less than the profits of the department for the corresponding period of the previous year. It is estimated that in a full twelve months' trading period the combined profits of the two operating companies would amount to approximately £140,000. In addition the holding company will have a small return from sundry investments.

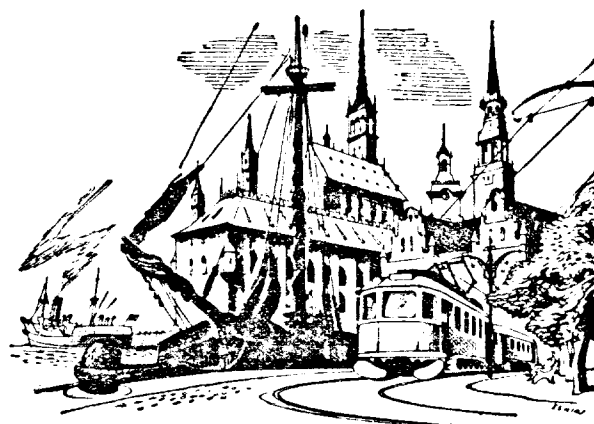
Shorter Notes

The valuation of an additional 160 gas stocks has been announced this week. Compensation will be in the form of 3 per cent Gas Stock 1990-95 issued at par—as for the securities already valued—but the date of conversion into Gas Stock in this instance has been postponed until a date after October 31st next still to be fixed. This is the first batch of previously "unvalued securities" under the Act for which the date of conversion has not yet synchronised with the date of valuation. Until conversion the securities will remain in the classification of "unvalued securities." Gas Stock is at present quoted at 90½.

The Mond Nickel Company Limited states that its prices for nickel are now, in the UK: £321 10s per ton delivered works; on the Continent: £325 per ton c.i.f. Continental port.

Coal output last week was 4,229,100 tons, 8,400 tons less than in the preceding week. It is estimated that the strike among Scottish miners has caused a loss of 31,300 tons of coal. Output for the first 37 weeks of the year was 150,243,600 tons, compared with 146,363,100 tons in the first 37 weeks of 1948.

Mr. A. L. F. Green is to retire from the position of general secretary of the Stock Exchange Council after twenty years' valuable service. His successor is to be Mr C. D. Morley, who has been assistant secretary of the Share and Loan Department since 1936. Mr Green was entertained at luncheon by the Council this week on his retirement.



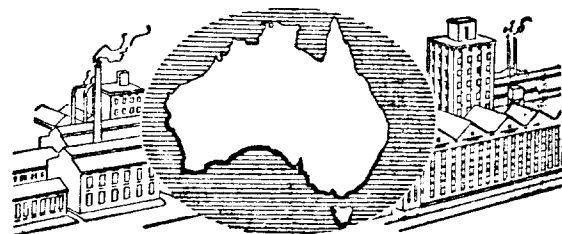
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EXCHANGE OF REDEEMABLE PREFERENCE STOCK IN THE BROKEN HILL CORPORATION LIMITED FOR PREFERENCE SHARES IN THE CONSOLIDATED ZINC CORPORATION LIMITED

Extracts from an Offer by The Consolidated Zinc Corporation Limited to Preference Stockholders of The Broken Hill Corporation Limited, and from an accompanying letter from the Secretary of The Consolidated Zinc Corporation Limited.

When in 1947 The Broken Hill Corporation Limited was formed as a subsidiary of The Zinc Corporation Limited, it was hoped that it would provide a satisfactory means of dealing with many of the problems of finance, control, and management which were outside the scope of the main business of The Zinc Corporation Limited, namely, the operation of its mining and treatment plants at Broken Hill. It was not, however, at that time expected that an opportunity would occur so soon to acquire the Ordinary Share Capital of Imperial Smelting Corporation Limited, and the Preference and Ordinary Share Capital of Sulphide Corporation Limited.

The acquisition of these interests with their widely divergent activities has emphasized the need for simplification in the control and management of The Zinc Corporation Limited, and its group of companies situated both in the United Kingdom and Australia. The Consolidated Zinc Corporation Limited was accordingly formed for the purpose of effecting a general scheme of consolidation of this group.

Pursuant to an Offer made on the 14th March, 1949, the Consolidated Zinc Corporation has acquired the whole of the issued stock and shares of The Zinc Corporation Limited, in exchange for shares in The Consolidated Zinc Corporation Limited credited as fully paid.

In the terms of a Prospectus dated 27th May, 1949, the Consolidated Zinc Corporation issued for cash 2,500,000 $\frac{4}{8}$ per cent. Cumulative Preference Shares of £1 each at par.

In completion of the scheme of consolidation outlined in the Offer dated 14th March, 1949, made to Members of The Zinc Corporation Limited, it has now been decided to proceed with the third and final stage, namely, the Exchange of the Preference Stock in the Broken Hill Corporation for Preference Shares in the Consolidated Zinc Corporation.

Accordingly, The Consolidated Zinc Corporation Limited is now offering one Preference Share of £1, together with a cash payment of 1s., in exchange for every £1 of Preference Stock in The Broken Hill Corporation Limited, such exchange being on the terms fully set out in the Offer.

Subject to this Offer becoming unconditional, the Directors of The Broken Hill Corporation Limited propose to pay on the 2nd January, 1950, to Preference Stockholders registered on the date the Offer becomes unconditional, the half-yearly dividend (less U.K. Income Tax) on the $\frac{4}{8}$ per cent. Redeemable Cumulative Preference Stock of the Broken Hill Corporation in respect of the period 1st July, 1949, to 31st December, 1949. The Preference Shares of the Consolidated Zinc Corporation to be issued in pursuance of this Offer will rank for dividend on the full nominal amount thereof as on and from 1st January, 1950.

It is proposed to apply to the Council of The Stock Exchange, London, and to the Stock Exchanges at Adelaide, Melbourne and Sydney for permission to deal in and for quotation for the Preference Shares of the Corporation to be allotted credited as fully paid in pursuance of this Offer upon such shares being so allotted.

Subject to the present Offer being accepted in full, the issued and paid-up capital of the Consolidated Zinc Corporation will be £11,024,573, divided into 4,476,626 $\frac{4}{8}$ per cent. Cumulative Preference Shares of £1 each and 6,547,947 Ordinary Shares of £1 each.

This Offer is conditional upon a 90-per-cent. acceptance or such lower percentage as The Consolidated Zinc Corporation Limited may accept as sufficient, and will, if accepted in full, make the Broken Hill Corporation a wholly-owned subsidiary of the Consolidated Zinc Corporation; the Directors have no intention of liquidating The Broken Hill Corporation Limited.

The dividend dates of both securities are identical, and gross income will be unaffected by the Exchange. The average annual profits for the last ten years of the Companies which now comprise the Consolidated Zinc Corporation group are sufficient to cover the Preference Dividend requirements of the Consolidated Zinc Corporation nearly 5 times, while the combined net assets of the group provide capital cover on the Preference Shares of approximately 2.4 times.

Copies of the full Offer and Appendix thereto can be obtained during usual business hours from Central Registration Limited, 8, Basinghall Street, London, E.C.2.

COMPANY MEETINGS

THE DISTILLERS COMPANY, LIMITED

FINANCIAL STRENGTH OF THE ORGANISATION

PROPOSED REORGANISATION OF CAPITAL STRUCTURE

SCOTCH WHISKY SUPREMACY THREATENED BY HEAVY DUTY

HOME DEMANDS AGAIN SUBORDINATED TO EXPORTS

MR H. J. ROSS'S REVIEW OF EXTENSIVE ACTIVITIES

The seventy-second annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on Friday, September 16, 1949, when the chairman, Mr H. J. Ross, presided.

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

Once again I have to open my remarks to you on a sad note. It was only a year ago that Mr John Barr Cumming, managing director of John Walker and Sons, of Kilmarnock and London, was elevated to a seat on the board of the parent company, and not long afterwards he was stricken with a serious illness from which he succumbed, after a very gallant fight, in June of this year. His passing is a severe loss to the company.

Since our last annual meeting, Major Ball, D.S.O., M.C., has been appointed a member of the management committee, and his specialised knowledge of plastics, chemicals, etc., should prove, and indeed is proving, to be a distinct acquisition to the deliberations of the committee.

The addition of three new directors to the board also falls to be recorded. These are all full time executives who have grown up in the service of our subsidiary companies, and whose promotion is the reward of merit. They are Messrs S. H. Hastie, E. Stein, and W. Walker, whose designations are stated in the report, and whose appointments you will be asked to confirm later in the meeting.

YEAR'S RESULTS

From the statement of accounts you will have noted that, for the year to March 31, 1949, the manufacturing and trading profits of the company and its subsidiary companies, including an item of £149,756 for inter-company profits in the stock valuations of subsidiary companies released during the year, amounted to £10,361,857. To this is added (1) income from trade investments £324,956, (2) income from other investments, including British Government securities, £400,673, and (3) provisions for taxation made in previous years not required and released £291,094, making the total revenue £11,378,580.

Taxation, under the headings of income tax and profits tax, required £5,479,939, and after all provisions for depreciation, writings off, and allowance for interests of outside shareholders in subsidiary companies, the net profit attributable to the Group amounted to £4,756,623, as against a corresponding figure in the previous year of £5,303,510.

There was transferred to the general reserves of subsidiary companies amounts totalling £644,295, and the directors have agreed to appropriate £773,754 to general reserve, and £275,000 to superannuation and provident reserve, both in the books of the parent company. At the same time, the directors agreed to take from investment reserve a sum of £100,000, and to apply this in reducing the book values of certain investments in subsidiary companies.

At this stage, there was available £3,163,574, being sufficient for the dividends

distributed or recommended, and to increase the carry forwards from £3,425,083 to £4,243,398. The latter figure comprises £1,001,889 by the parent company, and £3,241,509 in the books of subsidiary companies.

THE DIVIDEND

The dividend on the ordinary stock in respect of the year to March 31, 1949, is 1s. 11/5d. per unit of 4s, the same as for the previous year. Apart altogether from the national policy of restriction of dividends, the board has had to have regard to the somewhat heavy contingent liabilities in respect of uncalled capital on investments, and for commitments for capital expenditure, all as mentioned in the notes attached to the accounts. The board deems it desirable to mention again that the costs of the expansion programme will, when completed, prove to be in excess of the estimates.

COMMENTS ON LEGAL BALANCE SHEET ITEMS

The company's legal balance sheet calls for the following comments:—

(1) The general capital reserve is now £1,324,098. The increase here is mainly attributable to the credit for profits on certain investments sold during the year.

(2) The revenue reserves, including undistributed profit, total £14,733,432.

(3) Investments in subsidiary companies increased during the year by £598,993. The main items contributing to this are as follows:—

(a) The subscription of additional capital to one of the subsidiary companies in the industrial group towards financing the costs of further development of that company.

(b) The acquisition of the firm of R. G. Abercrombie & Company, distillers' and brewers' engineers, Alloa, and the creation, in collaboration with other interests, of a subsidiary company with a capital of £25,000, of which 80 per cent. is held by The Distillers Company, Limited.

(c) The investment in Uni-Bé Bakers Supplies, Limited. Here, the capital is £50,000, of which 60 per cent. is held by The Distillers Company, Limited.

(4) There is a substantial reduction in the book value of quoted investments, under the heading of "current assets" in the balance sheet. Certain holdings of gilt-edged securities and equity shares of British companies have been sold, mainly to finance loans to subsidiary companies for the expansion programme. The market value of the remaining holdings was below book value at the date of balance, but, in the case of trade investments, there was a very substantial surplus over book values. Having regard to this, the board did not consider it necessary to write down the value of quoted investments.

CONSOLIDATED BALANCE SHEET ITEMS

Turning now to the consolidated balance sheet, it is interesting to note the increases in lands and buildings and in plant and

machinery, due to the expansion programme. The effects of the appropriations to reserves and the increases in carry forwards are reflected in the comparative figures showing increases for both capital and revenue reserves. The strength of the organisation is clearly shown with current assets of over £57,000,000 and current liabilities of under £9,800,000.

It is appropriate to mention that the liquidation of W. P. Lowrie & Company, Limited, and the transfer of its assets to James Buchanan & Company, Limited, has brought about a reduction of £983,729 in the group's revenue reserves, with a corresponding increase in the group's capital reserves.

During the year, the board received an actuarial report upon the group superannuation and provident scheme. After taking into account the income tax position which would be applicable if a separate Trust was established, the valuation has disclosed that the existing reserves, under this heading, are adequate—in fact there is a surplus. The board will shortly have under consideration the formation of such a Trust to administer certain provisions of the scheme.

RE-ORGANISATION OF CAPITAL STRUCTURE

In recent years, the stockholders have been informed that the board desired to reorganise the capital structure of the company, at least to some extent, so as to bring the issued capital more in line with the assets, and with the earnings. The proposal as announced—to capitalise £7,512,923 of the company's general revenue reserve, and to appropriate this to the ordinary stockholders on the register at September 30, 1949, by the allotment of one new ordinary share (afterwards to be converted into stock) for every £2 of ordinary stock held—has received the sanction of the Capital Issues Committee of the Treasury. Arrangements are being made to hold an extraordinary meeting on Thursday, November 3, 1949, to consider this proposal, as well as one to increase the capital of the company from £20,000,000 to £35,000,000.

The transfer of £7,512,923 from the general revenue reserve of the parent company leaves a substantial figure at credit thereof, and the board considers that this, in conjunction with the reserves of subsidiary companies, leaves the organisation strong and in a position to withstand such contingencies as may arise in the future.

WHISKY DISTILLING

In my statement last year I referred to the release of 250,000 tons of cereals to the industry for the period to April 30, 1949, and for which quantities, licences were issued to maintain continuity of operations at distilleries.

This release was followed in February of this year by an allocation of 300,000 tons, equal, you might say, to the full prewar rate of distilling, but to achieve this we were obliged to pledge ourselves to still further increase our exports of old whisky.

SCOTCH WHISKY SALES—HOME AND EXPORT

Reference was also made last year to the limited and indeed meagre allocation being made available to the home consumer. In the year now under review the position has not improved. In terms of the arrangement with the Ministry of Food which came into operation on May 1, 1948, releases for the home trade had to be confined to an overall figure for the trade of two million proof gallons, and, although the official figure of releases showed that total to have been considerably exceeded, our companies faithfully observed the arrangement.

At a meeting with the Ministry of Food in February, 1949, the necessity for increased

home trade supplies was submitted with the utmost emphasis. Once again, however, the interest of the home market had to be submerged in the national necessity for increased supplies to hard currency export markets, and for the twelve months ending April 30, 1950, home trade releases have again been pegged at two million proof gallons.

I need not reiterate the feelings of the board which I expressed to you last year, except to repeat that it is our aim and desire to have the position remedied at the earliest possible moment.

RESULT OF HEAVY DUTY ON TRADE

The rate of duty remains at the ridiculous figure of £10 10s. 10d. per proof gallon. Continuance of taxation at this penal rate—equal to 24s. 7d. per bottle—coupled with the restricted releases already referred to, can only result in the strangulation of our home trade interests. The representations to the Chancellor of the Exchequer made during the course of the year must be intensified, not only on our part, but by ancillary interests, including the consumer public.

To return to exports, as I think is generally well known, the USA and Canada are the most important hard currency markets upon which we are asked to concentrate our efforts. Whilst our group of companies will naturally carry out their share of the undertaking made between the Ministry of Food and The Scotch Whisky Association, it has been impressed on the Minister that consideration must now be given, not only to the long-suffering home consumer, but also to certain other soft currency markets which have been deprived of their full requirements for years.

What we must ever impress upon the Government of this country is that the Scotch whisky industry, and your company in particular, has been responsible for creating a world-wide trade in an article the quality of which is second to none. The undoubted supremacy of Scotch whisky is acknowledged everywhere, but continued shortages will assuredly open the door to substitutes of one kind or another, of which there are many in various countries of the world. Particularly has this been the case in the home market, due largely to the exorbitant rate of duty.

For economic reasons, certain countries, notably the South American Republics, have been closed to us as markets for our brands of Scotch whisky.

The arrangements we have made to endeavour to protect our valuable trade in South Africa appear to have excited comment in some quarters. As you will be aware, the South African Government, in the interests of their internal economy, recently prohibited the importation of a long list of luxuries, including whisky.

Our efforts to be allowed to export even a token quantity having met with no success, we were informed that the only possible way in which a resumption of trading might be achieved would be for us to agree to leave our money in South Africa to be invested in Union Government and Municipal securities, or other approved investments, for a period not yet known.

Naturally, the prospect of tying up our resources in such a manner over an indefinite period held no particular appeal, but, as the only alternative left to us was the probable loss of what has been for long years a most valuable market for Scotch whisky, we decided to give this blocked fund system trial. The matter was therefore remitted to the Bank of England Exchange Control, and the necessary permission granted.

GIN

I am glad to be able to record once more that the demand for the Group's gin brands

continues strong—particularly the leaders—Gordon's and Booths, which reflects the public's appreciation of the high standard of quality which it is our endeavour always to maintain.

In addition to the continuing efforts of our gin companies to expand exports to hard currency markets, we have in the U.S.A. our own rectifying plant, where our sales are running at a higher level than they have ever done and those of our directors and others who have recently been in America have nothing but praise for the condition and operation of our factory at Linden, New Jersey.

EAST

Production at the company's yeast factories was at a high level throughout the year, but costs have again tended to rise. It is satisfactory to record that the Ministry has given permission for the erection of the new factory at Bristol, and every effort will be made to have it in operation within a reasonable period.

The United Yeast Company, Limited and its associated companies, who are distributors of the company's yeast to every district of the United Kingdom, no matter how remote, as well as engaging in the important business of providing most materials used by bakers, have well maintained their progressive position with satisfactory results.

INDUSTRIAL SECTION

The past year has been a difficult one on the industrial side of the company's business, but, on the whole, our combined results have been satisfactory.

The demand for industrial alcohol and chemical products has been substantially maintained, and I am glad to say that, during the course of the first half of 1949, all Government controls, which have been in force in respect of most of our manufacturing and selling operations during and since the war, were removed.

The world price of one of our important raw materials, molasses, fell very sharply at the end of last year, so that, notwithstanding the necessary liquidation of high-priced stocks, the recent purchase at much lower prices has enabled us to make substantial reductions in selling prices of the materials derived therefrom, and thus bring them more into line with the increasingly competitive conditions following upon the disappearance of the sellers' market. The indications are that molasses is likely to remain in free supply at reasonable prices for some time to come, which will enable us to make further reductions as and when the old stocks are disposed of.

The new project at Grangemouth for producing chemicals from petroleum, which development you will recall is being financed equally between the Anglo-Iranian Oil Company, Limited, and ourselves, is making steady progress. Although the rising costs of constructional materials and long delivery dates still present serious problems, nevertheless, every effort is being made to adhere to the original completion date of January, 1951.

PENICILLIN

The penicillin factory at Speke has had a satisfactory year, and the entire output has been fully sold. Plans are now in course of execution for considerably increasing the existing capacity, having regard to what we believe will be the future demand for penicillin, and also to equip the company with the most economic basis of manufacture in order to meet increasingly competitive conditions in world markets. The programme also provides for the marketing of new materials in the course of next year.

PLASTICS

The plastics industry, as a whole, has suffered a sharp set-back during the past year, due, in no small measure, to the operation of the purchase tax as well as the high cost of essential raw materials. In recent months, however, the prices of some of these raw materials have eased, and there have been signs of an improvement in demand. In the meantime, our new factory at Barry is virtually complete, and the gradual transfer of manufacturing operations from existing plants to that centre is now in progress. This large and modern unit should enable us to achieve further economies in production cost, and also considerably to expand and broaden the present range of plastic materials. The Geon polyvinyl chloride plant at Barry enjoyed a substantial scale of production during the past year, despite the general contraction in demand for plastic materials, and the quality of the range of products now being marketed by the Geon Company has enabled us steadily to increase our sales both in the home market and for export.

Reference has been made previously to our investments in industrial undertakings overseas, particularly in South Africa and Australia. I am glad to say that our trading operations in these countries are showing very satisfactory results, and we have under constant review the broadening of our activities to enable our company to participate in the growing demand for industrial chemicals, which it is felt will arise from the general development of those countries.

Your company is still maintaining an extensive research programme, which stockholders will recognise is an essential background to the large-scale developments in which we are engaged.

FUTURE PROSPECTS

The company has not yet benefited from the anticipated reasonable return from expenditure on the major part of the expansion scheme, and it may be some time before it does; but it should be remembered that it will be necessary to continue, over an extended period, the board's established policy of ploughing back a substantial part of the profit earned therefrom. In announcing the proposal with regard to the alteration in the capital structure the board deemed it advisable, therefore, to issue a statement that it must not be assumed there would be an increase in the amount paid out by way of dividend.

It is satisfactory to note, however, that so far as the current year has progressed, the profits earned by the company are well up to the standard of the year to March 31, 1949.

STAFF

It is again a pleasure for me to be able to pay tribute to the services of our staff. Relations with both works and office staffs continue to be excellent, and the board's appreciation has again been translated into the form of a small monetary bonus, 7½ per cent. having been paid for the year to March 31, 1949, as against 5 per cent. for the previous year.

In intimating a repetition of the 7½ per cent. rate for the current year, it was made clear that this is not to be looked upon in any way as a permanent addition to either wage or salary. In other words, when times are good and conditions justify it, the board is only too glad to consider rewarding loyalty and devotion in some practical manner. If, on the other hand, we were to run into a depression, with a consequent drop in profits, I feel sure we could count on the same loyalty and devotion even though no additional monetary reward was possible.

The report was adopted.

UNITED DAIRIES, LIMITED

MULTIFARIOUS OPERATIONS OF THE GROUP

PROPOSED BONUS ISSUE

MR. LEONARD MAGGS'S STATEMENT

The thirty-fourth ordinary general meeting of United Dairies, Limited, was held on September 16th at the Connaught Rooms, Great Queen Street, London, W.C., Mr. Leonard Maggs (chairman and manager director) presiding.

The secretary (Mr. Allan Mair, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended March 31, 1949, and was taken as read:—

I feel it will again be in the interests of the many members who are unable to attend the annual general meeting on September 16th if I circulate my remarks with the directors' report and accounts.

The accounts do not call for much comment, as the consolidated statements published give a clear picture of the financial position of the whole group.

It was previously our practice to bring only sufficient revenue from the subsidiary companies into the accounts of the parent company to meet the recommended distribution. We have now decided that it is desirable, after offsetting losses, to bring substantially the whole of the year's profits of the subsidiaries into the parent company.

This has no effect on the consolidated accounts, but increases the amount of profit to be dealt with by United Dairies, Limited. Last year £344,005 out of group profits of £771,763 was brought into the parent company's profit and loss account, leaving the remainder to be added to the balances carried forward in the subsidiary companies.

PROVISION FOR TAXATION

There being no material alteration in the basis or rates of taxation this year as compared with last, the increased provision—£1,401,159, compared with £1,012,056—appears out of relation to the increase in the profits after taxation. This is due to the £341,073 provision for deferred repairs having been provided out of taxed income.

RESERVES

The following are the reserves of the group at March 31, 1949: corresponding figures at March 31, 1948, are shown for comparison:—

	1949	1948
£	£	£
The share premium account	1,488,201	1,487,971
Capital reserves:		
Profits, less losses on realisation of:		
Properties	131,473	113,762
Investments in subsidiary companies	99,157	99,157
Excess profits tax post-war refund	3,967	—
Revenue reserves:		
General reserve ..	2,250,000	2,000,000
Insurance fund ..	100,000	100,000
Depreciation not required on properties sold	29,619	25,956
Future income tax ..	956,245	679,675
Profit and loss appropriation accounts	2,526,028	2,283,481
	£7,584,690	£6,790,002

It is apparent that the issued capital is out of line with the capital actually employed. Apart from visible reserves, the industrial freehold properties of the group have been depreciated since 1931 at 2½ per cent. per annum on cost: the book value of the freehold properties of the group at £2,926,410 at March 31, 1949, represents considerably less than present-day real value.

My predecessor in 1940—the silver jubilee year of the company—mentioned that but for the war consideration would have been given to some correction of the balance between issued capital and capital actually employed. Since then the position has continued to get more and more out of line, and your board considers that an attempt should now be made to correct it to some extent.

Application has therefore been made to the Capital Issues Committee for consent to utilise £1,478,400 out of the share premium account of £1,482,387 to make a bonus issue of one ordinary share of £1 for each £2 of ordinary stock held.

DEFERRED REPAIRS

A survey of the repairs necessary to buildings, plant and machinery, fixtures and fittings, to bring them up to the high standard which obtained before the war, has been carried out, and the amount estimated to be necessary to achieve this, taking account of present-day costs, is £1,132,203. The provision of £341,073 out of this year's profits brings the fund up to this figure.

Of the amounts placed to the credit of this fund £881,330 has been taken into account in providing for excess profits tax. Unless expended within the prescribed period this amount of the fund would become assessable for excess profits tax, but it must be assumed that there will be an extension of the period because of the national circumstances.

All the amounts set aside are out of income, after payment of Schedule "D" tax, and when expended they will be allowed as an expense for that tax.

The total amount of the fund is temporarily available as working capital.

DISPOSAL OF GROSS REVENUE

The following statement shows, in respect to the year ended March 31, 1949, how every pound sterling received by the group in respect to sales of milk, milk products and other products was absorbed: comparative figures for the two previous years are also shown:—

	1949	1948	1947
Cost of milk, goods for resale, and raw materials for production of other goods	14/8½	14/7½	14/7½
Salaries and wages ..	2/5	2/7½	2/5½
Other expenses, including containers, depreciation, rents, repairs, provision for deferred repairs, etc.	1/10½	1/10½	1/9½
Taxation	7/2½	6/6½	7/2½
Paid as dividends ..	2/2	2/2	2/2
Retained in business for development ..	2/2½	2/2½	3/4
	20/	20/	20/

This is the picture as regards the whole of the multifarious operations of the group. Taking only the milk side of the business, but including such inseparable subsidiary activities as goods purchased for resale in the shops, and (in Scotland) the bakeries, the results are not so satisfactory, the net retainable profit available for dividends and development being 1.057 per cent. of the turnover.

MARGINS ON MILK

I reported to you on the last occasion that the distributive industry was pressing the Ministry of Food to revise margins to cover increases in costs over which the trade had no control. The Minister awarded an increase of ½d. per gallon in the retail margin in London and of ¼d. per gallon in the provinces, effective from October 1, 1948.

This means that in London we still receive only just over 1½d. per pint bottle to cover processing, wastage, provision of bottles and bottling, delivery, collection and cleansing of empty bottles, booking up and giving of credit, which I am sure could not be considered by anyone to be an unduly high reward for the service. That it can be done for this figure demonstrates beyond all doubt the efficiency of the industry.

MILK SUPPLIES

During the winter and the early summer, supplies of milk increased at a gratifying rate, but recent events have served to steady the optimists who have been talking of an early relaxation of the control of milk sales.

Those of us concerned with day-to-day delivery know how fine is the margin of surplus on which we have to work, and I am reminded that, in prewar days, it was estimated that to ensure a full supply of milk for liquid consumption a surplus of 20 per cent. was necessary in the months of lowest production of milk.

The position of the manufacturer of milk products is difficult in existing circumstances because he has, at some periods, to run overloaded, and, very soon, is liable to find that he has no milk to manufacture.

This is, to some extent, the normal fate of the manufacturer, but during 1948 the differences were remarkable: in England and Wales 28 million gallons were manufactured in May and only 1½ million gallons in September. In the latter month the adult entitlement of liquid milk was 2½ pints weekly.

It appears from recent figures (England and Wales) that liquid consumption would reach a figure of 117 million gallons monthly without control. Last year's figures showed that production exceeded this total only in three months of the year.

MILK (SPECIAL DESIGNATIONS) ACT

The Milk (Special Designations) Act has now been passed into law. Power is conferred on the Ministry of Food to specify areas in which only designated milk can be sold. "Designated milk" includes tuberculin tested, pasteurised, sterilised and accredited milk.

Since your companies have been among the pioneers of pasteurisation, it is not anticipated that these new requirements will cause any difficulty.

TECHNICAL WORK

All aspects of our operations are under review continually and constant efforts are being made to improve the equipment which we use and sell, and to avoid all forms of wastage.

We are happy to think that the knowledge acquired is being put to practical use by our

engineering, transport and utensil subsidiary companies, the U.D. Engineering Company, Limited, Mickleover Transport, Limited, and Dairy Supply Company, Limited.

DEVELOPMENT

The Standard Yeast Company, Limited.—Since my last report to you the company has acquired the whole of the shareholding in this concern, with its subsidiary companies, the London Yeast Company, Limited, the Bakers' Economical Supply Service, Limited, and the Devondale Preserve Company, Limited.

This group manufactures and distributes yeast, and to a small extent preserves; they are also large distributors of the very many commodities required by bakers.

Their present yeast-producing factory at Chiswick is too small for their present needs, and it is planned to erect a modern yeast-producing factory at Harwich which, when in operation, is expected to produce yeast of better quality and more cheaply than under present conditions.

This investment is expected to add further to the earning capacity of the group in connection with activities other than milk.

AUSTRALIA AND NEW ZEALAND

Australia.—I reported to you last year our development scheme in Australia, and I am glad to say that a company has now been registered under the title "British United Dairies, Proprietary, Limited," and is already in the process of equipping two of the four factories for the reception of whole milk instead of farm-separated cream, and for the manufacture of milk powder in addition to butter. It is hoped that these factories will commence operations some time during the coming Australian season.

Plans are also in hand for the erection of a new factory, to be equipped to manufacture condensed milk, milk powder and butter.

New Zealand.—On the last occasion I reported to you that our New Zealand company, Dairy Products, Limited, had just started to operate a new factory at Kapuni, in the Taranaki district of the North Island. I am glad to say that this has proved an unqualified success, and the results of the first full year's working are most gratifying.

APPRECIATION OF THE STAFF

In conclusion, I should like to take this opportunity of expressing the thanks of the board, and I am sure I may include the shareholders, to the officers and staff of the company for their services during the past year.

The report and accounts were unanimously adopted and the final dividend on the ordinary stock at the rate of 10 per cent. actual, less tax, making 15 per cent. for the year, was approved.

The remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company, was fixed.

Special resolutions were also passed increasing the capital of the company to £9,000,000 by the creation of one million shares of £1 each, capitalising the sum of £1,478,400, part of the share premium account, and distributing the resultant ordinary shares of £1 each to the existing ordinary stockholders in the proportion of one share for every £2 stock held.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

BRITISH GLUES AND CHEMICALS, LIMITED

MR ROGER DUNCALFE'S QUIET CONFIDENCE

The twenty-ninth annual general meeting of British Glues and Chemicals, Limited, was held in London on September 21st. Opening his review, Mr Roger Duncalfe, remarked that in spite of more difficult trading conditions the results presented were not dissimilar to those of the preceding year.

Consolidated profit, after full taxation provision, was £106,418 (against £113,606). With amounts brought in, the total available for appropriation was £222,488 (£211,249). Appropriations were: £100,000 to contingency reserve (making it £200,000) and £30,000 on replacement reserve (making it £110,000), leaving £92,488 profit available for distribution. Net dividends of 10 per cent on the preference stock and 25 per cent on the ordinary stock absorbed £52,937, leaving £39,551 to be carried forward.

Reviewing the consolidated balance sheet, Mr Duncalfe pointed out that current assets, at £1,127,504, exceeded current liabilities by nearly half a million sterling. Revenue reserves and surplus, apart from reserve for future income tax, were about £500,000, as compared with £370,000 a year ago—a source of satisfaction at a time when more difficult trading conditions were expected.

PRODUCTION AND SALES

After referring to the more difficult trading conditions experienced by the Canadian subsidiaries, Mr Duncalfe continued:

Group turnover approximated closely to that of the previous year. We have borne in mind Government policy in regard to prices and personal incomes and have made price reductions where possible.

Our technical department has contributed notably to progress during the year. Our gelatine works has fully maintained its position as a leading supplier to the photographic, pharmaceutical and food industries. During the year we have made available to industrial users several new grades of specialised adhesives.

Our agricultural business continues to expand in that section which caters for the effective mineral nutrition of farm livestock.

During the year we have strengthened our export drive and our representatives have travelled far and wide, and had it not been for currency restrictions our export turnover would have been much higher.

PERSONNEL AND THE FUTURE

We have a most excellent team, who gain inspiration and power from the leadership of our managing director, Mr Harold J. Cotes. I express to them all sincere thanks for their unfailing support. On May 5, 1949, your board appointed Mr I. H. Chayen, who has given outstanding service as technical director, to be assistant managing director, and we look forward to a continuation of his able service over many years.

As to the future, I do not anticipate an easy year, but we have started it reasonably well; our group's increased manufacturing capacity is for essential goods needed both at home and in many lands overseas, and our stocks are comparatively low. The development of our full manufacturing potential must to some extent depend on the upward movement of world trade, which in turn is dependent upon the freeing of currency and trade and the restoration of confidence which greater political stability would bring. On the other hand, our sales development campaign, particularly for our new products, is meeting with an encouraging response. I have already spoken of the reserves we have built up to meet adverse circumstances should they arise. On the whole, I feel that, unless conditions throughout the world suffer too severe a setback, we can face the future with quiet confidence.

AMALGAMATED BANKET AREAS LIMITED

GOOD DEVELOPMENT RESULTS

The thirteenth annual general meeting of Amalgamated Banket Areas Limited, was held on September 16th in London, Major-General W. W. Richards, C.B., C.B.E., chairman of the company, presiding.

The chairman addressing the meeting, said:—

Members will shortly be asked to confirm terms of an amalgamation with Gold Coast Banket Areas, Limited, and South Banket Areas, Limited, and the acquisition of certain mining concessions from Banket Goldfields, Limited.

The following is an extract from the statement of the chairman:—It is my sad duty to record the death on August 16, 1949, of Mr H. G. Latilla, the chairman of the company. Mr Latilla was responsible for the formation of our company back in 1935, and he has been on the board of directors continually from that date.

Turning to the mining operations, it is pleasing to record that 404,813 tons of ore were treated in the mill. One month's milling having been lost (October, 1947) due to a strike of the African employees, this represents a monthly average of 36,801 tons, as compared with an average of 30,233 for the previous year.

Our ore reserves are reasonably strong and with a proved tonnage of 1,126,489 tons of 5.57 dwts ore underground and 2,613,639 tons of 2.08 dwts ore in the shallow Pope areas, we have over seven years' ore developed ahead of the mill at the current rate of production. During the year under review the good development results reported last year were continued.

The report was adopted.

A. C. COSSOR, LIMITED

NEW RANGE OF PRODUCTS

The eleventh annual meeting of A. C. Cossor Limited was held on September 22nd in London, Lord Burghley, K.C.M.G. (chairman) presiding.

The following are extracts from his circulated statement:

The bulk of the group's loss was due to the provision we have had to make against our investment in our valve-making subsidiary, Electronic Tubes Limited. We have since succeeded in disposing of our interests on satisfactory terms and beneficial arrangements have been made whereby we shall still draw our supplies from this company. By this transaction our main source of loss has been stopped.

Cossor Radar Limited's factory at Chaderton, which was proving so costly, has been closed and the work transferred to our Highbury factory, the benefits of which will be fully felt in the year now in progress.

It became apparent during the year that the slump in the radio industry was not passing away; we therefore took effective measures to move our stock by making substantial price reductions. In response to Government appeals we prepared a determined attack upon the export markets. Models were designed which were very well received when shown overseas and large orders placed, but every one of our principal markets was closed by Governments concerned.

For the home market we have designed and put into production a new range of radio and television models which we are confident will improve our position. Our marine radar equipment continues in the forefront and is being fitted in gratifying numbers.

I think that I am safe in saying that the worst is behind us. We have made careful plans for the current year, which are estimated to result in profit on trading.

The report was adopted.

WATNEY COMBE REID & COMPANY, LIMITED

HIGHEST QUALITY PRODUCTS

The ordinary general meeting of Watney Combe Reid & Co., Limited, was held on September 22nd in London.

The following is an extract from the circulated statement of Major A. C. Bonsor (chairman of the company):—

In my statement to the stockholders last year I referred to the growing signs of reluctance on the part of the public to pay the high price for beer necessitated by the then existing rate of duty.

During the year that has since elapsed that disinclination became increasingly pronounced to such an extent that in the Budget in April the Chancellor of the Exchequer reduced the price of beer by 1d. a pint.

The decline due to high price was thereby slightly alleviated, but this was very largely offset by the deterioration in the economic situation, with the result that the expected improvement in trade did not materialise. This continued falling off in trade has undoubtedly been more severe in the southern half of the country and has persisted despite the abnormally favourable weather which has been experienced for so long this year.

Whereas the reduction of 1d. a pint brought a small measure of relief to the consumer, it was imposed in such a way as to leave an additional burden of 3s. a barrel to be found by brewers, in addition to their loss represented by the higher duty paid on stocks in hand.

AN UNQUESTIONABLE DEMAND

I still think that much more will have to be done in the way of reduction of beer duty before there is a noticeable response by the consumer. There is unquestionably a demand for better and stronger beer at a price which the public, having regard to other factors in the economic situation, can afford, and that is not possible while duty stands at its present level.

Meanwhile, with the cost of materials still rising and working expenses proportionately higher owing to reduction in turnover, I foresee that the expectation of lower profits is inevitable.

Profit on trading at £1,253,928, a decrease of £406,949, shows the result of the conditions to which I have alluded above.

We are satisfied that the products we are able to offer are of the highest possible quality under the limitations imposed on us.

Grants of licences for repairs and decorations have been more easily obtainable, and considerable headway has been made in restoring our houses to their pre-war condition.

The report was adopted.

NOTICES

CENTRAL OFFICE OF INFORMATION

Applications are invited for the post of economic and political editor in London for newsfeature language weeklies published in Moscow and Warsaw. Good academic qualifications in economics, and an appreciation of the special considerations to be borne in mind in addressing the audience concerned, are required. Duties will include contacting and briefing economic and political writers of high calibre, advising London editors on these topics and selecting material from British publications for reproduction. The post is graded temporary Higher Executive Officer, salary: Male, £675 to £800; Female, £550 to £675.

Written applications giving date of birth, full details of qualifications and experience, including dates, should be addressed to London Appointments Officer, Ministry of Labour and National Service, 1-6, Tavistock Square, London, W.C.1, quoting reference K.T.488/CO.

Original references must not be forwarded. Only candidates selected for interview will be advised.

COURTAULDS LIMITED require an Assistant for their Tariffs and Quotas Section in London. Candidates should have preferably a first-class Honours degree. A high standard of ability and clarity on paper is essential, and a reading knowledge of languages useful. Age limit 22-27 years. Candidates should write for a detailed form of application to the Director of Personnel, Courtaulds Limited, 36, St. Martin's-le-Grand, London, E.C.1, quoting the reference number A.49.

SCRIBBANS-KEMP, LIMITED

NARROWING PROFIT MARGINS

The twenty-second annual meeting of Scribbans-Kemp, Limited, was held on September 21st in London, Mr H. Oliver-King (chairman and managing director) presiding.

The following are extracts from the chairman's circulated statement:—

The aggregate profit shown by the consolidated profit and loss account is a satisfactory one, but this profit is the total of profits from a group of companies whose main concern includes such a variety of interests as retail stores, tea, transport and the manufacture of cakes and biscuits. It has been the policy of the board for some years to broaden the base of this business, and as far as possible we are taking care that your profits are drawn from a variety of interests, which should spread the commercial risk and tend towards stability. While in the aggregate the profits show an increase on last year, we are experiencing a general narrowing of the profit margins in all our companies, with the result that profits tend to be lower. There has, however, been no decrease in the turnover, nor has there been any lessening of the demand for our products. This state of affairs is likely to continue while there is the present shortage of raw materials.

As regards our own food manufacturing companies, their production is still limited by shortages in many materials. Group reserves total £3,446,284, which is a satisfactory position.

While I cannot, of course, forecast the future, subject to this restriction the "trade winds" appear to be set reasonably fair.

The report was adopted and the interim dividends, totalling 7 per cent., less tax, on the ordinary shares and 19 5/6 per cent. on the deferred shares, less tax, were confirmed.

BRITISH BORNEO TIMBER COMPANY, LIMITED

The twenty-ninth annual general meeting of the British Borneo Timber Company, Limited, was held on September 22nd in London, Mr H. W. Horner, A.C.A. (the chairman), presiding.

The following is an extract from his circulated address:—

The directors are glad to be able to present to you accounts which show results sufficiently satisfactory to warrant, in their opinion, the resumption of dividends, thus realising the hope expressed in my address to you last year, and we recommend a dividend at the rate of 8 per cent., less tax.

Despite the great progress made since the company recommenced business in 1946, we have not yet attained the volume of production which we achieved in the years prior to the Japanese invasion. No effort has been

spared to obtain the maximum production practicable, but circumstances beyond our control have impeded us. Our plans for rehabilitation and development continue and are likely to make heavy demands on our financial resources. These, fortunately, are now assuming substantial proportions and, as you will observe, are largely in the form of ready cash.

We are maintaining steady sales of timber in two of our most important markets, the United Kingdom and Australia, the results in the latter market having been particularly gratifying. The markets in Shanghai and, to a lesser extent, in Hongkong, have been adversely affected by recent political developments in China. The general demand for timber, however, remains strong, although margins of profit are trending downwards, and we have every reason to hope that results for the current year will be satisfactory.

The report and accounts were adopted.

HACKBRIDGE CABLE HOLDINGS

A SUCCESSFUL FIRST YEAR

The first annual general meeting of Hackbridge Cable Holdings, Limited, was held on September 21st, in London, Mr C. J. Steen, the deputy chairman, presiding in the absence through indisposition of the chairman and managing director, Mr C. W. Bloomfield.

The following is an extract from the chairman's statement, which had been circulated with the report and accounts for the period to March 31st, 1949:

In the particulars published in September, 1948, it was indicated that the current profit would not be less than that for the preceding year, and this has been achieved, as the trading profit for the year of £259,898 compares with a figure of £252,425 in the preceding year.

Taxation requires a provision of approximately £145,000, leaving a combined net group profit of £115,187. Of this sum, £50,889 is the proportion of the net profit for the year attributable to the period prior to our acquisition of the operating companies on September 8th, 1948, and accordingly we are left with a balance of £64,298 for appropriation in accordance with your board's recommendation in the directors' report. You will notice that of this balance, £25,464 has been retained in the accounts of the subsidiary companies.

With so many complex and uncertain factors surrounding the trade situation at present you will not expect me to indulge in prophecy. I can, however, assure you, from the results of the four months' trading of the current year and the orders in hand, and from the strong technical and financial position of your company, that we are entitled to take a confident view of the future.

The report and accounts were unanimously adopted.

EXCELLENT prospects exist in Pakistan for British business. English businessman resident therein, who possesses highest credentials and sound knowledge country's business economy and politics, offers services as personal representative to old-established British Company or group which is considering development in this Dominion. Arrangements can be finalised in London in November.—Write Box E.W.G., c/o 95 Bishopsgate, E.C.2.

WORKS MANAGER (ASSISTANT).—Responsibilities involve sound knowledge labour utilisation and methods, rate fixing, production management, stores control and relationship with costing organisation. Painters' Brushes and other brushware and component parts. Experience light industry desirable but not necessarily in Brush Trade. Adequate remuneration. Reply in confidence, letters only, stating age, scope of capabilities, experience, etc.—The Secretary, Christopher Leng & Sons Ltd., Hazelwell Brush Works, Birmingham 30.

OXFORD Economics graduate seeks post in Trade association or large enterprise. Has good Honours Degree and varied experience of applied economics in sphere of Government and professional research.—Box 206.

FOR Sale.—Economist from June 15, 1946 (5364) to July 30, 1949 (5527), complete except 5391, 5444, 5446, 5451 and 5458. Offers.—Box 207.

FEDERATION of Civil Engineering Contractors require qualified English Solicitor, age about 30, as Assistant Secretary. Commencing salary £800.—Apply Box 215.

Investment Statistics

Company Notes

Pye Limited.—A cross-licensing agreement has been signed between Pye Limited and the Radio Corporation of America covering patents television and radio equipment and accessories.

Furness Withy.—Consolidated trading profit declined from £4,341,761 to £4,236,563 in the year ended April 30, 1949. Other income is lower at £459,170 compared with £545,779 in the previous year. The written down value of shipping property and payments on account of new tonnage has been increased from £12,420,651 to £16,503,753. Net current assets are lower at £2,405,344 against £5,857,398.

Gestetner.—Consolidated trading profit has risen from £658,280 to £779,271 and net profit from £234,713 to £251,625 in the year to August 31, 1949. Export and home market sales have been at a record level.

Tootal Broadhurst Lee.—Consolidated trading profit increased from £1,765,745 to £1,969,189 in the year to June 30, 1949.

Trinidad Petroleum Development.—Net profit for the year to July 31, 1949, declined from £267,280 to £221,670. The dividend of 16½ per cent tax free is unchanged.

Powell Duffryn.—Consolidated net profit including £100,000 (£268,893) not arising from the year's trading has declined from £939,176 to £652,106 for the year to March 31, 1949. The latest figure excludes "interim income" for the three months to March 31, 1949. The dividend for the year is 8 per cent.

Peninsular and Oriental.—An interim dividend of 8 per cent has been declared on the deferred stock for the year to September 30, 1949. The increase from the interim of 4 per cent paid in 1948 is not to be regarded as foreshadowing an increase in the total distribution for the year.

Associated London Properties.—Consolidated net revenue for the year to June 24, 1949, amounted to £67,215 (£68,296). It is recommended that the dividend be increased from 4 per cent to 5½ per cent.

Qualcast.—Consolidated net profit for the year to June 30, 1949, before taxation

increased from £320,229 to £409,315. An increase in the dividend from 60 per cent to 65 per cent is recommended. It is proposed to capitalise £169,919 of the share premium account by way of an issue of 5s. ordinary shares on a one for one basis.

Zinc Corporation.—Consolidated trading profit increased from £1,690,076 to £2,628,823 in 1948. Consolidated profit after taxation amounted to £715,470 against £534,120.

Nchanga Consolidated Copper Mines.—The balance on operating account for the year to March 31, 1949, increased from £814,850 to £1,612,098. Production of blister copper expanded from 23,621 long tons to 32,876 long tons.

Tronoh Mines.—Sales of tin ore and stock at net sale price rose from £293,869 to £445,045 in 1948. Profit for the year amounted to £345,249 compared with £150,585 in the previous year.

Capital Issues

Consolidated Zinc Corporation.—Holders of the £750,000 4½ per cent redeemable preference stock of Broken Hill Corporation held by "outside" interests are offered an exchange into one Consolidated Zinc Corporation 4½ per cent £1 preference share plus 1s. cash for each £1 unit of Broken Hill Corporation preference. The offer will remain open until October 10, 1949 or any such later date as may be decided by C.Z.C., and is conditional on its acceptance by holders of not less than 90 per cent of the total preference capital of Broken Hill Corporation or such lower percentage as C.Z.C. may later decide as sufficient.

English Card Clothing.—It is proposed to capitalise £49,293 of reserves by the distribution of 197,972 fully paid 5s. ordinary shares on the basis of one new 5s. ordinary share for every £1 15s. ordinary stock held.

Automatic Telephone and Electric.—An offer of 315,621 £1 ordinary shares (the unissued balance of the company's capital) will be made to ordinary and deferred stockholders on the basis of three new shares for

each £10 of ordinary or deferred stock held on September 9th. The issue has been underwritten by the Telephone and General Trust.

Allen West.—Permission is being sought to capitalise £365,625 of reserves by way of a bonus distribution of three 5s. ordinary shares for every five 5s. units of ordinary stock held.

W. & J. Martin.—It is intended shortly to capitalise £50,000 of general reserves and apply it by paying up in full 200,000 5s. ordinary shares to be distributed to ordinary shareholders in the proportion of one new share for each two ordinary stock units held.

Mawchi Mines.—Applications are invited for subscription to an issue of £150,000 5 per cent five year secured registered convertible notes at par. The last day for receiving applications is October 3, 1949.

Henry Mason (Shipley).—It is proposed to capitalise £17,000 of reserves by way of an issue of 68,000 fully paid 5s. ordinary shares to ordinary shareholders in the proportion of one bonus share for every five held.

New Issue Prices

Issue	Issue Price (£)	Price, Sept. 21, 1949
Ambler (11s. D. 4s. 6d. 50 pds.)	100/1	51-52
Assoc. Fishings, Pref.	21/0	18 9-19 3
Babcock & Wilcox	57/6	63 6-64 8
Do. 4½, Pref.	20/0	19 4-19 9
Barbados Elec., Pref.	20/6	19 9-20 3
Clarke (T.), 2½	3 4½-3 7½	
Fattorini, Pref.	20 3/4	20 0-21 10 4
Goldthorpes, 1	2 3/4	2 4-2 9 1/2
Gray's Carpet, Deb. (20 pds.)	100	46-48
Guest, Kent (20 pds.)	37/6	22 9-23 3
Laurel Cotton	20/0	31 3-32 3/4
Libbies, 4½, Pref.	20/9	20 6-21 3
Island, 4½ (25 pds.)	99	8 1-8 1 1/2
N. Rhodesia (50 pds.)	2 1	1 1-1 1 1/2
London Asiatic Rubber	9 1	2 5/8-2 9 1/2
Preston (T.), 1	10 5	12 0-13 0
Retary Hoes, 5	16 9	12 0-13 0
Smith, W. H. (Hid.) A (20 pds.)	40/0	23 3-22 5
Do. B (4½ pds.)	8 0	4 3-4 6
Do. 4½, Pref. (10 pds.)	20/0	11 3-11 9
Do. 7½, Pref.	21 9	29 9-30 9
Standard Fireworks, Pref.	21 9	19 5-20 5
Stifford, 5	5 0	16 3-17 3/4
Teleph. & Gen. Trust, 3½, Deb.	101 1/4	97-101
Whitbread, Deb. (20 pds.)	100	16 1-17 1
Widmut-Breedon, Pref.	20/6	19 3-20 3

* Placing.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 17, 1949, total ordinary revenue was £44,183,000, against ordinary expenditure of £75,410,000 and issues to sinking funds £350,000. Thus, including sinking fund allocations of £8,197,000, the deficit accrued since April 1st is £379,000 against a surplus of £215,955,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to Sept. 18, 1948	April 1 to Sept. 17, 1949	Week ended Sept. 18, 1948	Week ended Sept. 17, 1949
ORDINARY REVENUE					
Income Tax	149,000	382,291	367,953	6,727	7,543
Sup. Tax	105,000	23,850	32,960	550	700
Estate, etc., Duties	176,000	84,950	85,860	2,750	4,300
Stamps	48,500	25,535	22,900	1,050	700
Profits Tax	240,000	58,810	119,760	4,800	5,600
E.P.T.	1,000	55,450	21,800	2,400	900
Other Inland Rev.	25,000	12,950	12,900	900	400
Special Contributions					
Total Inland Rev.	208,500	644,936	664,093	19,587	20,143
Customs	829,650	381,260	367,982	14,672	15,136
Excise	663,600	336,400	315,700	3,600	3,500
Total Customs & Excise	1493,250	717,660	683,682	18,272	18,636
Motor Duties	54,000	9,454	9,366	...	...
Surplus War Stores	44,000	22,376	47,427	...	...
Receipts from Trading	18,000	826	4,045	...	...
P.O. (Net Receipts)	...	...	760	...	200
Wireless Licences	12,000	3,300	3,640	...	...
Crown Lands	1,000	390	280	...	...
Receipts from Sundry Loans	20,000	9,074	10,404	...	...
Interest Receipts	50,000	75,853	28,108	1,368	5,204
Total Ord. Rev.	3777,750	1484,629	1451,294	39,228	44,183
SELF-BALANCING POST OFFICE					
Income Tax on E.P.T. Refunds	159,630	68,600	72,100	2,100	2,300
Do. 4½, Pref. (10 pds.)	5,700	3,640	4,681	107	237
Total	3943,080	1556,689	1528,075	41,435	46,720

Expenditure	Estimate, 1949-50	April 1 to Sept. 18, 1948	April 1 to Sept. 17, 1949	Week ended Sept. 18, 1948	Week ended Sept. 17, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	239,051	235,199	2,306	2,310
Payments to N. Ireland	30,000	8,792	14,188	...	...
Other Govt. Fund Services	12,000	3,327	5,029	102	...
Total	527,000	257,170	254,416	2,408	2,310
Supply Services	280,270	100,943	118,909	73,000	71,100
Total Ord. Expd.	332,970	126,060	144,347	75,408	73,410
Sinking Funds	...	8,069	8,197	...	350
Total (excl. Self-Bal. Expd.)	332,970	126,060	144,347	75,408	73,410
SELF-BALANCING POST OFFICE					
Income Tax on E.P.T. Refunds	159,630	68,600	72,100	2,100	2,300
Do. 4½, Pref. (10 pds.)	5,700	3,640	4,681	107	237
Total	3495,070	1349,910	1528,453	77,615	76,297

After decreasing Exchequer balances by £289,900 to £5,374,913, the other operations for the week increased the gross National Debt by £36,409,057 to £25,380 million.

NET RECEIPTS (£ thousand)

Post Office and Telegraphs	800
E.P.T. Refunds	290
Local Authorities Loans Act, 1945, s. 3(1)	6,250
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war credits	282
Total	10,622

NET ISSUES (£ thousand)

Philippines	290
Poland	800
Portugal	6,250
Switzerland	3,000
Turkey	282
Total	10,622

CHANGES IN DEBT (£ thousand)

Receipts	Payments
Treasury Bills	94,248
Tax Reserve Certs.	1,653
Other Debt	15,524
Total	111,425
Treasury Bills	400
2½, Def. Bonds	45
3½, Def. Bonds	442
Other Debt	12,463
Ways & Means Advances	10,675
Treasury Deposit Receipts	62,000
Total	76,025

FLOATING DEBT (£ million)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1948				
Sept. 18	2210-0	2399-7	300-5	1460-5
1949				
June 18	2210-0	2257-5	330-8	1204-5
30	4475-8	329-9	...	1243-5
July 9	2210-0	2255-2	345-2	1253-0
16	2210-0	2288-7	343-8	1255-0
23	2210-0	2281-3	338-8	1254-5
30	2210-0	2266-2	335-5	1246-5
Aug. 6	2230-0	2247-7	331-1	1224-0
13	2260-0	2228-1	312-6	1199-0
20	2300-0	2237-3	325-3	1189-0
27	2330-0	2231-2	310-8	1169-0
Sept. 3	2380-0	2231-7	357-6	1122-0
10	2430-0	2238-5	357-8	1078-0
17	2490-0	2272-2	346-4	1026-0

TREASURY BILLS (£ million)

Date of Tender	Amount Offered	Amount Applied for	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1948				
Sept. 17	170-0	263-8	170-0	10 3-31
1949				
June 17	170-0	276-6	170-0	10 5-92
24	170-0	289-9	170-0	10 5-82
July 1	170-0	294-9	170-0	10 5-48
8	170-0	299-1	170-0	10 5-26
15	170-0	293-8	170-0	10 5-56
22	170-0	299-5	170-0	10 5-39
29	190-0	321-6	190-0	10 4-99
Aug. 5	200-0	309-4	200-0	10 5-36
12	210-0	275-7	210-0	10 6-03
19	200-0	287-4	200-0	10 5-64
26	220-0	263-5	220-0	10 5-33
Sept. 2	220-0	308-9	220-0	10 5-58
9	230-0	280-6	230-0	10 3-23
16	220-0	261-9	220-0	10 3-46

On September 16th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 80 per cent of the amount applied for at 99 17s. 5d. and applications at higher prices were accepted in full. (£230 million (maximum) of Treasury Bills are being offered for September 23rd. For the week ended September 24th the banks will not be asked for Treasury deposits.

STERLING EXCHANGE RATES

	Old Rate	New Rate
Belgium & Luxembourg	franc 176	140
Canada	\$ 4.03	3.08
France	franc 1,097	980
Greece	drachma 32,600	42,000
Iran	rial 129	90
N.W. Indies	dollar 7.60	6.28
Pakistan	rupee 1/6	2/2
Philippines	peso 8.10	6.63
Poland	zloty 161.2	1120
Portugal	escudo 100.8	80.8
Switzerland	franc 17.35	12.12
Turkey	lira 11.3	7.9

BANK OF ENGLAND

RETURNS

September 21, 1949

ISSUE DEPARTMENT

Notes Issued:			
In Circulation	1267,548,789	Govt. Debt	11,015,100
In Bank of England	82,808,034	Other Govt.	1358,250,536
		Securities	742,556
		Other Secs.	12,028
		Gold (other than gold)	12,028
		Issue of Gold	1350,000,000
		Gold Coin and Bullion	at 248s. 3d. per oz. fine) 356,823
			1350,356,823

BANKING DEPARTMENT

Capital	14,553,000	Govt. Secs.	318,373,941
Reserves	3,961,449	Other Secs.	38,694,070
Public Deposits	36,944,350	Discounts and Advances	16,224,811
Public Accounts	11,591,700	Securities	22,469,250
Special Acc.	25,352,650		
Other Depos.	389,763,709	Notes	82,808,034
Bankers	293,659,120	Com.	5,346,463
Other Accts.	96,104,589		
	445,222,508		445,222,508

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

COMPARATIVE ANALYSIS (£ million)

Issue Dept.	1948	1949
Notes in circulation	1237.8	1267.5
Notes in banking department	62.4	77.7
Government debt and securities	1299.2	1349.3
Other securities	0.7	0.7
Gold	0.2	0.2
Valued at s. per fine oz.	172/3	172/3
Banking Dept.		
Deposits	17.2	9.9
Public Accounts	301.0	284.5
Bankers	293.6	293.6
Others	92.2	91.3
Total	463.2	396.3
Securities		
Government	389.6	301.8
Discounts, etc.	6.6	7.6
Other	21.8	22.9
Total	418.0	331.9
Banking dept. res.	63.7	82.9
"Proportion"	13 7	20 9

* Government debt is £11,015,100, capital (£14,553,000). Fiduciary issue raised from £1,300 million to £1,350 million on July 6, 1949.

GOLD AND SILVER

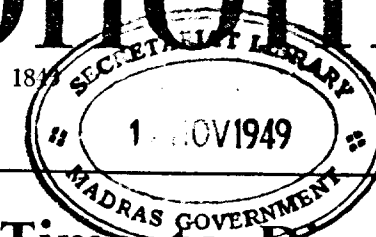
The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 3d. per fine ounce on September 15th and the selling price to authorized dealers from 178s. 6d. to 252s. 0d. per fine ounce. Spot cash prices were as follows:—

The Economist

Established 1843

October 1, 1949

One Shilling



Time to Dissolve

LEADING ARTICLES

Time to Dissolve - - - - -	705
Back to the Atom - - - - -	706
Flushing Meadows and Peking -	708
The Health of the Book Trade -	710

NOTES OF THE WEEK - - - - -	712
-----------------------------	-----

Muddle Over the D-Mark; Stubbornness in Paris; Economic Debating Society; Mr Strachey Looks Abroad; First Week at the Assembly; Moderate Optimism at The Hague; Railway Wages; Towards a National Minimum?; Sterling Price, Dollar Price and World Price; Holland Balances the Budget; Does India Fear a Plebiscite?; Industrial Research; Housing Act in Action; No More Fogs; Correction

LETTERS TO THE EDITOR - - - - -	717
---------------------------------	-----

BOOKS AND PUBLICATIONS - - - -	718
--------------------------------	-----

AMERICAN SURVEY

Tariff Perils - - - - -	720
State Fair - - - - -	721

Arms and the Bomb; UE Blows a Fuse; Point Four Tomorrow; America's Achilles Heel; Shorter Notes.

THE WORLD OVERSEAS

The Commonwealth Confers - - -	725
Show Piece in Budapest; Canada and the Devaluation of Sterling.	

THE BUSINESS WORLD

Freedom for Metals - - - - -	729
Ships, Shipyards and Devaluation - - - - -	731

BUSINESS NOTES - - - - -	733
--------------------------	-----

The Political Chancellor; Profits Tax Raised; The Choice of the Rate; Diagnosing Inflation; No Correctives in Sight; "Profiteering" Markets?; Help from the Fund?; New Exchange Rates; Prices After Devaluation; Revaluation Clauses; Devaluation of the D-Mark; Freer Trade in Europe; Radiolympia; Dollar Steel for the Motor Industry?; Radical Talk on Productivity; Higher Wheat Price; International Commodity Clearing House; Pakistan and India; Repayment of Czech Debts.

INSURANCE SURVEY - - - - -	742
COMPANY MEETINGS - - - - -	752
INVESTMENT STATISTICS - - - - -	758
STATISTICAL SUMMARY - - - - -	759

Vol. CLVII No. 5536
THE ECONOMIST, 22, Ryder Street, St. James's London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
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OTHER NOTICES APPEAR ON PAGE 701

additional stimulus to inflation—as it undeniably does—and if, finally, inflation has become more dangerous than ever, then the logical conclusion can only be that there ought to be at the very least a stiff new dose of disinflation or more probably a whole new approach. Yet, with the election coming, Sir Stafford dare not do anything that looks like a further confession of error.

All that he can do is to point once again to the necessity for increased productivity, for doing nothing—“literally nothing”—to increase incomes, and for renouncing “that easy-going get-rich-quick attitude to life that in all levels of society has found its postwar devotees.” But if these things are so urgently necessary, why does not the Government adopt policies that will bring them about? Socialists, above all other people, believe that the national economy can be made to respond to governmental policies. Why do they refuse to admit the truth of their own doctrines in their most important application? Why do they cry havoc in tones of ever-rising urgency, and refuse to do anything about it? The answer, of course, is that remedial action would be unpleasant, and unpleasant actions cannot be undertaken on the eve of an election.

So they are compelled once again to fall back upon mere exhortation. But if words ever had the power to influence economic phenomena, they have lost it. Does Sir Stafford himself really believe that “literally nothing” will be done by the trade unions to increase wages? If so many unions were so determined to secure an increase before devaluation started the cost of living on an upward jump, is it really conceivable that they should be ready to be more docile now? Moreover, Sir Stafford should realise that—through circumstances that are only partly his fault—his own words have inevitably lost a great deal of whatever force they possessed. He has shown how easily they can be eaten. And, as if this were not enough, the one specific piece of policy that he did announce on Tuesday might have been deliberately chosen to destroy his credit with the other half of the nation just as fully as devaluation has undermined his credit with the unions. The increase in the rate of distributed profits tax from 25 per cent to 30 per cent is not, in itself, a large matter—particularly since the increase is subject to the deduction of income tax. But as a revelation of the Chan-

cellor's mental processes it is most significant. The profits tax is a thoroughly bad one by any canon of public finance—no one has more forcefully argued this than Dr Dalton in the days when he was an economist. The total of distributed profits is far too small to have any influence on inflation or deflation. There is no justice in further penalising one of the very few classes of income which, in real terms, is smaller than it was before the war. And there is no logic in choosing this moment to reduce still further the already slender incentives to success in business. Yet these considerations are nothing to a Labour Chancellor when he has to placate the unions. He will always be ready to take a blind, vindictive swipe at the other half of the nation—regardless of reason, justice or its probable effects—as a means of buying off Transport House for another week or two. How, if he does such things, can he expect to get results from moral appeals? And yet he has no other instrument for achieving those changes in the economic atmosphere that he knows to be urgently necessary. It is impossible to resist the conclusion that the atmosphere will not be changed and that unchanging policies will continue to produce unchanged results. That is to say that the progressive deterioration in the value of the pound which has been going on for a decade—now fast, now more slowly—will continue, probably rather faster than before, and that devaluation will prove to be merely another of those expedients which lead back to crisis as soon as they are exhausted.

From all this, one immediate conclusion emerges with startling clarity. The sooner the General Election is held, the better. It would take a major prophet to calculate which party would gain an advantage if the election were held this autumn rather than next spring, since the conditions of next spring are so very difficult to foresee. But though Mr. Churchill may be wrong in thinking that he would win an autumn election, he is certainly right—right beyond any possibility of denial—in saying that “it is high time for a new Parliament, and all our difficulties will have a better chance of being solved in a new House of Commons.”

The British nation cannot afford nine more months of paralysis of policy. Whoever wins the election, there will then be at least a chance of courage and realism. Dissolution is the patriotic course.

atomic system could doubtless be devised. The precondition of confidence exists. But Mr Vyshinsky has left the western world in no illusions about his Government's views. His speech before the General Assembly did not differ by one jot from a score of previous harangues in which the imperialism and the warmongering of the west were compared with the peaceful intentions of Russia. Nor have the western Powers changed their view. Mr Vyshinsky's provocative address called from Mr Bevin a sombre rejoinder in which was repeated, for the Assembly's benefit, the whole record of Russia's troublemaking since the end of the war.

This is the background of Mr Vyshinsky's proposals that the five great Powers should form a peace pact and that atomic weapons should be banned and “a rigid system of international control” introduced. The western Powers will naturally not reject any opening for a constructive settlement of the difficulties between east and west but, given the background of distrust, what in fact do the proposals amount to? A peace pact presumably involves the settlement of the outstanding issues which stand in the way of peaceful

conditions. Many of these are due to be discussed at the Assembly itself. One at least is already on the agenda for an informal meeting between the four Foreign Ministers. If, as a result of these public and private discussions, it becomes clear that the Russians are ready to end their satellites' intervention in Greece, to call off the war of nerves against Yugoslavia, to demand only a reasonable share of Austria's oil prospecting rights and to attempt a genuine restoration of trade and traffic in Germany—if all these particular points appeared upon Mr Vyshinsky's agenda, then indeed the first steps towards a “peace pact” would have been taken. But does anyone suppose that it is such solid, definable and ratifiable agreements that the Soviet Foreign Minister has in mind?

The same difficulty of translating propaganda speeches into practical propositions arises in relation to Mr Vyshinsky's proposals on atomic energy. What type of international control has he in mind? If it is to be effective, it must concede to an international body the right of supervision. So far, the only forms of supervision the Soviet Government has been ready to consider are those proposed by itself and dismissed as inadequate by a nine to two vote in the Atomic Energy Commission. Does Mr Vyshinsky's reference to “international control” presage a new flexibility in Russian policy? If so, then indeed the Atomic Energy Commission can usefully return to its work, which, it will be recalled broke down over a year ago precisely upon this issue of supervision. But if the Soviet Government is ready to do no more than repeat its demand that all stocks of bombs should be destroyed and their use banned without any adequate form of inspection, the deadlock is exactly where it was before. There is no confidence in the west—and possibly in the east too—that such an agreement would in fact be observed.

The conclusion is inescapable. To ensure atomic control, the problem of supervision must be overcome. To restore peaceful relations (with or without a comprehensive pact), concrete agreement on the various matters in dispute must be sought and achieved. If Mr Vyshinsky really proposes a new Soviet policy, the test of his peace pact will be not speeches directed at mass opinion, but concessions on such troublesome issues as Greece's northern frontier or Austria's reserves of oil. Similarly the test of his atomic proposals will be readiness to discuss genuine international supervision of atomic power. The western powers should take up his proposals in this light and attempt both in private discussion and by using the United Nations machinery to turn his generalities into concrete issues upon which agreement can be achieved. In particular, a new attempt to breathe life into the Atomic Energy Commission is certainly worth the effort. Yet it must be admitted that if Mr Vyshinsky does in fact intend a startling change of front, no evidence for it has been placed before the Assembly.

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Is the world, then, condemned to look on at as grisly a spectacle as has ever faced mankind? Russia has the bomb. Is the outcome to be an atomic armament race in which enough explosive to destroy the planet is stored up and finally released? It cannot, of course, be absolutely proved that the fatalities of the past will not be repeated, but arms races are not automatic. They depend upon the decision of governments and there are at least some grounds for believing that the two governments chiefly concerned in the potential race may not follow the pattern set by Germany before each of the two world wars. The United States would certainly arm only defensively. In spite of all the evidence of Russian military strength, the rearmament of the United States is still, in terms

of America's national income, a modest affair and the Arms Bill, which provides over a billion dollars for rearming the countries of western Europe, has been passed only with the greatest reluctance and after a determined attempt to halve the sum. In spite of Soviet screeching about American warmongering and belligerency, this is not the mood or tempo of an armaments race. Nor will the pace quicken unless there are the most provocative proofs of Russian preparations for aggressive war.

The certainty or otherwise of an arms race will thus be decided in the Kremlin and, however unaccountable its ultimate designs may be, there is at least some evidence to suggest that the precipitation of a major war is not among them. The communique issued by Moscow after the western announcement that Russia has the bomb could hardly have been written in less aggressive terms. It contained no flourishing of the new weapon, no warnings, no menaces. On the contrary, a half-amused attempt to lower international tension can be read into the suggestion that, although Russia has in fact possessed the atomic secret for two years, what the western powers may have overheard was blasting operations in connection with Russian reconstruction.

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It would, of course, be rash to base an estimate of Russian policy simply on the Soviet Government's published statements. As Mr Bevin pointed out in his speech to the Assembly, the regime has perfected a method of double talk in which words are used in the sense precisely opposite to the normal meaning—“people's democracy” for dictatorship of the party, “free election” for forced plebiscite, “peace-loving and independent” for subservience to Russian policy, and so forth. But there are sound reasons, quite apart from Russian professions, for believing that vigorous preparations for an aggressive war form no part of the Soviet grand strategy. The Russian system, based upon a vast underdeveloped, underpopulated empire, does not need the outlet of war. In any case, even if Russian ideology were as essentially aggressive as that of the Nazis, the strategic conditions in Europe have undergone a revolutionary change. Even Hitler might have hesitated to launch a war had he known that aggression in Europe would have brought the United States into it from the start. Only if the Americans were to retreat to isolationism, would Russia be exposed to any really strong temptation to expand by force. It does not need an arms race to bring home to the Kremlin America's determination to remain concerned with European defence. It entails no more than steadfast American participation in the Atlantic Pact.

The decisive reason, however, for believing that the Russians do not seek aggressive war and are not preparing for it lies in their almost certain belief that war is not the best instrument of Soviet ambitions. The last two years have given Russia danger signals enough of the risks of direct Soviet intervention in Europe. The revolt of Tito and the Allied victory in the Berlin airlift are only the two most outstanding examples of damaging failure in the Soviet conduct of foreign affairs. But at the same time, world Communism has achieved its most fateful triumph since 1917 in the Communist conquest of China. Communism is a better instrument than war for achieving Russian objectives.

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The western Powers are thus faced with a situation that is both better and worse than their preoccupation with the atom bomb suggests. It is better because the likelihood of an immediate Soviet threat to peace is remote. It is worse because the challenge offered by the Soviets is more wide-

Back to the Atom

WHEN President Truman, Mr Attlee and Mr St. Laurent announced to the world last week that Russia can now produce atomic explosions, they chose an opportune moment. The United Nations Assembly had just started its deliberations and the chances of direct contact with Soviet Russia were thus better than usual. At the same time, the three Governments could hope that the announcement would inject a new seriousness into the discussion of atomic control in the Assembly and that a heightened sense of the bomb's menace would send the Atomic Energy Commission back to work.

Theoretically, the fact that Russia now has the bomb strengthens the case for international control. Actually, the likelihood of securing control remains precisely where it was before the spectacular announcement was made. The achievement of an effective system for the internationalisation of atomic energy depends upon the political relations between the great Powers, and these have not changed decisively as a result of Russia's atomic advance. Between, say, Britain, Canada and the United States, an international

spread, more insidious and more difficult to meet than any move that can be countered by the dropping of a bomb. The strategy of resisting foreign aggression is, after all, familiar. The speed and relative ease with which a Western Union Pact, an Atlantic Pact, joint military committees and joint chiefs of staff have come into being shows that the nations were slipping into positions with which they were familiar and had to some extent occupied before. But the struggle against Communism leads the western Powers out into uncharted lands where the sacrifice of traditional, political and economic thinking may be great and the necessary forms of collaboration will certainly be uncomfortably new.

Mr Bevin told the Assembly—with justification—that the Soviet prophets who had been waiting for a repetition of the economic crisis of 1929 were waiting in vain. History did not necessarily repeat itself and the degree of co-operation achieved in the western world gave the lie to Soviet expectations. All this is true—so far. But can any unbiased observer look at the western nations today and believe that they possess both the secret of stability and a genuine world strategy for countering Communism? In America, the recession seems in its turn to be receding but the ominous danger signal of surpluses has appeared—and no policy would play more readily into the Communists' hands than a reduction of American output because of surpluses when the non-American world remains a prey to want. In Europe, between the

extreme liberalism of the continental governments and the dogmatic statism of the British, no common term has yet been found and every economy, liberal or controlled, faces the unsolved problem of the dollar gap. In the world beyond, the new Asiatic Governments are divided between the claims of economic reality on the one hand and Communist-fanned demands for immediate economic and social betterment on the other, and the same dilemma will arise in the Middle East and Africa before very long.

None of these problems can be solved in the short run. Each demands the sustained co-operation of the western powers for as many years as any responsible statesman can foresee. But so far, they have not even taken the preliminary step of determining that, at whatever cost to sovereignty and preconceived economic thinking, they will work together and turn what is today little more than a hesitant military alliance into a lasting partnership. It is typical of the west that talk of unity has never been more widespread and examples of co-operation more frequent—in Strasbourg, in the OEEC, in the Ministers' Committee set up after the Washington talks—but also that, behind it all, remains unchallenged and unchanged the principle of exclusive national sovereignty. The decision to undertake together the long campaign against Communism and to spare nothing in the process has still to be reached. Until it is, the nations of the west will be pursuing expedients, not policies, and the fundamental problem—their survival—will remain unsolved.

Flushing Meadows and Peking

THE Chinese Nationalist Government has decided that, if its days are numbered, it will go out not with a whimper, but with a bang. Its delegation to the Assembly of the United Nations, led by Dr T. F. Tsiang, has for the first time raised before Uno the question of Russian aid to the Chinese Communists and violations of the Sino-Soviet Treaty of 1945, and has thus brought the whole issue of the Chinese civil war into the international arena. For in this case it is not only a matter of investigating, or passing judgment on, alleged acts of aggression by one state against another, it is, or soon will be, a question of deciding what authority in China has the right to speak for China and whether a Nationalist or Communist Government is represented as one of the Big Five on the Security Council.

While speeches are being made at Flushing Meadows, a "People's Political Consultative Council" summoned by the Communists to Peiping—which has been given back its old and more familiar name of Peking, as it is to be once again the capital of China—has been preparing to create a new central government for all of China now held by the Communist armies—that is to say, the greater part of the country. Hitherto there have been only regional administrations co-ordinated by the Chinese Communist party, and there has thus been no state authority claiming to be the Government of China for other governments to recognise diplomatically, even if they had wished to do so. But the challenge to the credentials of the present Chinese official representatives abroad—including diplomats in all countries, delegates to Uno, the Chinese member of the Allied Council in Tokyo and consuls in South-east Asia—now appears to be imminent. The satellites of the Russian bloc may be expected to accord recognition at once to a Communist-led Government—for Communist China has shown itself sound in relation to the Tito heresy—and the western powers will

then have to make up their minds, if they have not already made them up, whether or not to do the same. If they withhold recognition, the situation will arise in Uno, and on all international bodies, that different sets of Chinese representatives are recognised by different nations.

If the issue had been left to individual governments, it would have been decided by each according to its special views and interests, and the smaller nations would probably have followed the lead of two or three of the Great Powers. But by demanding a debate in Uno the Chinese Nationalists have made it more difficult for the leading western powers to transfer recognition without a crisis in international affairs. It is true that the Uno Assembly is not a judicial tribunal and that its decisions are likely to be swayed more by the pressures of current politics than by the rights or wrongs of events in the past. Russian aid to the Chinese Communists—for example the turning over to them of the munition stocks of the Japanese army in Manchuria—dates back four years, and on balance it can be claimed that American material aid to the Kuomintang Government was on a larger scale—though there is a great difference between providing arms to a recognised government and providing them to rebels against such a government. It has to be remembered, too, that Russia in 1945 was not only in diplomatic relations with Marshal Chiang Kai-shek's Government, but had signed a treaty with it providing for an orderly transfer of authority in Manchuria by the Russian occupation forces. If the Chinese delegate presents his Government's case effectively in the international forum of Uno, he should be able to convince the more impartial part of his audience that the complaint against Russia is well founded.

There are, however, important considerations inclining the western powers, and especially Britain, towards recognition of the regime the Chinese Communists are about to

set up. Whatever Russia did or did not do to help the Communists at the outset, it is clear that their power is now independent of Russian military aid or supplies, that they have substantial popular support and that organised opposition to them has disappeared outside half a dozen of the southern and western provinces. The resistance of the Nationalist armies which still cover the approaches to Canton, Kweilin and Chungking has been firmer than was generally regarded as likely after the fall of Nanking and Shanghai, but the Communist armies have continued to advance and there have been no signs of a successful Nationalist counter-offensive. The Communists are now counted as the victors of the civil war, even though they do not yet have control of the whole of China. There is a widespread disposition in London and Washington to say that the issue in China has been decided whether we like it or not, that it cannot be altered, and that the only practical course is to transfer diplomatic recognition to the new regime and try to do business with it, at any rate to the extent that business is done with Poland and Czechoslovakia. Additional to these arguments are the hopes of those who believe that a Communist China will not long remain contented in the Russian camp and that economic need must draw China again more and more towards the west.

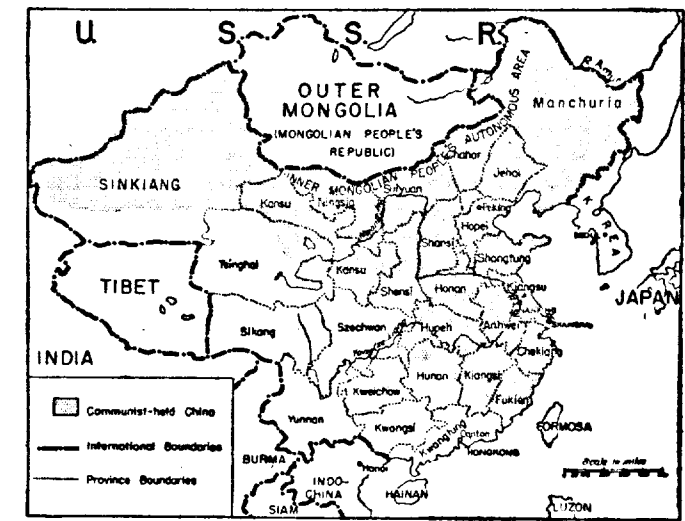
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There is, on the other hand, also a case for going slow in the matter of recognition. A revolutionary regime which has no constitutional continuity with its predecessors, but gradually extends its territory through civil war, has no automatic right to diplomatic relations with other states. It has to request such relations and give a clear undertaking that it is prepared to accept the treaty obligations and liabilities of the state it claims to inherit. If it repudiates such commitments, it is entirely at the discretion of other states whether they accord it *de jure* recognition or not. The Chinese Communists have proclaimed their intention of abrogating treaties and agreements made by the Kuomintang Government, which they describe as treasonable. It is clearly desirable that clarification of the Chinese Communist attitude towards treaties—and on the extent of their claims to territorial sovereignty—should be obtained before the granting of recognition; it should not be left to emerge in due course in a hypothetical atmosphere of goodwill, to be created by the mere fact of diplomatic intercourse. It is above all necessary that the Chinese Communists should not be allowed to suppose that recognition is a right which must be granted to them unconditionally on account of their military victories, or that the western nations are so desperately dependent on their

trade with China that they are ready to put up with any acts of violence or unilateral repudiation of agreements for the sake of a little commercial salvage.

To judge from Mao Tse-tung's encyclical to his followers in July in celebration of the 28th anniversary of the founding of the Chinese Communist party, he rates high his ability in future to call the tune while persuading the western nations, and particularly the United States, to pay the piper. In this remarkable document he wrote:

The anti-fascist Second World War, with the Soviet Union as its main force, defeated three big imperialist powers [Germany, Italy, Japan], weakened two other big imperialist powers [Britain and France] and left only one imperialist country, the United States, without loss. However, the



domestic crisis of America is very grave. She wants to enslave the entire world. . . . If we do business with these countries or if in future they are willing to lend us money on condition of mutual benefits, what is the reason for it? It is because the capitalists of those countries want to make money; their bankers want to get interest to relieve their own crises and it is not to aid the Chinese people.

It is, of course, true that international trade and the granting of commercial credits have economic motives of profit, whether conducted by private enterprise or by government organisations. But Mao Tse-tung is making an unwarranted assumption if he thinks that America is going to be a suppliant for Chinese trade, because of the severity of America's mythical economic crisis. At the present time, at any rate,

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What conclusions can be drawn from this short survey? There can be no doubt that fewer books are now being bought in the bookshops. This was to be expected after the exceptional circumstances of the war, now that more counter-attractions and less money are available. It does, however, seem probable that demand will stabilise well above the prewar level. This comforting reflection does not necessarily give much consolation to individual publishers. In the face of competition many of the newer publishers who cashed in on the wartime boom are bound to go under and many have already gone. There may be some increase in the number of small publishers who are prepared to go under the wing of larger ones, particularly as far as their selling and export organisation is concerned. But in spite of the financial advantages of rationalisation this is a world where individualism reigns supreme. It seems unlikely that many will be prepared to sacrifice the freedoms of independence to the financial advantages of combination—at least on the publishing side. Publishing will continue to be a matter of sink or swim.

NOTES OF THE WEEK

Muddle Over the D-Mark

Nothing could be more unfortunate than the way in which devaluation is being handled in Germany. Even now, ten days after British devaluation, Germans have still no fixed rate. The way in which the whole affair has been handled throws an ominous light on the future of allied relations with Germany. On the one hand, the authority and prestige of the Bonn Government have been severely undermined in the first week of its existence. On the other, the new Allied Commission has given an almost unbelievable example of how not to go about its task.

The sorry business begins with the fact that no preparations whatever had been made in Germany to deal with the consequences of devaluing the pound. The immediate reaction on the part of the Allied authorities was to warn the Germans against precipitate action which would rouse panic among the public. The next step was to tell Dr Adenauer that the High Commission, although it alone had the right under the Occupation Statute to decide upon the value of the D-mark, would show its good will by leaving the Germans to make up their minds first. It was envisaged that the High Commission and the German authorities would then come to an amicable joint decision.

In point of fact the Germans, after initial disagreements, proposed cutting the D-mark by 25 per cent to 22.5 cents; but opposition inside the High Commission came from the French representative, M. François-Poncet. Paris insisted that devaluation of the mark should not exceed 20 per cent. For some time past the French have not been able to sell Saar steel in the German market—where Ruhr steel is cheaper—and they object to the increase in this difference which will result if the mark is cut by more than the franc. They further dislike the prospect of paying more for Ruhr coal, which they pay for in dollars, the price being calculated on the basis of the mark-dollar rate.

Mr McCloy's flight to Paris to break the deadlock was a generous gesture. In Paris, however, it emerged that M. Queuille and his colleagues viewed the affair bitterly as another demonstration of an Anglo-American attempt to force decisions down the throats of the French. It is chiefly on their initiative that the Allied Commission decided to reject the German figure and increase the rate to 23.8 cents to the mark. It appears, however, that even this figure is not to be final; for, in the first place, the Bonn Government must reply to the Allied Commission's proposals, and it is also still possible for the French to withdraw agreement, if the Germans will not meet them on the matter of the price of Ruhr coal. As a result of this thoroughly unsatisfactory business, the authority of the Bonn Government has been made to look and sound hollow in its very first days of office, and the Allied Commission has already revealed basic dissensions.

* * *

Stubbornness in Paris

One of the bewildering features of the whole affair is the light it throws on French policy *vis-à-vis* Germany. In recent months, the French Government has gone out of its way to suggest to the German politicians that France desires nothing better than a new understanding with Germany. M. François-Poncet, the new High Commissioner, has made friendly speeches and established cordial contact, particularly with the Christian Democrats, who have the sympathy of the French Foreign Minister, M. Schuman, on the grounds of a common political allegiance to Christian democracy. Support for a friendly policy towards Germany has also come unexpectedly from General de Gaulle. The General's fear of Russia and hatred of America have now fused in a new policy of conti-

mental isolationism, in which federal Germany will be France's closest ally in resisting both the Slavs and the Anglo-Saxons. Such then, is the propaganda aspect of the French policy in Germany, which will be debated in the Chamber before the month is out.

When, however, it is no longer a question of speeches, contacts and confidential little talks after well chosen meals, French policy takes on a very different appearance. It is no exaggeration to say that the chief reason why every concession made to Germany in the last three years has failed to restore German confidence is because the French have obstructed it until it has long since lost all value in German eyes. The same process is at work now. In the devaluation of the D-mark, it is French intransigence which has left the Germans without a value for their currency since September 18th. It is the French who are trying to raise the internal price of German coal at whatever cost to the Bonn Government in terms of economic stabilisation, in order that steel from the Saar—quietly detached from Germany—may compete in the German market. Yet at the same time, the French insist that the external price of German coal, already below the world level, shall not be increased as a result of devaluation. Again, it is the French who are insisting that no change shall be made in dismantling policy, even though the three Allies have agreed that dismantling should be reconsidered in three months' time as part of a general review of allied policy in Germany. The French have made it clear that they are not committed to any concessions.

This dismantling issue is particularly galling to the British. The factories scheduled for dismantling are in the British zone, and British troops have been used for the dismantling process. Britain is thus bearing the full brunt of German displeasure over a joint policy agreed by all three occupying powers. If dismantling is to continue, the British should receive in this unpleasant business some assistance and public evidence of French and American responsibility.

* * *

Economic Debating Society

This week's emergency session of Parliament has added little or nothing to public knowledge of the economic policies favoured by either the Government or the Opposition. The Government went into the debate very nervous about the attitude of its own back-benchers and about the effect which the increased cost of living consequent upon devaluation might have upon the policy of wage stabilisation. This accounted for much backstairs scurrying beforehand, culminating in a meeting of Ministers with the Parliamentary Labour Party, for the putting up of Mr Aneurin Bevan to make one of the closing speeches, and for the emphasis in the Government's motion on "maintaining full employment and safeguarding the social services." In the event the Labour back-benchers, from preoccupation with the coming election and from lack of any alternative to the official policy, rallied solidly behind the Chancellor. This solidarity was reinforced by the Chancellor's announcement of an increase in the profits tax, which gave the Labour benches the comforting assurance that party advantage is still more important to their leaders than any nonsensical ambitions of economic statesmanship.

Nor were the Government seriously embarrassed by the attack of the Conservative, Liberal or Pritite oppositions. On Tuesday Mr Oliver Stanley was wittily destructive of official pretensions, on Wednesday Mr Churchill was amusingly eloquent, but there emerged no sign of a comprehensive alternative policy. In fact the debate in the House of Commons has been little but a series of accusations from each side of the

House that the other lacks a bold policy to meet the situation. This was accompanied by a vigorous Labour campaign to associate the Tories in the public mind with mass unemployment—a campaign in which the advantage, as is inevitable in politics, rests with the accuser. Mr Aneurin Bevan developed this theme to its climax in his speech on Thursday; in addition he set out deliberately to vilify Mr Churchill, and by suggesting that the latter was nothing but the dupe of the "guilty men," to drive a wedge through the Tory Party. Short-sighted as this kind of abuse may prove—for while it gains Mr Bevan cheers in the House it may lose him votes in the country—it differed only in the brutality of its language from Mr Churchill's attack upon Sir Stafford Cripps.

In contrast to the vulgarity of the debate in the Commons, the two-day debate in the House of Lords saw the development of much more powerful and realist arguments. While Mr Wilson with characteristic naïveté was painting a glowing picture of the great dollar wealth to be scooped up by a new race of Britons skilled in the art of salesmanship, Lord Layton was drawing attention to the far reaching effects that will occur to the pattern of world trade. No less than 60 per cent of the world's import trade and 50 per cent of its export trade are done by countries that have devalued, and the effect of devaluation is to impose a 43 per cent tariff on American exports to this large section of the world market. "It (devaluation) is a clumsy instrument that can only be compared to using a hacksaw instead of a surgeon's knife upon the living body of the world's international trade."

* * *

Mr Strachey Looks Abroad

In his party political broadcast last Saturday, Mr Strachey, the Minister of Food, compared favourably the level of food consumption in Britain with that in other European countries. Statistically this is a dangerous thing to do, but by using the appropriate figures it can be shown that Britain is better off than most European countries (that is, its calorie intake is higher) and not much worse off than the best of them. Mr Strachey did not mention the source of his information, but the accompanying table, based on the food balance sheets of the Food and Agriculture Organisation, bears out the Minister's statements. He said, for instance, that Belgium, "one of the most prosperous countries in Europe today," is getting little more than half as much milk and only about the same amount of meat and fats as Britain is. According to the table that is true. It also shows that the daily British consumption of calories was below only that of Ireland and Denmark, while the daily consumption of cereals was larger than in any country except Italy, Ireland and Luxembourg. In meat consumption Britain was third to Denmark and Ireland; but in milk and fats it was fairly well down the list, though the daily consumption was not very much smaller than in most of the countries above it.

This year's 400,000 British visitors to Europe will find Mr Strachey's way of putting things very puzzling. Do the statistics conflict with the evidence that they saw for themselves? The first obvious objection is to the use of the calorie for purposes of comparison. It measures only the amount of heat energy obtained from food, whereas good feeding depends on a large number of more subtle factors which defy statistical computation. Secondly, most of the European countries produce a large amount of food which is consumed domestically on a most generous scale and which therefore tends to escape the net of official statistics. Finally, the comparison of national diets can give quite artificial results if differences in geography and social environment are ignored. Because a country has a smaller calorie intake, it does not necessarily follow that the people are worse off nutritionally.

What is undoubtedly true is that the level of food consumption in Britain shows less variation between income groups than in most other countries; but that is due to rationing. The real question is whether such an enforced equality, which

restricts personal choice so severely, does in fact contribute to the common good. Perhaps the most suspect point in the statistics is the total calorie intake for Britain. According

FOOD CONSUMPTION LEVELS IN EUROPE, 1947-48
(Consumption Per Day Per Head of Population)

	Cereals	Meat	Milk and Cheese	Oils and Fats	Total Calorie Intake
	Grams	Grams	Grams	Grams	
Belgium.....	297.2	120.3	213.9	47.9	2,667
Denmark.....	294.5	180.8	432.6	44.4	3,125
France.....	279.7	129.0	165.2	29.9	2,567
Ireland.....	361.7	162.9	641.2	51.8	3,599
Italy.....	412.0	39.3	194.2	29.7	2,349
Luxembourg.....	303.2	108.7	345.2	55.8	2,896
Netherlands.....	295.9	63.7	433.2	46.8	2,643
Norway.....	n.a.	71.9	596.4	64.8	2,899
Sweden.....	223.8	113.6	731.2	54.7	2,871
United Kingdom.....	301.7	131.8	403.6	50.7	2,968

to the FAO figures, in 1947-48 it was 2,968, but in the Economic Survey for 1949 the calorie intake was given as 2,863. A difference of 100 calories may not seem large, but if all the figures are subject to the same degree of error, a very different picture might be obtained.

* * *

One of the most disturbing features of the debate was the preoccupation of the House of Commons with the domestic effects of devaluation. Mr Churchill and other speakers did pay some attention to the Government's failure to concert its action with the other European countries, notably France. That the Chancellor's decision to act unilaterally as far as Europe was concerned may have arrested and possibly seriously damaged the prospects of European economic co-operation had little importance for MPs, hagridden by calculations about the size of their majorities. The prospect of the legislature of the greatest international trading power with its eyes turned inwards is not calculated to edify the rest of the world or increase confidence in Britain's economic leadership. However, at one stage on Tuesday evening there was an interesting exchange between certain Labour and Conservative MPs, who had been delegates or observers at Strasbourg, as to what they had or had not said at the Council of Europe. The importance which they attached to this is a sign of the way in which the Council's deliberations may interlock with those of national parliaments.

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First Week at the Assembly

In the last three years, there has been a certain sameness about meetings of the United Nations. The same problems have come up, the same division between east and west has emerged, the same current of fear and hostility has been underneath the brave speeches urging peace and co-operation. This year's Assembly in New York shows some signs of following the same pattern.

Nevertheless, in the first week, two or three events have occurred which promise a different and more lively meeting. In the first place, the easing of the situation in Germany has brought a certain *détente* between the great powers—though whether it can survive the acrimonious wrangle over the status of Nationalist China remains to be seen. In the second place, added urgency has been given to the question of international organisation by the knowledge that Russia has the atomic bomb. Last of all, the Soviet bloc has at last been weakened by the defection of Yugoslavia.

Hitherto, the Yugoslavs have taken the line—in the United Nations—that their exclusion from the Soviet paradise was due to the machinations of the minor members of the Cominform, whereas Russia itself was in some way ignorant of the dispute and therefore not responsible. The Yugoslav delegates therefore continued to vote with Russia on all international matters and to sustain the front against the west. This position they

have now deserted in spectacular fashion. In New York, the Yugoslav Foreign Minister, Mr Kardelj, has launched a direct attack upon the Russians telling them that it is no use calling for a peace pact unless they are prepared to give up their open aggression against Yugoslavia (the part played by the Rajk trial in this is described on p. 726). At about the same time, Mr Pijade declared in Belgrade that the Cominform had in fact "come to an end"; for whereas it had been set up as an instrument of co-operation between equal members, it was now merely a tool of Soviet Secret Police and secret intelligence services. Moscow has now retaliated with a denunciation of its treaty with Yugoslavia.

This dispute between Russia and Yugoslavia is presumably a matter of some embarrassment, even to the inscrutable Mr Vyshinsky. It is one thing to attack capitalist states as warmongers; it is more difficult when the state under attack is almost as orthodoxly Communist as Russia itself. But the implications of the dispute go farther, and may affect a number of other problems which are due for discussion in the course of the Assembly. In spite of Mr Vyshinsky's efforts, the question of Greece's northern frontier has been put upon the agenda, and Russia's willingness to bring intervention to an end in this quarter may well turn on its assessment of Yugoslavia's staying power. Similarly in the discussions on the Austrian Treaty it may well be that Russia's intransigence on the question of the oil concession may spring from the desire to postpone the whole treaty and thus keep Soviet soldiers on garrison duty in Central Europe. The Yugoslavs do not believe that there are enough Soviet troops along the Danube to mount an attack upon Yugoslavia, but their presence could be invaluable in a long drawn-out war of nerves.

* * *

Moderate Optimism at The Hague

Nearly six weeks have now gone by since the round table conference between the Dutch and Indonesians opened at The Hague. Only two more remain before the fateful two months are up, beyond which both sides have feared that time could not be made to stand still in Indonesia itself. What has been accomplished? Will the conference prove a success, a milestone in history? Outwardly, the outstanding achievement to date has been agreement in principle on the form which the Netherlands-Indonesian Union is to take. Behind the scenes, the achievement has been this: on the one hand, continued disposition on both sides to plough through the tangle of legalistic argument with good will, and, on the other, increasing Dutch readiness to compromise.

It was the Dutch who moved furthest from their starting point, to make the agreement on the Union possible. This was the crux of the conference, and by substantially accepting the Indonesian view of the mainly symbolic function of the Crown, the Dutch negotiators have shown sufficient realism to make the prospects of complete success encouraging. Perhaps for the first time in their long series of negotiations with the Indonesians, the Dutch representatives—from the senior ministers, Dr Drees and Dr Stikker, to the actual delegates, led by Dr van Maarseven and Dr van Royen—have avoided constantly looking back over their shoulders at public opinion. They have gone ahead with the job in hand, and they will deserve the fullest backing of their countrymen when it is done.

The emphasis of the conference has lately shifted to economic questions. The Indonesians rejected Holland's original proposals whereby, amongst other points, the Dutch would in effect control Indonesian fiscal policy until the public debt to the Netherlands is redeemed. This was a tall order and Dr Hatta had no alternative but to oppose it flatly. Since then, however, the Dutch have put the onus of making proposals on the Indonesians. And it seems that there is every reason to hope for a satisfactory outcome, provided that too much time is not wasted in thrashing out excessive details. A

great deal will remain to be done, in any case, after the main conference is over. On matters of principle, it is the Indonesians' turn to be as accommodating as reasonably possible.

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Railway Wages

The danger of a general paralysis of the railways by reason of a decision to "work to rule" seems temporarily to have been averted. While it would be wrong to underestimate the present rebellious mood of the railwaymen as the result of the rejection of their wage claim, there are signs that common sense has found a place in their counsels. The London "go slow" movement last week, which its sponsors hoped would create chaos and paralyse traffic, was in the event supported by only a few goods depots and a handful of Underground porters on the Piccadilly Line. The failure of the great bulk of London's railwaymen to respond to the "work to rule" appeal, and the refusal of the two other railway unions to have anything to do with this unofficial action undoubtedly influenced this small minority, which agreed after two days to resume normal working. In Warrington, also, goods workers who had been going slow since the announcement of the Board's findings, agreed to listen to the instructions of the National Union of Railwaymen and leave any decision until the special delegate meeting this week. The same tendency has been shown in the weekend meetings of many branches of the NUR throughout the country.

The most moderate proposal has come from railwaymen of the North-East coast, who, recognising the obvious impossibility of securing any all-round increases under the present circumstances, have instead decided to press for improvements in the wages of lower-paid workers. This would in effect mean a return to the position in June, when the Railway Executive offered to raise the minimum rates of the lowest paid men by 3s. 6d., an offer which the NUR turned down as "contemptible." If this can be brought within the terms of permissible increases conceded by Sir Stafford Cripps—if, that is, it can be regarded as being less than "literally nothing"—it may form the basis for a compromise.

* * *

Towards a National Minimum?

The extent to which devaluation has jolted the accepted assumptions of the trade union movement can be gauged from the fact that there is now serious talk about establishing a national minimum wage. In the past this has always been resisted by the TUC, mainly on the ground that minimum wages tend to become maximum wages and that the idea of a statutory minimum wage savours too much of state interference with free collective bargaining. Two years ago, the Government was reported to have made an offer of a statutory minimum wage to the TUC, but it was then refused as the unions insisted that planning should apply to everything except wages. It is even now by no means certain that the TUC will agree to adopt a scheme for a national minimum wage. Opinion is divided on the General Council and there is strong opposition from the craft unions. The initiative for its introduction appears to come from some of the leaders of general unions, such as the Municipal and General Workers, with a high proportion of members in the lower paid groups and trades.

The theoretical advantages of a wages "floor" are fairly obvious. The practical difficulties are formidable. The figure of £5 a week is now generally discussed, but would it be tied to the cost of living index? What would be its relationship to earnings? The fact that, according to the current Ministry of Labour *Gazette*, earnings have risen by 124 per cent over October, 1938, while wage rates have only risen by 73 per cent, reveals the very wide gap between them. Would the present relationship between men's and women's wages be maintained?

Would the "social" wage, represented by family allowances, subsidies and health benefits, be taken into account?

These are but a few of the questions which the unions will have to consider. The most serious problem, however, concerns the relation between skilled and unskilled workers' wages. The maintenance of the "differential," for all the Prime Minister's appeal at Bridlington, is still a cardinal trade union principle—with, it might be added, a great deal of economic justification. The Confederation of Engineering and Shipbuilding Trade Unions—who were greatly irritated by Mr Attlee's remarks—are actually seeking enlargement of the differential in their proposals for a new wages structure.

* * *

Sterling Price, Dollar Price and World Price

The steep official increase in base metal prices (British Government policy on this question is discussed in greater detail in a leading article on p. 729) has bewildered a number of people who, while realising the inevitability of higher prices for dollar products, can see no reason why those originating in the sterling area should cost the British user more. A similar confusion exists over petrol and Atlantic passenger fares, the one partially, the other almost wholly, a matter of sterling production. Nothing could be more symptomatic of the state to which ten years of artificial markets and exchange controls has reduced the public capacity for clear thought on such topics. There is no hard and fast dividing line between "sterling goods" and "dollar goods." Some things obviously fall into one or the other category; one expects the price of tobacco from Virginia to rise after devaluation, one does not expect an increase in the price of haircuts, or for that matter of any product which, originating in the sterling area, is also exclusively consumed there. It is otherwise, however, with world staples such as the base metals. Their origin may be in the sterling area, but their market is very largely a dollar market, and their true world price is a matter not merely of costs in devalued sterling but of demand in undervalued dollars. Every ton of lead consumed in Britain represents dollars foregone just as every ton of aluminium represents dollars spent. To maintain base metal prices at their old figure would have been to falsify the accountancy of the balance of payments.

Falsified accountancy of this sort has become so familiar a feature of every kind of trade, not merely the international, that the grievance of manufacturers faced with a sudden and apparently arbitrary increase in costs is understandable. Why, having been denied by official control the full benefit of the lower prices recently ruling in New York, should they now be required to bear the full impact of devaluation? If the purpose of Government commodity dealing is to cushion such shocks as these, to achieve that stability which is so often exalted above competitive efficiency or responsiveness, why has that purpose now been thrown overboard?

* * *

Holland Balances the Budget

For the first time since the liberation, the Dutch Government has succeeded in balancing its budget; it has even shown a surplus of 20 million guilders. The surplus is a small one when compared with the total expenditure of about 3,500 million guilders envisaged for the year 1950, but the achievement is important. It comes at a time when devaluation may mean added inflationary pressure at home, and it shows a startling improvement over previous years. The budget deficit had risen from 881 million guilders in 1947 to 1,019 million in the following year, and by 1949 a deficit of 233 million still remained.

Two factors are mainly responsible for the success. The first is the reduction of food subsidies. These have declined from a peak of 523 million guilders in 1948 to 227 million in the current year and are calculated at only 171 million in 1950. Also helpful is the gradual decrease in the amount of non-

recurrent expenditure made necessary by war damage, such as reclaiming inundated areas and paying compensation to war victims. The money budgeted for these items reached the figure of 1,854 million guilders in 1948 and will be reduced to 669 million by next year. Another general contribution is the dwindling number of civil servants; they have fallen from 131,000 to 101,000 in the last four years.

Changes in tax policy will accompany the new budget. The turnover tax will be slightly increased and rents will also rise, thus placing a heavier burden on the rich. The lower income classes will be helped by abolishing the turnover tax on essentials and by lowering rates for income tax and PAYE.

In spite of the all-round improvement the Dutch Government is not entirely happy about the budget position; probably only the military departments are thoroughly satisfied. For the war and navy ministries have demanded that about 25 per cent of the whole budget be allocated to them; and although collectively the Government says it regards this as an absolute necessity under present world conditions, the Minister of Finance calls the amount "in the long run unbearable." Ministers are also concerned at the level of Government expenditure: it is still high, and efforts to promote efficiency are discouragingly slow.

Two further anxieties are low productivity—partly due to lack of new investments—and the persistent deficit in the balance of payments. As a spur to productivity, the Government hopes to apply to industrial investment a portion of its counterpart funds (the fund of Dutch guilders that Holland is required to set aside in an amount equal to dollar grants). The dollar export drive has also been conducted energetically. The Government has set up a special export promotion division, devised a novel incentive for Dutch exporters and has also created trade commissions in the United States. Even so, there is only a slim hope that by 1952 Holland will be earning the cost of its dollar imports.

* * *

Does India fear a Plebiscite?

When India and Pakistan agreed to cease hostilities in Kashmir and permit an investigation of the problem by a United Nations Commission, there were high hopes that this tangled issue would soon be resolved and that the way would thus be cleared for a definite reconciliation between India and Pakistan. Now, however, a fresh deadlock has been brought about by India's rejection of the Commission's proposals for arbitration which have been accepted by Pakistan. Mr Nehru has made a very uncompromising speech on the subject, declaring that India would not agree to any formula which does not explicitly lay on Pakistan the blame for what has happened in Kashmir.

To the outsider the supreme need in this dispute appears to be to ascertain by appropriate means the wishes of the population in the various parts of the composite realm known in its entirety as Kashmir. India cannot logically reject the plea that the issue must be decided by the popular will, for the whole political theory of Congress requires that the people and not the prince should decide. This principle was unequivocally maintained by India in the case of Hyderabad to justify armed coercion of its ruler. In view of the memories of recent bloodshed in Kashmir itself and in the neighbouring Punjab, it is reasonable to claim that the state should not be shifted to one side or the other by a bare majority vote, but should be partitioned on lines corresponding, as far as possible, with the local voting; thus most of Jammu would probably go to India, even if the Vale of Kashmir were to opt for Pakistan.

Why is it then that India is so reluctant to agree to any concrete steps for solving the Kashmir problem on these lines? It can only be because of doubt whether, in spite of professions of confidence in the popular support of Sheikh Abdullah, the Moslem population of the Vale of Kashmir would vote for union with India in an impartially supervised plebiscite. There

is now talk of India's demanding postponement of a plebiscite for at least five years—presumably in order that intensive political education in favour of India can be done in the meantime, with no chance for Pakistan to do any canvassing. But such tactics are unworthy of a Government which in other fields has shown a great capacity for moral leadership and magnanimous conduct.

If the inhabitants of the Vale of Kashmir want to belong to Pakistan, is it really a vital interest of India's, political, economic or strategic, to stop them? If they do not want to belong to Pakistan they will vote for India, and India's claim will be vindicated. It is of no concern to Britain to which state this territory is attached, but it is a matter for regret and anxiety in this country that such a dispute should continue to poison the relations between two members of the Commonwealth. It may still be hoped that India's leaders will think again before finally turning down the good offices of an international organisation which can provide a fair and peaceful settlement without humiliation to either party.

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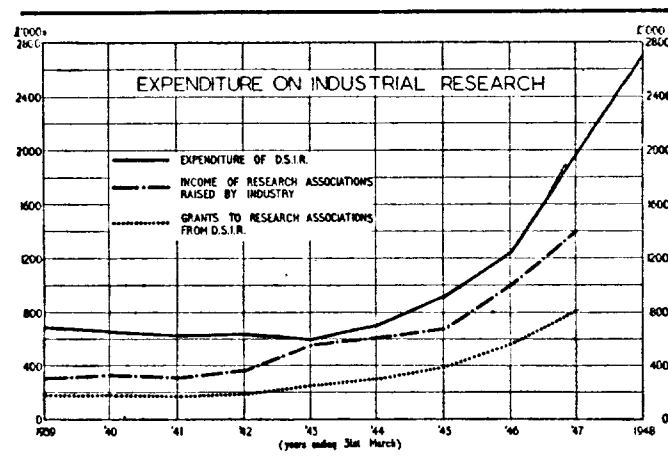
Industrial Research

The report of the Department of Scientific and Industrial Research for the financial year 1947-48 (this is yet another official report to take over a year to publish) also contains a review of the department's work over the past decade. During the war the department was given certain specific tasks of which the most important was the organisation of the British end of atomic research. Since then it has resumed the function it has had since the first world war of being the parent organisation for the various government research projects and the patron of the work done by the research associations of industry. This has been accompanied by a considerable expansion in the activities of the department which, as can be seen from the accompanying chart, is reflected in the amount which it spends both on its own establishments and in grants to industrial research associations.

The report stresses the dilemma between long- and short-term research: it admits that "the need to bring to the solution of the economic and industrial problems of the country

as speedily as possible all the knowledge and experience which science can contribute, has led to the deflection of effort from the development of extended programmes of basic research. . . ." This is a difficult problem to which there is no obvious answer. One of Britain's greatest industrial assets has been a high standard of fundamental research which has paid high economic dividends—no better instance could be found than the aircraft and aero engine industries—and it would be extremely dangerous to neglect it.

What has always been less good in Britain has been the lag between pure research and its industrial application—the development stage between the laboratory and the work bench. The Government has attempted to improve the situation by the creation of a National Research Development Corporation, but the problem is fundamentally one of economic incentives and will be solved only when industry becomes more competitive and more anxious to draw on new ideas.



What is least satisfactory about the report is first a tacit assumption that more men and more money mean better scientific research, and, second, the readiness of the Government to dissipate the available effort by starting new scientific hares. This can perhaps be ascribed to the fact that the evolution of scientific research policy is in the hands of a bewildering proliferation of committees—by no means all under the aegis of the DSIR—which appear to be co-ordinated only by the fact that they are mostly, but not all, responsible to the Lord President of the Council.

* * *

Housing Act in Action

The 1949 Housing Act received the Royal Assent in July, and the Minister of Health has now sent out a circular to local authorities dealing in particular with the two most controversial parts of this Act. These are, first, the new powers of local authorities to build large and more expensive houses "for the formation of a balanced community," and, second, the new grants available both for local authorities and private landlords for making improvements to houses at the expense of the Exchequer.

The first power arises from the deletion of the phrase "working class" from the Housing Acts. Local authorities may now build for the poor and the not-so-rich alike: the size of the larger houses can be up to 1,500 sq. ft., or in special circumstances even larger, compared to the present standard Council house of some 1,000 sq. ft. Local authorities are explicitly left free to fix the rent of these new houses as they think fit. Each house will get the standard grant of £22 a house for 60 years; the benefit of the subsidy need not be passed on to the occupier, but can be spread over those tenants whose financial needs may be greater. It is not yet possible to tell how local authorities will react to the new possibilities,

* Cmd. 7761. HMSO, 2s.

but the difficulties found on one London county estate in filling a small number of houses of rather better quality offered at something near their economic rents suggests that the first tenants may not be easy to find.

On the second point of conversion grants, the crux of the matter is the proper allocation of resources between building new houses and improving old ones. Private landlords and owner-occupiers will obviously be very tempted by the chance to get half the cost of improving their property out of the taxpayer's pocket, and the Ministry of Health has warned local authorities to take care that these demands do not adversely affect their own programmes for new houses. They have been told that the building programme must continue to be directed to giving houses to those families who still have no homes of their own. This is, no doubt, right, but this primary demand will not exist for ever, and should be satisfied in the course of next year. Is it not time for the Ministry of Health to give some guidance about phase two of the housing programme, for the time is approaching when every family wanting a separate house will have got one and the replacement of old and condemned houses will have to begin? For some authorities the time for working out this second phase must be very near.

* * *

No More Fogs

The reputation of the London fog is world-wide. The disappointment of overseas visitors in meeting only an insubstantial shadow of it, and that only once or twice in a winter, is a tribute to the popularity of gas and electricity and to the efforts of the anti-smoke enthusiasts. Dickens would be amazed to find a "London partickler" so rare and Sherlock Holmes would discover his Baker Street stripped of its mystery. For the last three days the National Smoke Abatement Society have been meeting in Harrogate to continue the good work. Their

Letters to the Editor

Costs of Production

SIR,—In last week's leading article in *The Economist*, you state that "average British costs of production (as most relevantly measured by the price level of British exports) have been rising, with scarcely any interruption, ever since the beginning of the war. They are still rising, and the number of wage-claims already proffered make it clear that they will go on rising."

This gives the impression that the price inflation of the war and immediate postwar years is still continuing unabated. The facts do not bear this out. The official index number of export prices shows no upward movement whatever between January and July of this year, and a rise of only three points between July, 1948, and July, 1949.

No one disputes the urgent importance of preventing a price rise from negating the effects of devaluation. But there is no point in making the task seem harder than it really is by giving the false impression that we are even now in the middle of a serious price inflation.—Yours faithfully,

C. A. R. CROSLAND

Trinity College, Oxford
[Mr Crosland reads into our words what was not there.—EDITOR.]

Wage Chaos

SIR,—Taken together your two articles of September 24th, "Defeat or Opportunity" and "Wage Chaos" strongly suggest that excessively high and rising British labour costs made devaluation inevitable, and you go on to criticise the British trade unions.

efforts have been helped enormously by the country's concern with the high cost and scarcity of coal, which has led to much research into methods of coal utilisation. This has resulted intentionally in the better use of by-products and a wider use of gas, electricity and smokeless fuels: unintentionally it has also resulted in less smoke. Economic forces have for once joined the side of the angels.

Because of this new concern with fuel economy, Lord Simon of Wythenshawe, in his presidential address to the conference, was able to make the optimistic forecast that after thirty years there would be no more domestic smoke, and that electricity in factories would have almost eliminated industrial smoke. For industry the change will depend upon the relative cost of electricity or oil and smoke-producing fuel. In the home it will depend on the possibility of producing cheap and efficient systems of central heating, or on the production of a stove to burn bituminous coal smokelessly, or on a sharp fall in the costs of gas and electricity. The first two possibilities assume that most old houses will be replaced by new over the next thirty years, and that the improvements will be proved economical before many new houses are erected.

Thirty years may be an over-sanguine estimate. But there is now available a weighty body of factual information on how to economise in fuel consumption and reduce smoke. Much still needs to be done to make these methods cheaper, but equally there is much to be done to make the existing techniques more widely known.

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Correction

In the issue of September 3rd (page 493) the percentage of income from parliamentary grants received by Oxford and Cambridge Universities was given as 17.3 and 23.4 per cent. These figures should have read as 48.1 per cent and 45 per cent respectively.

Intervention in Cuba?

At the same time it must be stated that there are in the United States a great mass of adventurers ready for any kind of enterprise. The American cities overflow with bold and audacious spirits, both native and emigrants from Europe, and the landward borders of the States nourish a population inured to all the perils of the chase, and eager for excitement. Such men will find an expedition to Cuba pleasant and profitable. It will be delightful to many of the officers bred up at West Point to the trade of war, and having nothing but routine duties at home, to take service with the prospect of making a fortune in Cuba. That there are many such persons in the States eager for military renown, and for the wealth and consideration it generally bestows—and that there is a great multitude ready for any buccaneering expedition, which promises them excitement and plunder—is well known; and for such persons to engage in an expedition to Cuba, is . . . what might be expected. . . . While we count, therefore, on the United States Government stopping, as far as it can, all military expeditions to aid the Cubans, suppose them to attempt a revolt, we also count on their receiving from the American people, in spite of all the vigilance of the Government, ample assistance in men and arms, and perhaps even assistance in money. The question does not concern the policy or ambition of governments; it is a quarrel between a government and a people, and the connection between the Americans and the Cubans will gain for the latter all the help the former can give.

The Economist

September 29, 1949

[The ECE calculations have been disowned by the Central Statistical Office on the ground that they do not reflect the course

taken by the Interim Index of Industrial Production. It is obvious that if production indices, comparable in structure, and all using postwar weights, were available, the results of a comparison would be different.—EDITOR.]

SIR.—Surely there are only two ways to produce economic order out of wage chaos? The first is a really effective disinflation, strong enough to break the inflationary bargaining power of the trade unions and other pressure groups. This implies creating considerable unemployment, and which political party is willing to go to the electorate with such a policy or, indeed, could peacefully put it into effect? All three major parties are now committed to a policy of a high and stable level of employment.

The second way is the theoretical Socialist one of administered wage levels. This implies an abrogation of collective bargaining rights on the part of the trade unions, and, though the leaders may be partly won over (provided, perhaps, that administration is disguised as an Arbitration Tribunal), the rank and file will in the long run demand a price of full-blooded socialisation and control of all personal incomes, not merely of the organised workers' wages alone, in order that their sense of justice may be satisfied.

Neither strong disinflation nor strong control seems on the political cards at the moment, so we may look forward to continuing wage chaos. But there are worse things.—Yours faithfully,

JOHN WHITESIDE

Victoria Hotel, Rickmansworth, Herts

Defeat or Opportunity?

SIR.—You stated in *The Economist* of last week "There is no need to abandon the welfare state, but only to base it on realism, both in respect of what can be afforded and of the way in which human beings act when offered something for nothing." The implication is that the population of the United Kingdom is getting something for nothing. What occurs is that

Books and Publications

Sidney and Beatrice

"The Webbs and their Work." Essays edited by Margaret Cole. Frederick Muller. 301 pages. 15s.

"SOMETHING different from the ordinary run of collective eulogies which appear after the death of eminent persons"—such is Mrs. Cole's description of this admirably balanced and many-sided collection of essays; and she adds "The Webbs can be portrayed now as they really were, with the blemishes and errors of judgment from which no human creature is immune." To portray anyone "as he really was" is of course a work of biographical genius, and with all due respect to the extremely able, well-informed and even (in some cases) entertaining contributors to this volume, none of them is that; not even Bernard Shaw, who provides a lively question-and-answer sketch of the Webbs' early days and insinuates with goatish complacency that Beatrice would have found him irresistible had he chosen. Each of the various facets of their joint work is treated wherever possible by those who actually shared it; of the eighteen contributors, Mr Edward Pease writes of the Fabian Society, Lord Beveridge of the London School of Economics, Mr S. K. Ratcliffe of the *New Statesman*, Mr J. S. Middleton of the Labour Party, Professor G. D. H. Cole and Mr Leonard Woolf write on "Beatrice Webb as an Economist" and "Political Thought and the Webbs" respectively, Mrs Barbara Drake deals with the final illuminating surrender to Soviet communism, while more personal reminiscences come from Mr F. W. Galton, Mr Jack Lawson, MP, and (a delightful job) Mr Kingsley Martin.

The composite portrait which emerges is impressive—and depressing. The Webbs were invaluable; as tireless illumina-

tion, each employed citizen makes a direct contribution to the National Insurance Scheme (or should do so) in addition to meeting an unusually heavy burden of personal taxation. There can be no question of being "offered something for nothing."

What is clear is that visitors from overseas are able to claim every health benefit without making any payment whatsoever. Further, an alien employed within Great Britain, as long as he is paid from sources arising outside, is not called upon to pay a National Insurance contribution in certain circumstances.

In other words we draw upon the Health Scheme as a right whilst allowing other nationals (and this is where we lose sight of realism) rich or poor, the privilege of "full membership." And this privilege is not inspired by any measure of reciprocity arranged with other countries.—Yours faithfully,

30 Gordon Street, W.C.1

COLIN A. PERRY

Anticipation Factor Index

SIR.—Is the word "new," which you apply to Moody's Anticipation Factor Index, quite fair to my Confidence Indicator? This was invented in November, 1946, when I wanted to "dedaltonise the indices"; the formula is

100.000

F.T. Fixed Interest Index $\times$ F.T. Ordinary Yield

and I have computed and published it weekly ever since. This is effectively the same formula as Moody's employ, except that the *Financial Times* Fixed Interest Index has been substituted for Consols 2½ per cent.

I find it hard to believe that others had not taken similar steps before 1946 and made a full examination of the uses and forecasting powers of the ratio bond yield: equity yield. I should be interested to hear of any such work, if any of your readers can tell me of any, published or unpublished.—Yours faithfully,

A. G. ELLINGER

36 Regent Street, Cambridge

tors of dark places, as contributors, both directly and indirectly, to the sum of human knowledge, as documentors of the social conscience, as dynamically fertile devisers of new social organs, as examples of what entire devotion, selfless industry, and integrity of mind can accomplish. It is almost impossible to imagine the contemporary scene without those elements which it owes to their partnership. As Professor Trevelyan has remarked in reviewing a recent work on the Utilitarians, there are men who make a noise and men who make a difference. The Webbs made a difference—Bentham himself hardly made more; and the difference was in the right direction.

But what a price they paid (Sidney without noticing it, Beatrice with some struggles) for their undoubted achievement; what a lamentably stunted, overspecialised, dehumanised, myopic and unbeautiful existence was theirs, and how remote their ideal of administrative order and efficiency from the *Civitas Humana*! They were, of course, Puritans, with a proper contempt for, or mere blank indifference to, fleshly or aesthetic enjoyments. Their attitude towards the arts was that of a scientific dietician, unprovided with a palate, towards a vintage wine, or of a colourblind sanitary engineer to a medieval rose-window; their attitude towards the life of sentiment and passion is summed up in Beatrice's repulsive remark that "Marriage is the wastepaper basket of the emotions." But unlike the Puritans of an older day, they included in the area of contempt and indifference not merely art and the life of the senses but philosophy and the life of the spirit. (Beatrice, it is here revealed, habitually prayed; but as a prophylactic measure.) No doubt, had they been less hopelessly lepers human beings, they would have accomplished less. But the society which they did so much to shape might, under different leadership, have accomplished more.

Local Government in England

"Problems of Local Government in England and Wales." By Frank Jessup. Cambridge University Press. 134 pages. 3s. 6d.

THIS is a valuable and stimulating little book. Like most writers on this theme, Mr Jessup is alarmed at the whittling away of local independence and discretion by a central Government which supposes itself omniscient and knows itself omnipotent. The author admits the advantages of central control and he poses the problem fairly.

Complete social justice can be obtained only at the price of the complete exclusion of diversity and of local initiative and discretion. There is no escaping the dilemma. Some men—benevolent autocrats and extremist planners amongst them—would regard social justice as worth the sacrifice of self-government; others would be content with a comparatively rough-and-ready justice (and can any form of human justice be anything more?) if men could be left more freedom to work out their own destinies, to achieve their own triumphs—and to make their own mistakes.

There can be little doubt which alternative the democrat will favour when once he has seen the problem. Mr Jessup's remedy for checking the encroachments of the central Government is to establish an independent administrative tribunal which would arbitrate on matters in dispute between a local authority and a Government department. For instance, a local authority whose Exchequer grant was cut on grounds of extravagance or incompetence would be free to appeal to the tribunal. The kind of central dictation which Mr Jessup seeks to prevent is that authorised by the Education Act, 1944, under which in any matter left to the discretion of a local education authority, the Minister may, if he thinks it reasonable, substitute his discretion for theirs. Why should the Minister be the sole judge of what is reasonable on issues which have been specifically left to local discretion? Why should large and responsible public corporations like Manchester or Birmingham be treated more cavalierly than any private academy (for which rights of appeal are provided)? It is on such matters, thinks Mr Jessup, that an independent tribunal could hold the scales of justice and common sense.

The author's proposal is interesting and attractive. Its danger is that it might further clog the wheels of government; its weakness lies in its political improbability. It is strange that Mr Jessup does not once consider the direct and obvious remedy—that of circumscribing the powers of Government departments by Parliamentary statute. But this omission on the part of the author is also significant. Parliament has been so weakened by transfusions of blood to the executive that no early cure is possible.

Middle East Future

"In Search of a Future: Salvation for the Middle East." By Maurice Hindus. Gollancz. 270 pages. 12s. 6d.

MR MAURICE HINDUS, who was born a Russian but is now an American citizen, deservedly earned great sales for his books on peasant life in the Middle East. He is handicapped in Iran and the Arab states by the problem of language. He cannot chat, as was possible in Russia, except through interpreters or with educated men. But he has read widely, used his eyes and listened to a wealth of local opinions. As a result, he has reached the conclusion that without land reform there is no salvation for the Middle East. "Either the landlords sell their surplus lands (over 100 acres) and go on leading their happy lives," says one of his Egyptian friends, "or they run the risk of ultimately losing not only their lands but also their heads." The operative word is this remark "ultimately." Mr Hindus is too experienced to be swept by such thinking into the belief that Egypt's or anyone else's 1789 is just round the corner.

His technique, as a writer, is to prove his point by a series of snapshots rather than by any topical arrangement of what he saw and heard. He has written, therefore, for the ordinary reader, not the scholar. The latter, unless he has marked

the page, will rustle interminably through the jumble of evidence for the item he can remember, but cannot find again (the book has no index). But, somewhere about, the facts are all there: that a society which remains immensely feudal is at the same time perversely democratic; that peasants do not readily dodge or defy the custom of voting as the landlord says; that nepotism, not merit, governs nearly all official appointments; that the great majority of the population of Iran, Iraq and Egypt is barely aware of the outside world; that disease retards their awakening; that the only way out of the political stagnation wrought by so-called democracy is through dictatorship or through a Communist revolution that must "inevitably bind itself to the will and the power of Moscow."

The weak point in the book is its relation of the chapters on Israel to the rest. Israel, argues Mr Hindus, provides the blue print for the development of the rest of the Middle East. Here he becomes glib and departs from reality. For he never mentions the fundamental psychological differences between the hustling Israeli and the dilatory, fatalistic Moslem, or the fundamental practical differences between an agriculture born of the Jew's welcome to an immense foreign investment and an agriculture which will accept foreign money only on its own narrow, feudal terms. But despite many missing links the book is worth reading for its picture of life in Iran, Iraq and Egypt. And it is worth remembering for the lesson it preaches at the Pasha in his limousine.

The Bear's Yoke

"Rumania under the Soviet Yoke." By Reuben H. Markham. Boston: Meador Publishing Company, 1949. 601 pages. \$4.00.

THE dust-cover of this book portrays the Russian bear in the act of savaging a defenceless peasant maiden, Rumania. This picture gives the essential spirit of Mr Markham's book. It is highly coloured journalism rather than sober history. Its purpose is to show the evil results of Russian domination of Rumania. To this task Mr Markham brings many years of experience in Balkan countries, both as missionary and journalist, a powerful hatred of communism and the unusual advantage of having visited Rumania since the war.

The book gives an account of the Rumanian people, the Rumanian Motherland, some aspects of Rumanian politics both before and during the late war, and describes how the Communists seized power and gradually gained control over the whole country after the war. The picture is drawn in the broadest outlines, and the author's generalisations are very sweeping and sometimes misleading. Rumania's history in the immediate prewar years and during the war—and particularly Maniu's part in it—are viewed by Mr Markham in a very rosy light, and his hatred of the Communist regime makes him inclined to gloss over, and even defend, many notorious evils in prewar Rumania. This hatred, which can be felt as an intense emotion and inspires the whole book, tends to weaken the force of his indictment as it leads to exaggerations, omissions and partiality which detract from the value of an otherwise useful book.

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AMERICAN SURVEY

Tariff Perils

(From A Special Correspondent)

AMERICAN interest in Britain's economic plight and the remedy of devaluation has been so intense that little attention has been spared for the renewal of the Trade Agreements Act by Congress. The crisis in the Senate arose and was surmounted while echoes of the Washington talks still filled the metropolitan press. On the following Monday, the devaluation of the pound dominated the news and editorial pages. Americans who had laid bets that Britain would, or would not, take the hurdle, made the appropriate adjustments. Those who had been baffled by the contrast between the joint communique and the Cripptic smile felt even more baffled, and the usual suspicion was voiced in Chicago that Uncle Sam had been diddled again. Few noted that the renewal of the Trade Agreements Act was an essential concomitant of the Chancellor's move to spur British exporters to more aggressive efforts to earn dollars.

This curious lapse can be explained, in part, by the tradition which says that tariffs in the United States are subjects for propaganda, but not for conversation. Aside from the hoary legend that they protect "infant industries," few Americans understand just what they do or how they do it. In their present form they are complex and many-layered, and bristle with technical difficulties. In addition, they are crusted with prejudice, historic folk tales, special interests, and carefully nurtured ignorance, and the deposits create heat while they blanket light. It is not surprising that the American disinclination to discuss the tariff at home should be paralleled abroad by a belief that it constitutes a wall against which it is useless for would-be importers to struggle.

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That belief owes most of its strength to Messrs Fordney, McCumber, Smoot and Hawley, most of whom are now dead, and none of whom now directs American foreign policy. It lost its validity fifteen years ago, when Mr Hull, then Secretary of State, invented the trade agreements formula as a means of getting round the wall those gentlemen had erected. Since then, the Act has always been renewed, though never without a struggle. Its renewal in 1949 gives notice that in spite of the present slight business recession in the United States, the country's latent protectionism is still held in check by its new interest in international matters. The President has for another two years the power to make adjustments in rates after international negotiation. Moreover, the bars against imports are a little less sturdy than they were last year, in that the "peril-point" provisions inserted by the Republican Congress have now been discarded. This amendment required the Tariff Commission to set "peril points" beyond which it considered concessions were likely to injure American producers. The President might disregard the Commission's warnings, but would have to explain to Congress his reasons for doing so.

Any attempt to assess the present tariff situation and to measure its real, as opposed to its imagined, hazards for

would-be importers must start with the fact that for more than a decade the American tariff has been coming down; duties are, on the average, well below those of the low-tariff Underwood Act of 1913. (In 1947 the average rate of duty stood at a little over 15 per cent on dutiable imports as against about 27 per cent under the 1913 Act.) The American record compares well with that of other countries if critics take into effect all types of governmental obstacles to trade, including currency allotments and quantitative restrictions. Contrary to common belief, the American market can be said to rank as one of the most accessible in the world. This is chiefly because quantitative restriction of imports is a device little used in the United States but popular in countries more concerned with their balance of payment position.

But this accessibility of the American market under present world conditions is only relative. Averages are always a somewhat misleading measure of progress. Many foreign products which might be a source of greater dollar earnings are still subject to rates of duty which unquestionably restrict their sale in the United States. The *ad valorem* equivalents of the rates in effect in 1948 on woollen and worsted fabrics, for example, ranged from nearly 40 to more than 77 per cent of the rates in 1939, and those on wool hosiery from 32 to 47 per cent. Those on wool pile fabrics were 56 per cent, on silk nets and nettings 45 per cent, those on table and kitchen earthenware 35 to 60 per cent, and on bone china ware 35 per cent, of the rates in 1939.

Nor does a comparison of the average rates now in force with those of 1913 take into account the effect of changes which have taken place in underlying conditions. Both the efficiency and diversity of American production have increased notably since 1913. Apart from the handicaps created by the tariff, foreign exporters will face domestic competition far more severe than that which they used to encounter, and under these circumstances the artificial handicap of the tariff takes on added importance.

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The American tariff is lower on the average than it was in 1913, but it ought to be much lower, in the national interest of the United States as well as of the countries with which it trades. Foreign critics are prone to insist that it ought to be lowered unilaterally, and they give as reasons the creditor position of the United States (reversed since 1913), the dollar shortage, and the heavy American export surplus which, they say, render unnecessary the equivalent concessions by foreign countries that are required under the American Trade Agreements Act. This argument is usually directed toward relieving the dollar shortage, but there is little else to be said for it. Under the arrangements agreed to by the United States, countries short of dollars are permitted to impose quantitative restrictions on imports if these are needed for balance-of-payment reasons. The United

States, on the other hand, is in no difficulties of the kind envisaged by the "escape" provisions. Therefore, it cannot avail itself of this privilege.

The practical result is that, as long as other countries lack foreign exchange for supplying their import needs, foreign tariff cuts can be made meaningless by balance-of-payment restrictions, whereupon American tariff reductions become in fact unilateral. Apart from disarming Congressional critics, the chief value of foreign cuts, and it is a great value in the long run, is that they keep protectionist forces under control. They help to ensure that goods from the United States and other countries, now kept out for balance-of-payment reasons, will not be excluded for protectionist reasons when equilibrium in international trade and payments is eventually restored.

A further aspect of the American tariff which has received unflattering attention from would-be importers is the way it is administered. One hears much of the method of determining dutiable value, the enforcement of regulations aimed at preventing the sale of deleterious foods and drugs, the hardships caused for exporters of articles with fringes (such as rugs) which must pay the same heavy duty as lace. That there is ample room for improvement in the administrative provisions of the laws affecting imports, almost every traveller can attest. But the American system is not unique in this respect, and its laws and practices will stand comparison with those of most countries. Moreover, if all procedures could be reformed and all customs inspectors provided with wings and haloes, the ability of foreign exporters to earn dollars would not increase half as much as it would if substantial cuts were made in tariffs on selected foreign products. It is the ability to accomplish this latter reform through international negotiation and executive action which renders the renewal of the Trade Agreements Act so important to countries wishing to send more goods into the American market.

The promises and the perils of the American market are, it must be remembered, created by two sets of forces. The tariff is a creation of the government, and the government can and should reduce its severity. The rise in productive efficiency, the increased sharpness of competition, the swings in the dynamic American economy which seem so fearsome to eyes equipped with Socialist spectacles, are mainly attributable to that complex of commerce, finance and business known as private enterprise. The two have their separate effects on the dollar shortage. But it is in their interaction on each other that the real danger still lies. In spite of the work done under the Trade Agreements Act, since Mr Hull first invented this ameliorating technique, the protectionist spirit in the United States is by no means dead. This year the Act was renewed, in the Senate, by a vote of 61 to 19, which looks safe. But the "peril point" provision was kept out by a vote of 43 to 38, which gives a fairer picture of the relative strengths of protectionism and internationalism today. That is the sombre side of the picture. It must not be over-emphasised, but it cannot be overlooked.

State Fair

[FROM OUR AMERICAN STAFF]

With September torn off the calendar, tents are being folded at state fair grounds after another thoroughly successful season. The beginnings of the agricultural fair in America go back to the early years of the Republic, when gentleman farmers along the Atlantic seaboard, aware of developments in the

agricultural revolution in Britain—often, as in the case of George Washington, through correspondence with that walking "Encyclopædia Britannica" Arthur Young—decided to imitate the private shows of such advanced agriculturists as the Duke of Bedford and Thomas Coke of Holkham. Their interest in farming was part of the philosophical curiosity of the age; its intellectual and literary flavour is suggested by the offer, in 1791, by the Philadelphia Society for Promoting Agriculture, of

A gold medal for the best essay, the result of experience, on the breeding, feeding and management of cattle for the purpose of rendering them most profitable for the dairy, and for beef, and most docile and useful for draught.

Similarly, the gatherings of the gentry at George Washington Parke Custis's sheep shearings at Arlington, which began in 1803, offered the great landed proprietors of the middle states a chance to compare the qualities of the wool—on which the duty rose from 5 per cent in 1789 to 35 per cent in 1812.

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Sheep were the basis of the first fairs that were within the reach of the ordinary dirt farmer. During the Merino boom, when Spanish proprietors, harried by the approach of Napoleon, suddenly became willing to sell the precious herds of which they had a monopoly, Elkanah Watson exhibited a pair of Merinos in the public square of Pittsfield, Massachusetts, and reached the conclusion: "If two animals are capable of exciting so much attention, what would be the effect on a larger scale and with larger animals?"

As a result of his inspiration, the Berkshire Cattle Show opened in 1811; its main features are common to agricultural fairs to this day. Four marshals and the sheriff, on grey horses, led a half-mile-long procession announced by a band, featuring sixty yoke of oxen drawing a plough held by the oldest men in the county, a stage coach piled with American manufactures, groups of mechanics with appropriate flags and wheat-sheaf cockades in their hats; once arrived at the fair grounds, festivities opened with "an animated pastoral prayer" and closed with an equally animated pastoral ball.

At the 2,200 community, county and state fairs held all over the United States in 1949, with an attendance, it is alleged, greater than at any other public gatherings, the pattern is much the same. True, the motifs have been modernised; instead of Mr Watson's procession of oxen, this summer's Washington State Fair was advertised by Geronimo, the Parachuting Sheep, who descended in a series of perfect four-point landings, and was busily agaze before the air was out of his chute. Similarly, the 1948 Iowa State Fair introduced fair-goers to the Atomic Age by means of a radioactive calf. The calf had been injected with Carbon 14, which concentrates in the thyroid. Fair-goers were equipped with Geiger counters, and encouraged to explore the calf's anatomy until rewarded with a click.

The combination of education and a good time, which makes people want to go to fairs and state legislators willing to supplement gate-receipts and entry-fees, is apparent from

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

the arrangement of the average fair-grounds. Most states have purchased and equipped permanent grounds for the state fair, with permanent buildings, supplemented by canvas tents, to house the major exhibits, livestock, poultry, farm machinery, and produce; the latter includes both field crops and garden vegetables and flowers, and examples of such household arts as preserving, baking, rug-making and embroidery. Around the permanent buildings are grouped the parking lots. Gone are the days when Father Agricola, after laying out the week's work for the hired man and the womenfolk, departed importantly, by train, for the state fair. Now, the whole family rises really early and, in sputtering jalopy or sleek saloon, burns up the miles together.

Once arrived, however, a centrifugal tendency is noticeable. The older members of the family are drawn towards the permanent buildings: Pa wants to take a look at the new corn picker, Ma wants to see who won the preserving prize. Meanwhile, the youngsters have made a bee-line for the "Midway," the amusement area that bisects the grounds, with booths containing the bearded lady, the man who swallows flaming swords, the "Step-Up-and-Try-Your-Luck" concessions. There, if unrestrained, they lavish their substance on both the roundabouts and the swings, preferably waiting until after those gorge-raising experiences to sample the diaphanous wads of pink spun sugar on sticks, sold next to the hot-dog-with-mustard stands.

But two events are likely to pull everybody together again. One is the show organised by the "4H Clubs." The leaders of these clubs, provided by the agricultural extension service, supervise local projects in which farm boys and girls raise calves or pigs or chickens, make furniture, preserve or sew or bake according to choice, keep books on their costs, and learn to judge the results. Competing up the scale from community to county to state fair, the winners of the 4H projects bring with them an admiring throng of neighbours and relatives. For days before a contest, the boy or girl with a dairy heifer or a beef steer to show becomes the operator of a bovine beauty parlour, constantly buzzing over the animal with electric clippers, hand-carrying its hide, sandpapering and oiling horns and hoofs, plaiting the tail to give a Marcelled effect in the ring. When that calf is shown in the centre ring, all the folks will be there.

The other unifying attraction is likely to be the racing, which began very early at agricultural fairs, whether harness racing with slender sulkies manoeuvred by slanting drivers at the turns, or flat racing with jockeys monkey-crouched in their saddles. In the eighteen-forties, it was viewed with misgiving by puritans who wondered whether in all conscience racing could be regarded as educational. Some tried to rationalise it: wasn't speed in a horse an agricultural asset comparable to milk in a cow? Others accepted the facts as stated in 1869 by the humorist Josh Billings:

There was two yoke ov oxens on the ground, beside sevral yokes ov sheep and a pile ov carrots, and some worsted work, but they didn't seem to attrakt enny sympathy. The people hanker fur pure agrikultural hoss trots.

Latterly, that hankering has been fully satisfied—charging admission to the races is one of the best ways to keep a fair out of the red—and, as the internal combustion engine has replaced the horse, city-made sounds have partially drowned out the whinnies in the centre ring. The farmer who attended the Michigan State Fair's Centennial Celebration this September may have come to compare the merits of the various kinds of hybrid maize. But the roadside posters that urged his attendance emphasised three features remote from Michigan farming: Rodeo; Auto Races; Bob Hope.

American Notes

Arms and the Bomb

The news of Russia's success in producing an atomic explosion—if not an atomic bomb—was received calmly, though it may stiffen the House in its dispute with the Senate over the speeding of a 70-group Air Force, and make it easier to persuade Congress to allow atomic information to be shared with Canada and Britain. But for all the calm it seems likely to have a catalytic effect in Congress somewhat similar to the Russian moves which last year contributed so greatly to the passage of the Marshall plan and the formulation of the Atlantic Pact. The timing of the announcement—if it was made with one eye on Congress—has already helped to persuade the House conferees to abandon their hopes of halving the funds for military assistance to Europe and to accept the totals voted, by 55 to 24, in the Senate. They have, however, accepted also the Senate cuts in this year's appropriation for European recovery, and have compromised on a token \$110,000 for the controversial "watch-dog" committee.

Anxious for an adjournment deferred often enough to make many hearts sick, the House in the end probably would have succumbed to the heavier and more accurately trained guns of the Senate, but the tussle would have been longer. The Bill passed by both Houses this week authorises \$1 billion for the signatories of the Atlantic Pact, \$211 million for Greece and Turkey (in addition to \$50 million already authorised), \$27.6 million for Iran, Korea and the Philippines, and \$75 million for the "general area" of China, which it is suspected the Administration—in which all discretion as to the spending of this fund is lodged—may use in Burma and Indo-China. Most of the cash (\$400 million), and all the contract authority for the Pact Powers, will not be available, however, until the President is satisfied that a truly unified and effective defence plan has been worked out.

The original cut made by the House was defended as a means of attaining the same end by making a second instalment of aid dependent upon satisfying Congress on this point; the final version leaves the decision to the President and eliminates the fear that, by next year, Congress might have undergone a change of heart. The Bill is only an authorisation; the actual appropriation Bill is yet to come. But the Reconstruction Finance Corporation is empowered to advance \$125 million to get the programme going.

Except for the revision of the law on admitting Displaced Persons, this is likely to be the last as well as the most controversial international measure to come before the present session of Congress. The Administration, despite its inept beginning, has done better than it had any right to—or did, in fact—expect, both in terms of the funds granted and the votes secured. The attempts of Senator George and Senator Knowland to cut the European total, the chief threats in the Senate, were beaten back with 14 and 16 votes to spare. But there has been a perceptible strain, both on Senator Vandenberg's health and his bi-partisanship, and the alienation of Senator George, a senior Democrat, is another casualty. In view of the need for the utmost co-operation from both parties on international economic problems, and the likelihood, if Europe is to be made strong enough to take the first brunt of any onslaught from the East, that the Administration will have to ask next year for more military aid, the victory may have been more costly than it appears.

UE Blows a Fuse

The sparks which flew at the recent convention of the United Electrical Workers' union left little doubt that the Communists, instead of trying to short-circuit the Congress of Industrial Organisations from within, are now ready to allow their connections with it to be cut at the annual convention which opens on October 31st. Not only did the UE re-elect

all three of the officers whose fellow-travelling hands have been on the union switches since 1941, but it also called down lightning on the head of Mr Murray for his "traitorous" conduct of the steel wage negotiations and voted to withhold its dues unless the CIO ceased to attack the autonomy of its constituent unions. Since the CIO leaders have already threatened to expel any union which rejects such official policies as support for the Marshall Plan and boycott of the World Federation of Trades Unions, it seems inevitable that this uncompromising defiance will blow the fuses which link the CIO to its third largest affiliate.

However, at the UE convention, one-third of the union's 400,000 members followed the dynamic anti-Communist lead of Mr James Carey; many more would probably have done so if the work that, during the last few years, has made him so well-known in national and international labour affairs, had left him time to devote to those internal details which have been tended so profitably by his able left-wing opponents in the union. Mr. Carey's supporters are expected to remain with him in the CIO and to form the nucleus of a new union. This example may also be followed by some at least of the local branches of the other ten pro-Communist unions which will probably accompany the electrical workers into red darkness. These are nearly all small unions, which have been subsidised by the CIO, and the wealthy electricians are likely to find themselves paying the expenses of the trip.

The UE also instructed its leaders to sign non-Communist affidavits, essential under the Taft-Hartley Act if the union is to participate in the local elections that decide who shall organise the workers in individual plants. The president of the UE, most conveniently, is not a party member; in other left-wing unions, officials have got round this difficulty by ostentatiously resigning their membership in the party, a privilege not enjoyed by lesser Communist fry, while protesting their continued adherence to Communist principles. Without this readiness to pay signature-service to Taft-Hartley, the

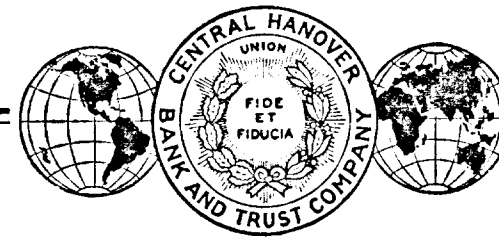
dissident unions would have difficulty in fighting the raids by other unions which have already weakened them and which will be officially encouraged by the CIO, once schism has become a fact. Even if the threatened steel and automobile strikes do not materialise, the national economy is, therefore, likely to be irritated before long by a rash of labour disputes over union jurisdiction.

* * *

Point Four Tomorrow

As a contribution toward relieving the dollar shortage, and raising the level of world trade, there is much to be said for putting under way as soon as possible the programme of technical co-operation and private investment known as Point Four. This is true even though no spectacular results are expected at once. (Point Four is so called because the proposal was the fourth put forward by Mr Truman in his Inaugural Address last January.)

For Congressional consideration, the investment guarantees, which it is thought may speed the flow of American capital abroad, were split off from the plans to export American production techniques; it was hoped that the banking committees might have time to deal with the first even though the foreign relations committees were too busy to deal with the second. In fact, the Senate Banking Committee has done its bit; it has approved the Bill empowering the Export-Import Bank to guarantee American investors abroad against inability to convert their proceeds into dollars and against the risk of expropriation and physical destruction due to war. No new appropriations were proposed, as the Bank has uncommitted funds totalling nearly \$1 billion. The House Committee is expected to take similar action soon. Meanwhile the State Department is going forward with the investment treaties, which are also designed to give the American investor confidence, and is urging tax concessions for those who invest abroad.



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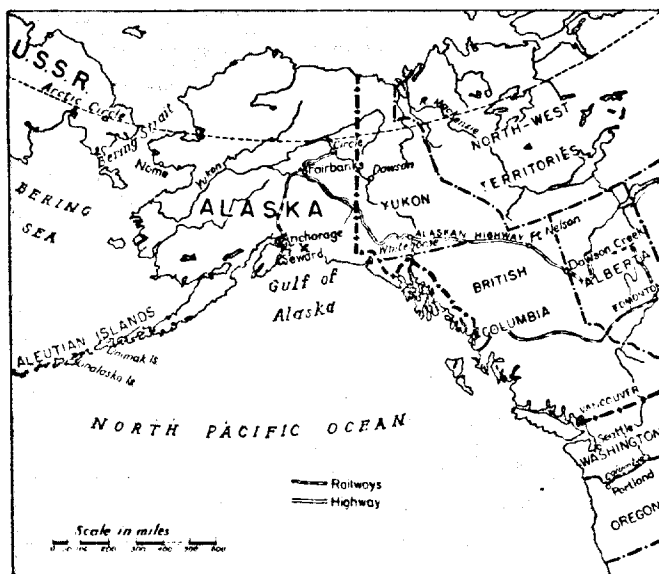
Presidential pressure is now being exerted to clear the way for technical co-operation. At the hearings before the House Foreign Affairs Committee, Mr Webb, for the State Department, insisted that this was "an enlightened businesslike attempt to solve one of the most crucial problems of our age," while Mr Thorp, Assistant Secretary for Economic Affairs, outlined what it was hoped to accomplish during the first year. An undeveloped country, for the purposes of Point Four, is one whose *per capita* income in 1939 was less than \$100 a year. Two-thirds of the world's population live in such areas, and their average *per capita* income is \$41.

During the first year, about \$85 million would be spent, but Congress is only being asked for \$35 million of new money. The countries being aided will contribute about a third of the total, and the rest is to come from international agencies or other countries participating in the programme through the United Nations. This is a modest financial proposal, and Mr Truman believes, apparently, that it can be blown through Congress, at this eleventh hour, by the blast from the Russian atomic explosion. But so far the Committee—hardened, perhaps, by its exposure to so many "crucial world problems"—does not appear to have changed its view that, while some ground may be cleared this month, full consideration of so long-term a measure can well be deferred until Congress meets again in January.

* * *

America's Achilles Heel

The citizens of Washington, DC, are not likely to take seriously Mr Patman's suggestion that the capital on the East Coast is too vulnerable in the atomic age, and should be moved inland beyond the Mississippi. But Seattle, Washington, has been rocked to its foundations by the discovery that the Air



Force considers the Pacific Northwest so open to bombing in the event of war with Russia that it has decided that its new B-47 jet bombers must be built not in Seattle, but at the Boeing plant in Wichita, Kansas. Employment at the company's Seattle plant might be cut from its present 26,000 to 10,000; the move would affect 150,000 people in Seattle alone.

Satisfaction was at once demanded of Mr Symington, the Secretary for Air, cornered on his way to Alaska, but the most he could promise was some additional unspecified work, and the prospect that another plane, the B-52, still on paper, might be built in Seattle if Alaskan defences and the North-west radar screen were built up.

The economic price to be paid by the Pacific Northwest for Alaska's lagging defences may help to persuade Congress to authorise the necessary funds. Alaska has suffered from the concentration on Atlantic problems, but oddly enough, it is not

guns, but houses, which are most urgent if Alaska is to cease being what Governor Gruening calls America's Achilles heel. Alaska is, of course, a possible base for offensive action against an enemy only 54 miles away, but other offensive bases are closer to the vital targets. Alaska's main defence function is to screen Canada and the northern United States. But when it was decided after the war to shift the military base from the Aleutians to the "heartland" around Fairbanks and Anchorage, the vast installations on the Aleutians became derelict. Around the three new airfields which are the core of Alaskan operations—for it is almost entirely an air theatre—there is an appalling scarcity of accommodation for men and material. Few men with experience of Alaska ever re-enlist, remembering the overcrowded, poorly heated barracks and the prohibitive cost of keeping a family there.

The Military Public Works Bill, which contains \$138 million appropriation for construction in Alaska, is threatened by the economy hammer in Congress. But the Joint Chiefs of Staff, recently on a tour of inspection, sent an urgent request—"the most urgent I have ever received," according to Mr Johnson, the Secretary of Defence—for speedy approval of funds for Alaska, even if it means treating them as a separate item. Bad transportation, a short building season and sheer profiteering all contribute to the high cost of construction, but the first is the greatest obstacle. The Alaskan Highway is open all winter, but its capacity is very limited. Alaska is supplied almost entirely by sea, although none of its harbours is ideal, and none boasts an all-weather road into the interior. The Senate has shown itself sympathetic to the great vision of a railroad linking the United States and Canada with the Alaskan Railroad. But the cost—perhaps as much as \$500 million—makes it likely that less ambitious improvements in Alaskan transport will be tackled first.

Shorter Notes

Mr Carl Ilgenfritz, who earns \$70,000 a year as a vice-president of the US Steel Corporation of Delaware, recently was offered, and accepted, on one condition, the chairmanship of the Munitions Board. The condition was that he should continue to receive his \$70,000 salary from the steel company, thus maintaining his pension rights, instead of the \$14,000 which was all Mr Truman could offer. Steel managers are evidently interested as are steel workers in safeguarding the comforts of their old age. The Senate, however, while conceding Mr Ilgenfritz's unusual fitness for the post, and his integrity, refused by 40-28 to confirm the appointment, in the belief that to do so would set a precedent of allowing private companies, in peace-time, to subsidise government officials who might have to take decisions affecting those companies. The vote frustrated one more attempt to find a way of inducing highly skilled, and highly paid, men in private life to accept the heavy responsibilities and meagre rewards of government service.

*

The final word on the rebuilding of the White House was said at the beginning of August and the work is now to proceed rapidly after being discussed for nearly a year. The traditionalists have won a handsome victory; not only has the suggestion that money should be saved by constructing a completely new edifice been rejected, but the interior, which is to be entirely rebuilt, is to be restored to its Georgian simplicity. The cupids and reclining nudes, which were introduced under the influence of the French Renaissance in 1902, have been condemned to the guillotine. The old brick kitchen, which survived the British flames in 1814, is now to become a radio room for Presidential fireside chats.

*

During the first half of this year over \$9 billion was spent by business on new plants and equipment, rather more than in the similar period of 1948. The total for the whole year will, however, be 7 per cent less than in 1948, if it does not exceed present estimates of just under \$18 billion.

THE WORLD OVERSEAS

The Commonwealth Confers

(From a Special Correspondent)

THE informal intimacy which nowadays characterises Commonwealth consultation has achieved concrete practical results, which probably could not have been secured by other means. Sheltered from the full glare of publicity, Commonwealth statesmen have discussed their common problems without being inhibited by thoughts of possible reactions at home. They believe in "open covenants" but not that they should be "openly arrived at." The essential correctness of this approach is not in doubt, but it incurs some disadvantages. In particular it precludes publicity at a time when wide understanding of Commonwealth affairs was never more important. Within the last decade there have been profound changes in Commonwealth relations, which reached a climax in the 1949 London Declaration. If public understanding lags far behind these developments a principal reason for it is the lack of informed public discussion about them. That is why increasing importance attaches to the unofficial conferences on Commonwealth relations, organised by the Royal Institute of International Affairs in London and its sister institutes in the various Dominions. It also helps to explain why the fourth in the series, which recently took place at the invitation of the Canadian Institute at Bigwin in northern Ontario, has been the most successful.

The Bigwin Conference, at which the Asian Dominions were represented as such for the first time, and to which the Republic of Ireland sent a delegation as evidence of their desire for continuing close co-operation with the Commonwealth countries, afforded reassuring evidence that the loosening of formal ties has not impaired the deeper sense of community. There was little disposition on the part of the conference to examine at all closely the implications of the recent Declaration which allowed India's republican status to be consistent with full Commonwealth membership. On the contrary the delegates from Asia, as well as from the older Dominions, were disposed to endorse the liberal, unrestrictive interpretation of constitutional ties and to feel, with some reservation on South Africa's part, that its wisdom was not a matter for fruitful debate. The constitutionalists, in fact, had done themselves out of a job by proving to most people's satisfaction that constitutional ties must be subordinated to political realities.

Questions from Asia

The inquiry of the Asian Dominions was indeed more fundamental in character. They asked, politely but persistently, what is the true nature of the Commonwealth, and unlike the jesting Pilate, they stayed on in Bigwin Island waiting for an answer. When it came it was not explicit but implicit, and they had in no small measure formulated it themselves. The Commonwealth was an international association of states, an international democracy, whose life-blood was free discussion among equals and whose aims were to be realised through a common purpose, but not a common policy. Those aims, shared by all men of good-will, were liberty, peace and a higher and more equal level of material well-being. The Asian Dominions were not, significantly enough, interested in a self-styled new Commonwealth. They had become members because they liked what they had known about the Commonwealth in the past. But they believed that its spirit required revitalising, that its practical co-operation needed more emphasis on its positive aspects.

Delegates from the west, with their gaze for the most part firmly fixed on Europe, were reminded by their colleagues from Asia and from the Pacific that the victory of Communism in China was something that could not be countered by policies suggested by easy parallels from their own experience. In particular there is little to be gained by talking of regional security pacts in areas where as yet there exists no solid foundation for them. Neither in the Indian Ocean nor in the Pacific does there exist a state with the industrial potential, the manpower or the administrative machine essential for successful defence against aggression by a major power. Nor does there exist either within the Indian sub-continent or without the measure of political agreement indispensable to military co-operation. The still unresolved dispute in Kashmir estranges Pakistan from India; the slowly yielding imperialism of Holland and France evoke a hostility little if any less marked than the Communists themselves; while further afield looms the yet more fundamental problems of racial discrimination dividing India from South Africa. Finally, all over south and south-east Asia there exists a standard of living so low that the struggle for subsistence precludes understanding of those values which Communism would destroy. The problem of defence, observed a delegate from Ceylon, may be first in point of time but the raising of the conditions of life is first in point of importance. That was a conviction insistently stated by all the delegations from Asia.

Closer Economic Planning

It is clear to everyone that a general raising of the standard of living in an area where population presses so heavily upon the means of subsistence is not something which can be done in a year or even in a century, but that is no excuse for neglecting it. If it is to be tackled realistically, one essential is economic aid from without and that can come only from the United States. While fears of dollar imperialism are dwindling, they suffice still to prompt reservations in India about dollar loans from official sources. Private investment is free from such objections but conditions sufficiently attractive to the private investor do not yet exist. Because of this, Indian delegates were disposed to think in terms of closer planning for investment and for economic development by the Commonwealth countries, and of a consultative body which might enable the Commonwealth to act in an intermediary capacity. All this merits careful consideration; for a feeling exists, which may prove to be of critical importance in the case of Pakistan, that the economic policies of the Commonwealth and particularly of the United Kingdom, do not take their desperately pressing needs sufficiently into account.

Large as the economic aspects loom in Asia they must not be allowed to obscure the strategic. In the past it has seemed to some observers that a struggle for power between India and China fought out in Malaya lay in the logic of history. Now, if adequate defensive measures are not taken in time, that conflict may loom near, superimposing an ideological upon its national character. The resolve of India, Pakistan and Ceylon to resist Communist attack from without or infiltration within is notably hardening. It has infused into their thinking a greater appreciation of defence needs. At Bigwin there was no disposition to criticise Britain for its determination to defend Hong-kong or to suppress disorder in Malaya. The Treaty arrange-

ments allowing British Forces the use of bases and air fields in Ceylon are viewed with satisfaction by its people. And there were also not lacking indications that India, if it could preserve its prestige, would be happy to reach a settlement over Kashmir. At present defence consultations between the United Kingdom and the Asian Dominions are bilateral; they should become multilateral.

The problems of western Europe, of the Atlantic and of the Middle East were analysed at Bigwin with as much care as those of the Asian Dominions. But the discussions reflected on the one hand a general feeling that, however urgent the problems of the west, they had been temporarily eased as a result of the breathing space afforded by the Brussels Treaty and the Atlantic Pact; on the other hand a qualified recognition of the truth of Dr Evatt's remark that the centre of gravity of the Commonwealth had moved eastwards. Indeed, one of the most fruitful purposes served by the Bigwin Conference was to place developments in western Europe in perspective against the wider Commonwealth scene. It was instructive to learn of Indian misgivings lest Britain's more intimate association with western Europe should lead her to support "reactionary imperialisms" in Asia; to be reminded of what critical importance the direction of Colonial policy in Africa may be to the future of the Commonwealth, and it is well to understand that this country's graciously-acknowledged moral prestige in Asia is conditional upon her remaining, for all her faults, the "greatest liberal, progressive force in the world."

Show Piece in Budapest

[BY A CORRESPONDENT]

AFTER the Hungarian election of last May the new Parliament reassembled, and it was noticed that the Minister of Foreign Affairs, Laszlo Rajk, was absent. At the beginning of June a short communiqué announced his arrest on a charge of high treason. Official comment in the Hungarian press and radio hinted that he was the originator of a "nationalistic anti-Soviet" *coup d'état*. Too many British and American commentators at once concluded that in all the Communist Parties of the satellite countries there are certain trends of opinion which, although orthodox Marxist, repudiate subservience to Moscow; Gomulka in Poland, Petruscanu in Rumania and Rajk were all quoted as examples of this so-called "National Communism." By grouping these "National Communists" under the supposed leadership of Tito, and by broadcasting in this sense to the satellite countries through the BBC and the Voice of America, western commentators helped to create an atmosphere for the Rajk trial which was most useful to the prosecution.

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The United Nations Educational, Scientific and Cultural Organisation proposes that back numbers of *The Economist* from 1939 to 1945 shall be reproduced by photo-lithography for sale at 1/- per copy. It will, however, be necessary to have a minimum of 100 orders for any one issue.

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Preparations by Press and Radio

In Hungary, on the other hand, no further mention was made of the conspiracy for over three months, save in a short communiqué which disclosed the names of those who were said to have collaborated with Rajk in his "treacherous activities," among them two Yugoslavs. The dramatic silence was broken on September 11th when the State Prosecutor published his indictment. The trial opened on September 16th, and it ended on the 24th with sentence of death on Rajk and two of his collaborators. During that fortnight the Hungarian press devoted almost its entire space to the trial. Budapest radio ceased all entertainment broadcasts and confined itself to transmissions of the trial, followed by quotations from the international Communist press. The same predominance of the trial in the radio programmes of Moscow and of all the satellite countries showed that the Rajk case was a show-piece designed for the Moscow-directed one-fifth of the world.

Although Rajk's name had not been mentioned during the weeks preceding the trial, Moscow's diplomacy and propaganda in August and September were busily preparing a suitable atmosphere for the direct blow against Yugoslavia which took shape in his trial. Two Soviet Notes to Yugoslavia were published in August referring to the Austrian Treaty negotiations, and intended to prove that it was Tito—not Stalin—who gave up the Yugoslav claim to Southern Carinthia. A further Soviet Note, released on August 18th, protested against the "persecution of Soviet citizens in Yugoslavia." These Notes were followed by numerous articles and broadcasts in the Soviet and satellite press and radio, implying that Yugoslavia had become a "servant of American imperialism." Finally, two days before the publication of the Rajk indictment, the new broadcasting station of the "Anti-Tito Yugoslav Revolutionary Emigrés" was inaugurated.

It is against this background that the indictment, the confessions and the convictions of the Rajk trial should be assessed. It was far more than an isolated Hungarian incident supposed to reflect "nationalistic tendencies" in the Communist Party of Hungary. The indictment as well as the confessions were presumably drafted under Cominform direction as an important step towards liquidating the Tito regime. Hungary was chosen for this particular stage of the Communist campaign, just as it was selected as the best country in which to test the power of resistance of the Catholic Church. For the Soviet campaign against Yugoslavia it offered many advantages. In the present stage of establishing the open dictatorship of the proletariat, it had become ripe for a purge any way. The Rajk trial is therefore in its secondary, local aspect only the beginning of a series of purges, which will eliminate and liquidate all elements in public life not considered as 100 per cent reliable. Rajk's reference in his confession to the alliance between Tito and "right-wing Social Democracy" foreshadows the next trial, which might lead to the liquidation of all former Social Democrats who are not trusted and who would be, of course, accused of espionage. Hungary was also geographically, politically and strategically suitable as a launching site for a political—perhaps eventually a guerrilla campaign—against Yugoslavia.

The comment of the Yugoslav vice-president, Pijade, that the presence of Rajk and the others in the dock was purely accidental, seems correct. According to him they were selected for this part "because they suited technical conveniences and current political combinations." It seems likely that the whole affair was devised and staged in the following sequences. First, it was decided to hold a spectacular trial in which all Soviet measures contemplated against Yugoslavia were to be embodied in the indictment *in reverse*, that is to say as alleged Yugoslav plans for aggression against a neighbour. Second, it was decided to hold the trial in one of the countries bordering Yugoslavia, to make the threat quite clear. At the third stage, Rakosi was probably invited to select the victims. Rajk has been considered by all those who have some knowledge of the Communist machinery as a candidate for liquidation ever since

he was degraded a year ago from the all-powerful post as Minister of Home Security to that of Foreign Minister. Against him were these facts: he was not Moscow trained, and he was an intellectual (a former student of French literature); therefore both of the new slogans "class alien" and "cosmopolitan" could be conveniently applied in his case. Then he had spent a considerable time abroad in Spain and in France, which made it easy to construct ties between him and western intelligence organisations, and with Yugoslavs whom he is supposed to have met there. Moreover, as the former ruthless master of the political police, he was as unpopular in wide spheres of the population as the Soviet Yagoda, who ended his career in the same way about 12 years ago. Last, but not least, the Premier, Rákosi, disliked him.

Choice of Rajk's Collaborators

His collaborators were chosen in order to satisfy certain points of the indictment. Rajk's relationship to Tito had to be proved; hence the presence of two Yugoslavs in the dock. They were not condemned to death, and they may have been agents who played their prescribed parts. Tito and Rajk were supposed to have planned a *coup d'état* with the help of the Hungarian army. In order to substantiate this, officers of the Hungarian army had to be involved. The victim selected for this role was George Palffy-Oesterreicher, who was suitable because he had been a commissioned officer during the Horthy regime. This helped to introduce the familiar element of "Horthy-Fascism." Furthermore, it had to be proved that the Tito plan was devised and fostered by the Americans. Therefore it was necessary to involve persons who had had opportunities for contact with the American intelligence service during the war. The choice of those victims was fortuitous and based mainly on geographical coincidences. Szönyi spent the war years in Switzerland and was responsible to the Party for all important appointments, including those which involved the selection of Hungarian Communists to work abroad during the war. Finally, and this is the unmistakable Moscow touch, the equation Titoism-Trotskyism could not be left out. Therefore Paul Jusztusz had to be produced in the dock as well. This left-wing Social Democrat was generally known as a Trotskyist during the inter-war period. After 1945 he recanted and became one of the most ardent Stalinists. Nevertheless, his old reputation came in most useful, and he had resided in Paris some time before the war. This again made it possible to involve the French Press Attaché, Gachot.

A remarkable aspect of the trial was its almost complete resemblance to the prewar Soviet purges. Apart from the privileges of selecting and supplying the victims, the Hungarians were not permitted to improve on the Moscow technique, although the new Hungarian Minister for Ideological Education, József Révai, spent two months in Moscow prior to the trial on the invitation of the Soviet Government. The crudeness and cunning of the accusations, the monotonous Marxist terminology of the confessions, the vituperative jargon combined with oriental flourish which prevailed throughout the trial, seemed to indicate that he had no part in drafting those documents. All are lacking the finesse and psychological insight one could expect from an educated Hungarian intellectual.

Parallel with Moscow Trials

The full Moscow technique of the Zinoviev-Kamenev-Bukharin trials was applied almost without any variations. In Moscow the guilty men confessed not only to alleged deviations from the party line, but enlarged their guilt retrospectively. They had to admit, therefore, participation in acts of sabotage and violence ever since 1917, including the murder of Kirov and even the attempt against Lenin's life in 1918. Likewise the accused in Hungary confessed that they had been police agents and spies ever since they joined the Communist movement. In the Moscow purges the scope of the confessions had not only to be enlarged in terms of time but also in terms of

space. The confessions included plotting with foreign powers, conspiracy to betray the Soviet Union to Fascist Germany, Japan and Poland. Now Rajk and his fellow accused confessed that they endeavoured to betray Hungary to the "American-Yugoslav combine." In both cases the accused men also confessed to plotting against the life of the leaders of their respective Communist Parties and to pursuing the object of abolishing Socialism by violence and re-establishing the capitalist system.

Canada and the Devaluation of Sterling

[FROM OUR CORRESPONDENT IN OTTAWA]

No one here, not even the Government, expected the pound to go as low as Sir Stafford Cripps and his advisers finally decided. Indeed, it is a matter of speculation whether, if the pound had dropped to only \$3.20 (which was about what was expected), the Canadian dollar would have been devalued at all.

In face of the British action, the main Canadian difficulty was to decide the degree of devaluation appropriate. The British decision, it is assumed, was based on the black market rate and designed to remove any suspicion that this was not the final step. The Canadians had no such guide, for the limited free market in Canadian dollars in the United States, running at about 95 cents, would not serve. Yet some devaluation was necessary to mitigate the rise in sterling prices for Canadian products, to give Canadian manufacturers some protection against the cut prices of British goods, and to improve their competitive position in other markets. This might have suggested a 15 per cent cut, but that would have meant an increase in the purchase price of goods from the United States more drastic than the Government felt to be justifiable.

Ostensibly the devaluation of the Canadian dollar should help, if not solve, the exchange problem with the United States. Actually it is doubtful if this will be the result. Imports from the United States, running latterly at a rate of about \$2,000 million a year, are of such a kind that it is doubtful whether a price increase will do much to reduce them. To a great extent they involve such things as coal, oil, steel and the like which are essential for Canadian industry. Canadian exports to the United States, running currently at about \$1,500 million a year, will not automatically increase by the 10 per cent of the devaluation. Increased volume might be expected if the advantage of the 10 per cent cut were passed on to the American purchaser; but if it is not, it would be unwise to expect that sales volume will be increased. In either case it is not safe to bank on greatly increased earnings of US dollars.

It might be hoped that increased imports from the sterling area could replace some imports from the United States, but this seems to be possible only in a limited field. The really big items such as coal and steel which Canada buys from the

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United States are things which Britain cannot supply in sufficient volume to meet the demand. Last August Britain promised to double its deliveries of steel to Canada, but even the doubled total is only 160,000 tons a year, whereas total consumption is counted in millions.

The optimists here are saying that when the major price adjustments which must follow the revaluation are accomplished, in about six months the Canadian cost of living will be no higher than it is now. But most Canadians find it difficult to share this optimism. They are facing immediate increases in the cost of coal and fuel, and winter is coming on. They will have to pay more for all manufactured goods, whether made in Canada or the United States, which depend on American materials. The housewife is glad to think that British china and cotton goods may now be cheaper, but that does not make up for the higher price of fruit and vegetables, fuel, washing machines and all the other household appliances for which she looks directly or indirectly to the United States.

Grateful Farmers

It is by no means certain that the 10 per cent price differential introduced by the devaluation will save the Government from the need to tighten up the exchange conservation programme of import restrictions. If it is at all possible, it will remove the ban on imports of fruit and vegetables from the United States, because the growers of California and Texas have a powerful lobby, and the ban is distinctly embarrassing to the United States Administration; but it is still doubtful whether the threatened control of steel imports can be avoided. Thus far, price has appeared to be a minor factor to Canadian importers, and in the absence of adequate supplies from soft currency countries the demand for American steel products may be maintained even with a price increase of 10 per cent. If this appears to be the trend, in a few months the Government may be forced to impose import controls.

The farmers of western Canada have never been so grateful as they are now for their long-term selling arrangements. Devaluation makes no difference to the price they receive for this year's crop though they will be paying more for their machinery and other supplies made with American materials. The price of \$2 per bushel for 140 million bushels under the British wheat contract, now in its final year, stands unchanged. If the Canadian dollar had remained at its previous level the British Government would have had to pay 44 per cent more than it had expected for the Canadian wheat. With the Canadian devaluation not only has this been reduced to a 30 per cent increase, but the value of the \$175 million now to be provided by ECA is appreciated 10 per cent in terms of the Canadian dollar.

After this year the farmer has only the international wheat agreement to rely on, and he relies on it a good deal more firmly than some officials do here. The prices provided under this agreement were to be at the rate prevailing at the time it was made. So if Canada can manage to sell its wheat in 1950-51 at the maximum price under the agreement the farmer would get a price of \$1.80 plus 10 per cent, or only two cents less than \$2.

Prospects for British Goods

The prospects for British sales to Canada are of course greatly improved. The theoretical price advantage they will now enjoy is 23.6 per cent. Shipping and other charges reduce this substantially, but exporters should have plenty of leeway. In textiles, the effect of the tariff reimposed last summer will be wiped out and British exporters should be able to compete on favourable terms with domestic manufacturers. As against American firms they have a double advantage because American imports will have to meet, not only the quota and continuing tariffs, but also the 10 per cent price premium. In the field of cars and other manufactured goods which are made in Canada

largely from American materials, the British exporter has the double advantage of his own price reduction and an increase in the cost of the domestic product. Small British cars should become about \$200 cheaper and short of price-cutting the cheapest Canadian-built car will have to be almost \$200 dearer.

Provided, therefore, that British manufacturers do not allow the increased cost of raw materials to raise their sterling prices unduly, price should cease to be an obstacle to the sale of British goods in this market. The "merchant adventurers" will have a clear field for adventure but they will have to be adventurous. Canadians will not buy things they do not want, even if the price looks favourable. They will not, for example, buy leather wallets which fit pound notes but will not hold dollar bills. If the desired switch from the United States to Britain as a source of supply is to be accomplished, Canadians will have to be persuaded, not only that the British price is competitive but also that the British goods meet the standards and styles to which they are accustomed.

The whole of the sterling area will also have to take part in the increased sales. An excellent example is the citrus fruit industry of the British West Indies. For every reason Canada would like to see West Indian fruits supplanting some American products here. The price should be no obstacle, but the general attitude here is that the West Indian fruit, in comparison with that from California or Texas, is badly graded, badly packaged and badly marketed, and devaluation of the pound is not going to make up for that.

All the main items that the United Kingdom has been buying from Canada will now cost about one-third more than they did and it is doubtful how many of them can still be imported. This thorny question is now being thrashed out in Ottawa by the permanent Anglo-Canadian committee on trade. The most important categories by far are food and base metals. Of the food purchases wheat is the most important and it is difficult to see where else Britain could get the required amount. But the other contracts for bacon, eggs and cheese are not sufficiently large to make up a very important part of the British ration, and at post-devaluation prices they may not be very attractive to Britain.

Prices of Bacon and Cheese

The 1949 cheese contract for 50 million pounds was fulfilled in August and the British Government has already refused to take anything beyond the contract quantities. The bacon contract was for 160 million pounds. Deliveries up to September 17th amounted to just over 21 million pounds and although the main season comes in the autumn months the total deliveries for the year are not likely to be above 60 million. Eggs are also well behind the contract figures, and it is expected that some of these which might have come to Britain during the rest of the year will be attracted south of the border.

The Canadian Government is pressing for the renewal of these contracts. In theory the price differential resulting from devaluation might provide a market in the United States, but official circles here know very well that if any significant quantity of agricultural products moves into that market the pressure on (and by) Washington to stop them will be very great. In the second important category—base metals—the British Government seems to have less choice. Industry needs aluminium, copper, lead, zinc and nickel and it is difficult to see where else they could come from. Of the smaller items on the British purchasing list Canadians fear that things like lumber, salmon and canned vegetables may have to be foregone.

In general the Canadian picture is full of uncertainties. The two developments which could really cheer it up are hoped for, but not expected with any degree of confidence. These are a substantial increase in earnings of US dollars and a spate of British goods which would reduce Canadian dependence on American imports—without, it is necessary to add, completely putting Canadian manufacturers out of business.

THE BUSINESS WORLD

Freedom for Metals

DEVALUATION has brought to the fore the important issue whether dealings in non-ferrous metals are to be kept in the hands of the Ministry of Supply or allowed on a reopened London metal market. On no issue of commercial policy has the Government been more opinionated in the past. There was a period soon after the war—the period when what remained of the Liverpool Cotton Exchange was wantonly demolished—when it was a favourite argument among Ministers that bulk purchase and selling by a Government agency was the cheapest and most satisfactory method of furnishing British industry with its raw materials. Such illusions did not survive the experience of the next year or two. So far as metals were concerned, the Ministry of Supply proved to be no more long-sighted than any other fallible being. For a time, it sold metal "cheaply"—that is, below replacement value. Then, when it had to buy new supplies, it charged the full purchase price, even though replacement values began to fall, and thus prejudiced the competitive power of British manufacturers in the export markets. Then, throwing all pretensions about "averaging of prices over a period" to the wind, the Ministry decided to base itself on the American market, and to charge equivalent prices to British users.

That system has been working since the beginning of July. Its introduction was at least a shrewd piece of timing for American prices of non-ferrous metals began to recover almost simultaneously. Nor (as was emphasised in these columns last week) is the Ministry of Supply to be blamed for raising the prices of copper, lead and zinc close to the new dollar parity after devaluation took place. Its rule was to follow the American market, and it was only playing the game according to the rule. It disregarded—and was right to disregard—any childishness about "profiteering." For once, it took good care of the taxpayers' real capital (that is, its stocks of metal) and refused to squander that capital by selling it at an uneconomic price. But tactics may be right and strategy at the same time wrong. The test of the Ministry's policy is not to be found in its behaviour on a special occasion such as devaluation, but in the assumptions on which its trading policy is based.

On this question, the Minister's most recent and most explicit apology for keeping the trade in non-ferrous metals in his own department was given on July 11th and was analysed with some care in *The Economist* of July 16th. His case against restoring an open market was founded on two main points. First, the overvaluation of sterling at that time would have been an irresistible temptation to buyers in other countries to pay for their metal in cheap sterling and resell it to the United States at a cut dollar price. If \$2.80 to the £ is a realistic rate, that argument loses its force, for it depends on the existence of unofficial markets in which sterling is offered at a discount. Secondly, Mr Strauss claimed that to abandon bulk buying of non-ferrous metals from sterling area sources might deprive Britain of supplies and drive purchasers into dollar markets. This, of course, was a confusion which also reflected the artificial value of the pound in the weeks before devaluation. If the dollar-sterling exchange rate is right, and the prices of metals in the

two markets thus have a solid economic foundation, there is no reason why the dollar market should suck in supplies and endanger the flow of raw materials to British industry.

It is for these reasons that devaluation has reopened the issue whether the metal market should now be reopened. Whatever force the arguments to the contrary may have had last July, they are plainly altered by the new conditions. As long as the pound was overvalued in terms of the dollar, there was something in the case for isolating the sterling and dollar markets for non-ferrous metals, for undoubtedly at the old \$-£ rate, British metal prices were much cheaper than was justified by the true relative values of the two currencies. Open dealings in metals would have reflected this disparity long before devaluation took place, and the prices of metals would have risen steadily towards a parity which the Government were eventually forced to accept. Thus the shift of prices which has come about suddenly as a result of devaluation would have occurred over a period with much less troublesome consequences. But fundamentally the argument remains: if the exchange rate is right and dollar and sterling prices are in line with that rate, there is no danger of one market being pulled out of control or denuded of supplies by the other.

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Much of the criticism of Mr Strauss for hitching his wagon to the star of American prices has taken the line that these prices are the result of a market process far less efficient and far less competitive than was the London metal market in its prime. The pull of demand for base metals has indeed shifted in the last ten years very strongly towards the United States. Formerly almost self-sufficient, America now needs much larger imports of copper, lead and zinc. But American consumers are not in a position, as were purchasers on the London market before the war, to obtain their requirements in a market where the competition of suppliers and purchasers determine the price. A reopened metal market in London would not be able to restore such a degree of competition immediately. It would necessarily have to work within the general ambit of exchange control (which the rubber market finds no difficulty in doing) and it would have to reckon with the fact that the sterling area is a net exporter only of tin, and a net importer of the other base metals from dollar sources. But, to repeat, that fact alone does not justify the mulish adherence to Government purchasing, and the slavish reproduction of every adjustment of American prices.

Tin has always been a case apart—at least in the view of the Ministry of Supply—in the argument whether the metal market should be reopened. Last July, Mr Strauss declared that "other considerations" (which he did not specify) would determine whether private trading in this metal alone might be permitted. A decision was promised later, and this week it has been announced that bulk buying is to end. Discussions are afoot between the Ministry and the Committee of the London Metal Exchange about reopening the Exchange for dealing in tin "at the earliest practicable

date" and the conditions under which it will be allowed to operate. Meanwhile the Ministry has rather belatedly raised its price for tin to British buyers to £750 a ton, compared with £569. The price to American buyers is reduced from \$1.03 a pound to 95 cents, which corresponds to £739 a ton ex Straits smelter. But this new price will presumably only operate as a stop gap until the market reopens. It will be noted that the Ministry has taken a very different line in fixing the new price of tin from its decisions last week on the other metals, for the new price is £70 below the new parity. The fact that the dollar price has been reduced can hardly be unconnected with the threat—to put it no higher—of consumer resistance to paying an extremely high price at the very time that supplies are increasing and there is talk of restriction of output. It was not long ago that some spokesmen for the tin industry were describing the possible re-opening of the tin market as a "retrograde step." The Ministry has at least found enough courage to disregard such comment, and to come down on the side of the industrial user. The decision will be salutary for the tin mining industry and without question in its own long-term interest.

The reopening of the metal exchange to deal only in tin would raise many practical problems. Turnover will be very restricted, even compared with prewar dealings. Up to 1943, the United States bought most of its supplies in the form of metal, and mainly through the London market. Now, however, nearly half of America's annual consumption (which is no larger than it was before the war) is met by the output of the Texas smelter which uses Bolivian ore. For political reasons, the United States may continue to buy Bolivian ore direct; if so, its purchases of tin metal through the London market will *pro tanto* be reduced. There is also the question of the international allocation scheme, which has limited the purchases of individual countries to their current requirements—except for special needs such as stock piling. If international allocation were abandoned, presumably some export control would still be needed to make sure that Russia did not buy undue quantities.

One question, however, has been disposed of by the events of the past fortnight. They destroy the arguments for an international marketing scheme for tin. If there is to be a free market, there is no room for a scheme which must base itself on restricted output. Only the blind or perverse could argue that the high price of tin has no connection with the fact that world production exceeds consumption at that price. Nor, after the raising of the sterling price, can it be maintained that restriction is necessary in order to maintain high prices in order to preserve political stability in Malaya.

But if open dealings in tin would test the meaning of a "fair price," they would by themselves do nothing to ensure that the price of all non-ferrous metals were in orderly relation with each other. That would be a function performed—as far as it was performed at all—by the New York market, with all its limitations. In New York, it is the custom smelters who determine the rise and fall of market prices, but as often as not such quotations bear little relation to actual prices paid by consumers to producers, because both interests are largely integrated under common financial ownership. Under present conditions, and given the broad limitations within which a commodity market must now operate, a reopened metal exchange in London would not provide a perfect market. But it would almost certainly provide a better approach towards a satisfactory market than the present combination of Government buying and selling in obsequious pursuit of the New York "price." If the Government resist the demand for the reopening of the metal market, it will be widely suspected, until there is proof to the

contrary, that it is trying to keep down the contract prices which it pays to sterling producers to the levels which obtained before devaluation. If this is "incentive" for greater selling effort to the dollar market, it would certainly be a very peculiar one. It would in fact be a grotesque exploitation of the Ministry's selling monopoly.

Would a reopened metal market be short of supplies and therefore incapable of functioning smoothly? On this point, an analysis of the expansion in world production of the four base metals is illuminating. In the accompanying table production of each metal for the years 1946 to 1948 (and 1949 where possible) is expressed in the form of index numbers based on the prewar average 1934-38. In each year, the sterling area's share of world production is also given.

By 1948 world tin production was only 4 per cent less than before the war. Production within the sterling area, however, was still 15 per cent below the 1934-38 average while its share of the total was only 37 per cent against 41 per cent prewar. During the first half of 1949, however, production in the sterling area continued to expand whereas production in the rest of the world declined. World output of copper

	1934-38 Average	1946	1947	1948	1949
Tin :—					
World	100	54	71	96	94
Sterling area	100	30	59	85	95
Proportion of sterling area to world	41	23	34	37	42
Copper :—					
World	100	105	130	133	133
Sterling area	100	123	127	134	161
U.S.A. and Canada	100	106	149	148	141
Chile	100	121	138	143	...
Proportion of sterling area to world	12	14	12	12	15
Lead :—					
World	100	70	84	87	...
Sterling area	100	53	66	69	68
U.S.A. and Canada	100	93	114	108	122
Mexico	100	80	92	92	...
Proportion of sterling area to world	21	16	17	17	...
Zinc :—					
World	100	97	110	119	...
Sterling area	100	113	113	125	118
U.S.A. and Canada	100	152	165	166	193
Proportion of sterling area to world	10	12	11	11	...

in 1948 was 33 per cent larger than prewar; output in the sterling area fully kept pace and comprised, as before the war, over 12 per cent of the world total. In zinc, the sterling area by last year had increased its output by 25 per cent, compared with prewar, while world production was only 19 per cent higher. World production of lead in 1948, however, was still 13 per cent below prewar, whereas output in the sterling area was 31 per cent below and its proportion of the world's total fell from 21 per cent in 1934-38 to under 17 per cent last year.

These figures at least show, that in copper and zinc, the recovery in sterling area production has been better than that for tin and indeed that it has kept pace with the expansion of world production. But the final test is price. A distorted set of prices, such as prevailed until last week, invites failure for free market dealings from the start. An orderly set of prices, for which at least the foundation has been provided by last week's decisions, should give market dealings a fair start, so long as the Ministry is discreet in unloading its stocks (which are thought to be equal to one year's consumption in this country). Having taken the right decision in tin, the Ministry has no excuse for failing to release the rest of the non-ferrous metals.

Ships, Shipyards and Devaluation

SHIPOWNERS are not yet in a position to calculate exactly the effects of devaluation on their business, for many changes which are possible in their operating costs have still to be reflected in voyage accounts. Certain short-term effects are plainly discernible. Ships operating in trades which require direct disbursements in dollars will now require increased expenditure of sterling at the new rate of exchange. In the nation's trading account, expenditures by British ships in foreign ports are invisible imports, and an immediate effect of devaluation is to increase these outgoings in terms of sterling. Conversely, the invisible exports represented by the disbursements of foreign ships in British ports will decline in terms of dollars and other currencies which have not devalued. It remains a matter for conjecture whether this deficiency will be made up by an increase in the invisible exports represented by shipping services. If the devaluation of so many currencies does lead to an expansion of worldwide trading, British shipping can expect to find more scope for employment.

Short of any such general expansion, has any new competitive advantage been gained? The other maritime countries have offset any such advantage to the extent that they have devalued their own currencies. A theoretical advantage has been gained in the competition with American shipping itself. But is it likely to be effective in practice? It is a firm principle of American maritime policy that the State should subsidise the mercantile marine to the extent of paying the difference between American and foreign operating and building costs. Unless that policy is changed, a reduction of the level of foreign costs in terms of dollars will merely lead to higher subsidies to the American shipowners, to enable them to compete in the international market.

The trades most directly concerned by the devaluation are those serving North American ports, and in those trades the companies operating transatlantic passenger services took the first step. The Atlantic Conference met in London and agreed to follow the lead taken by the International Air Transport Association in increasing the sterling charges for transatlantic passages by 44 per cent. The alternative would have been to reduce the dollar charges, but this action would merely have sacrificed dollar earnings. Passenger capacity cannot be expanded overnight, and the Atlantic Conference evidently saw little prospect of increased sales of accommodation on a scale to offset a reduction of dollar fares, except possibly during the off-season. Even in that season the ships concerned are generally engaged in maintenance and overhaul, or in cruising from African ports. The principal American member of the conference is the United States Lines, cannot have been anxious to see its fares reduced.

Some of the considerations which affect the passenger conference to raise its rates apply equally to the passenger tramps engaged in North Atlantic traffic, but to liners and any means certain that these are in a position to meet yet by sterling rates to offset the reduced dollar value of their currencies. They have more competition to meet, and do not share the advantage of an assured two-way traffic. A manipulation of freight rates for transatlantic cargo traffic is likely to have more far-reaching consequences, since freight rates are a direct element in the cost of imports and exports alike. For the time being, at any rate, exporters to North America will not be asked to pay higher sterling freights, since the conferences concerned have decided not to increase

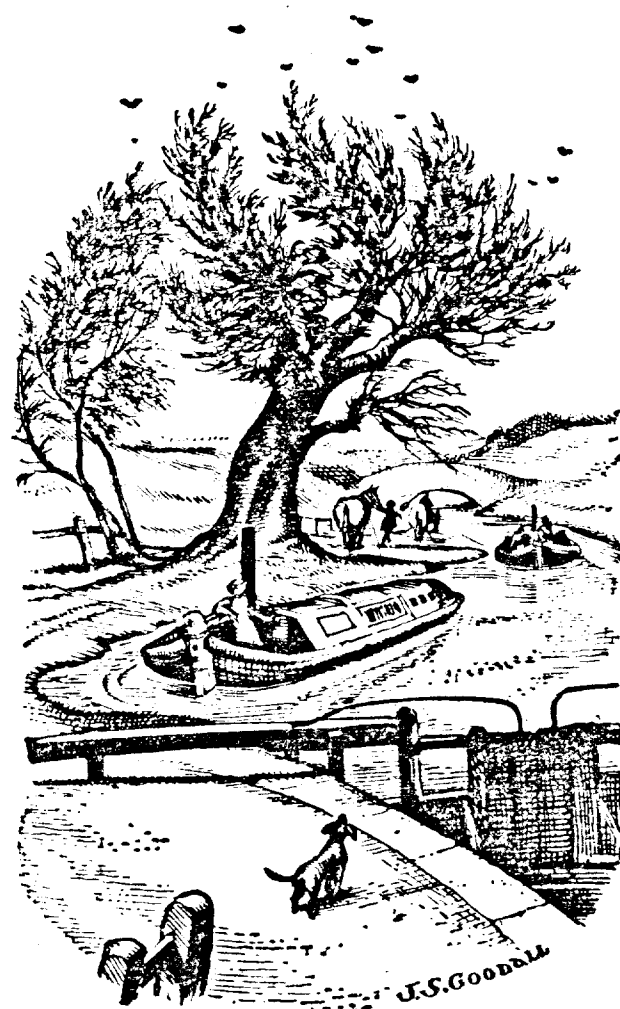
outward freight rates to Canada and the United States at least until the close of the St. Lawrence shipping season in the middle of November. What is to happen after that date remains for the shipping companies to decide in the light of experience.

The tramp freight market has reacted only slowly to devaluation. Shipowners are normally cautious in committing themselves to a new course of action, and they are not yet able to assess the full effects on voyage accounts. The transatlantic trade has been in a depressed condition for some months. One or two ships have been fixed for grain at 8s. a quarter, an increase of one shilling since devaluation, but it is doubtful if an increase of that order will fully cover the increases in the cost of dollar disbursements. Other factors, apart from devaluation, have their effect on the tramp market, and it is possible that these fixtures at rates as low as 8s. represent, in fact, a further depression in the market which has been disguised by the devaluation factor. The lack of cargoes in the Plate trade still exerts strong pressure on the freight market and a surplus of tonnage has recently developed in the East, depressing freight rates there and possibly attracting tonnage in the homeward direction. Tramp shipowners can derive no consolation from the knowledge that imports of bulk commodities from North America to Europe, particularly grain, sugar, timber and coal, are likely to decrease, while the increase in westbound exports—if it comes—will consist mainly of manufactures, for which the liners are better suited than the tramps. Increased opportunities of employment on time charter with the liner companies may appear after a time. It would be logical to expect increased exports of anthracite to Canada, and of British coal to overseas bunkering depots, to displace American coal, but the slow rate of increase of British coal output does not suggest that those hopes are near to fulfilment. So far as ECA cargoes are concerned, American insistence that 50 per cent of these should be carried in American ships means that no saving can be gained by switching such cargoes to sterling tonnage.

Much the same considerations apply in the tanker market, where chartering came to a standstill with the announcement of devaluation. Charterers as well as owners are disposed to wait for the outcome of the Anglo-American oil talks in Washington, since these may decide the movement of oil trading conditions. The trend of opinion is that freights will probably rise in sterling and fall in dollars, at least for a time.

Apart from port disbursements in dollar areas, the greatest factor affecting freight rates is the inevitable rise in oil fuel prices in the sterling area, and this will concern shipping in all trades. As an article in *The Economist* pointed out last week, sterling oil has a large dollar content, and its prices are bound to rise; but until the extent of that rise is known, shipowners cannot determine its exact effect on their operating costs. Other operating costs may be similarly affected, at least by the increased sterling price of their dollar element, and possibly by sympathetic increases in sterling prices.

Aside from meeting operating costs, shipping companies should make provision for the eventual replacement of their ships. It is necessary to consider carefully the movements of ship costs which are likely to follow from devaluation. Shipping is an industry which is especially sensitive to cost increases outside its control. Almost every increase



October

With the close of the holiday season industry and trade are in full swing again. Special efforts are being made to expand exports, and all interested in overseas trade, particularly those who are entering this field for the first time, are invited to consult the Midland Bank. At Overseas Branch, 122 Old Broad Street, London, the Bank has a Foreign Trade Information Department which is specially equipped to give information, advice and assistance on matters concerned with trade with other countries. This service is at the disposal of traders and merchants in all parts of Britain and is available at any branch of the Midland Bank.

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In industrial wages, almost every change in the cost of a raw material (whatever its principal use), and almost every change in the costs of services or public utilities, is reflected somewhere in the price of a finished ship. The raw materials most extensively used are steel and timber; these—and steel in particular—are among the commodities less likely in the short term to cost much more as a result of devaluation. But the sterling prices of non-ferrous metals have been raised to keep them in line with dollar prices at the new parity; they are widely used in the components which go into a ship, and particularly in the engine-room.

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The shipbuilding industry can only be expected to find that its problem of high costs has become more acute even than before. It is faced with the prospect of still higher prices for some of the raw materials and many of the components of a ship. In the background is a further claim for an increase of £1 a week in wages from the Confederation of Shipbuilding and Engineering Unions before devaluation. Even shipbuilding prices had already reached the point at which shipowners, finding that their freight incomes were falling, were growing reluctant to contract for the future. The danger now is that the gulf will be even further widened between what shipbuilders charge and what shipowners are able to afford. Reduced costs, and higher productivity, in ship operating are desirable and necessary, but they depend on factors largely outside the shipowner's control. In the light of this, increased productivity in the shipyards, and in the engineering industries which supply the shipbuilders, appears as the decisive and urgent necessity.

Shipbuilding is also an exporting industry of considerable value. At present about one-third of the ships under construction are for export, mainly to countries which have devalued their currencies in the wake of sterling. Britain's competitors in shipbuilding may be expected to experience the same pressure towards higher costs as a result of their devaluation; the change in the value of sterling will not itself, therefore, lose or gain much business for the British shipyards. The truth of the matter is that the decline of export orders for British shipbuilding had already set in before devaluation began to appear probable. Reviving activity in Continental yards, assisted by lower labour costs, had already been depriving British yards of contracts which they might have won if prices and delivery dates had been better suited to the ever more exacting requirements of foreign shipowners.

Devaluation is not likely by itself to enable British exports of ships or of shipping services to the dollar area to be increased. Only a change in United States maritime policy could bring that about. Since the Merchant Marine Act of 1936, and even before, American maritime policy has kept British dollar earnings from level which the shipping and of ships well below the equipped to attain. No other shipbuilding industry such an advantage over the United States in the rest. To take a recent example, the lowest building in for a certain ship was \$3,490,000, compared with an American bid of \$1,720,000. The immediate effect of devaluation would be to reduce the British price to £600,000; but this is an academic advantage. Shipbuilding is preserved for American shipyards by the payment of a differential subsidy. The finished ship is kept in operation on international trade routes by an "operating differential" subsidy which is designed similarly to make up the difference between foreign and American operating costs, a difference in which wages are the largest

single element. There seems, therefore, to be no assurance that devaluation will increase the dollar-earning power of British and other European shipbuilding industries, or will make possible the winning of more dollar freights in the face of American subsidised competition on the high seas. It could, equally, mean an increase in the cost of subsidies to the American taxpayer; and the chairman of the United States Maritime Commission, on his recent visit to Britain, made this clear.

Shipping was one of the subjects raised in the recent Washington discussions. There has been no evidence that Sir Stafford Cripps obtained any specific concessions in the matter. The kind of concession that Britain would seek is not hard to see. As the recent report of the maritime trans-

Business Notes

The Political Chancellor

Sir Stafford Cripps's opening speech in this week's debate may have been an impressive defence of his change of heart about devaluation. But beyond that it ranks as one of the profoundest disappointments since he took office. Sir Stafford as politician overshadowed Sir Stafford as Chancellor—who must now be written off as Beethoven wrote off Napoleon in the dedication of the third symphony. There was again the self-peddling of the effect of devaluation on prices—bread and flour will put up the index by just over half a point

and it may be that by the end of the year, if there are no counterbalancing decreases, the index will have gone up by a point or so. That is the sort of measure of the immediate justification for price increases.

Again there was emphasis on the increased cost of imported dollar raw materials ("how much will depend on the course of dollar prices")—a proviso which has little or no meaning unless the Chancellor was actually contemplating a slump in American markets) but again no mention of the inevitable effect of devaluation in raising sterling raw materials.

There is no room to repeat the arguments put forward in last week's issue about the effect of devaluation on prices, but it is significant that Sir Peter Bennett, who took part later in the debate, declared that the increased costs of raw materials used by the companies with which he is connected amounted to 10 to 12½ per cent. The notion of costless devaluation, which even last Tuesday the Chancellor seemed at some pains to inculcate, is empty. The speech was equally empty of any proposals for effective collateral action to secure the advantages which are claimed for devaluation. The whole investment programme is to be reviewed, but "without major dislocation and waste we cannot bring about any very quick change in the volume of capital investment." There was no mention of any policy towards an increase in the rate of interest—surely one of the most effective means of choking off the excessive demand for new investments. A substantial ("though not spectacular") reduction in expenditure is expected from the pruning of "less necessary services," but the main items of Government expenditure are obviously sacrosanct.

Nor is any radical change in the disposition of labour and the rest of the apparatus of production called for. "Low efficiency in the factory can often be traced to faults of management"; that can be righted by closer attention to human relations in industry "which has been carried so far in America"—a claim which would surprise as many American employers as it would American workers. There is some excuse from "a long history of unemployment in the past" for some feather-bedding on the part of the workers, and it is to be deprecated. But only "in one or two industries" will higher productivity lead to redundancy and compel workers to move to new jobs elsewhere.

port committee of the Organisation for European Economic Co-operation showed, the deterioration in European (including British) shipping earnings in relation to the dollar area has played a serious part in widening the dollar gap. This is the more unfortunate since, on a basis of costs and efficiency, the European maritime industries would be well able to compete; but only a relaxation of American maritime policy would enable them to increase their dollar earnings. Such a relaxation would be a logical corollary to the liberalisation of American import and tariff policies which was suggested in the joint statement issued at the end of the Washington talks. It would, however, be politically awkward for the United States Government. Will the awkwardness be faced? The responsibility would seem to be squarely in American hands.

Profits Tax Raised

Disappointing and partial in its general approach, the Chancellor's speech produced out of the hat a wholly inexcusable and unjustified threat about dividend limitation and an announcement that the tax on distributed profits is to be raised as from September 27th from 25 per cent to 30 per cent. Here the Chancellor was politician indeed. He admitted that the incentive to exporters to increase their dollar sales was the expectation of higher sterling profits. But, he proceeded,

there is no way I have been able to ascertain by which selectively we can catch the extra profits arising out of the alteration of the exchange value.

Presumably, if there had been a way, the Chancellor would have taken it, offering incentive with one hand and taking it away with the other hand. Then followed the threat. A few companies had "deliberately broken away" from the voluntary understanding to limit dividends. Therefore, industry generally must be warned that

if there is any further breaking away I shall consider myself at liberty to introduce legislation to restrict dividends in the next Finance Bill.

This is not merely ungenerous to industry; it is gratuitously offensive. For the facts are as well known to the Chancellor as to anyone else. The general acceptance of industry last spring was for a policy of restraint in dividend policy, and it has been generally observed. Some 2,095 companies of all kinds (including many which were still recovering from the war) showed the following figures in the year to last June 1—

	Preceding Year	Latest Year
	£ mn.	£ mn.
Total income	699.5	826.6
Depreciation	81.6	98.9
Taxation	280.8	328.2
Other charges	133.3	162.2
Net profit	203.8	237.3
Preference dividends	26.0	26.5
Ordinary dividends	94.4	96.4
Profits retained	83.3	114.3

The ordinary dividends of these companies increased by £2,000,000, compared with an increase of £331 million in their net profits. If this is not dividend limitation, what is it? How can the Chancellor, in the face of these facts, launch threats against industry about a breach of an undertaking which has been far more scrupulously observed than the corresponding undertakings by the unions? What kind of encouragement or incentive is provided by such a partisan outburst?

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But more was to come. The lower income groups, as the Chancellor rightly said, will feel the effect of the rising cost of living more severely than "the average profit earner."

Therefore, as a measure of "rough justice," Sir Stafford Cripps announced the raising of the tax on distributed profits by one-fifth. The justice is indeed rough. To the general and familiar objections to a specific tax on distributed profits (which falls on industry, not on individuals) there is now added the crudity of a further impost supposedly to catch higher returns from exports (which would mean so much the less incentive to export if it succeeded) but levied on the distributed profits of all industry—in the home market or the export market without distinction. It will console a brewery company, no doubt, to make this fantastic contribution when its costs are rising and its sales are confined to the home market. It is really a monstrous and perverted political logic which gives a sop to organised labour by drawing additional taxation from industry's less than adequate reserves. It can easily be calculated that if the companies whose results are shown above maintain their dividends (they will in any case have to maintain their preference dividends), some £20 million out of the £114 million set aside to reserve will be absorbed in higher taxes.

It remains to be seen whether "as from today" means that all dividend payments made on and after September 27th attract the full burden of the new increase, or whether there will be an apportionment of the increase of tax according to the period in which the profits were earned. Apart from its basic unfairness, the increase would be additionally unfair if it was put on profits earned before devaluation. This point must be settled quickly, for it will be a gross injustice on investors if dividend payments have to be postponed until Parliament reassembles. If Sir Stafford made up his mind so quickly on the increase, he should explain equally quickly how it is to work in precise terms.

Devaluation and After

The Choice of the Rate

In the historical passages of his speech on devaluation the Chancellor of the Exchequer devoted some time to a justification, first of the decision to choose a fixed rather than a free rate for sterling, and, secondly, of the rate of \$2.80 which was actually chosen. The Chancellor dismissed as wholly unacceptable any "floating rate" which would imply that all exchange and import controls had been taken off and that sterling would be allowed to find its own level within that setting. Any such suggestion, however, has never seriously been made, and this was merely an Aunt Sally which the Chancellor set up himself in order to demolish with impressive deadliness.

But even within the limited range of transactions permitted over the exchange, the Chancellor said that the Government had decided it would be unwise to allow the rate to find its own level. He pointed out that there was a most pressing need today to encourage and expand world trade. For that purpose some degree of stability in exchange rates was essential. Sterling held a pre-eminent position in this respect as the currency so largely used to finance trade in the non-dollar world. Its stability was therefore necessary "to provide a firm anchorage" for non-dollar currencies. Even to our own exporters uncertainties regarding the rate of sterling would have been unsettling and damaging. Sir Stafford also produced a telling technical argument by pointing out that the constant intervention which would be required if a free rate were to be made safe for sterling would require substantial reserves and that at present British reserves were inadequate to attempt any such experiment. The main argument for allowing the rate to go free, of which much has been heard in this week's Parliamentary debate, is that it would ultimately lead to a more valid and realistic rate of exchange than any now chosen by the authorities.

Having decided on a fixed rate, the Chancellor said that two limits had to be observed. It must not be lower than was necessary to achieve the objective of the Government, but it must also be low enough to be capable of being held and to

make quite obvious to all the world that there would be no second alteration. In examining this problem the Government used as a criterion the competitive level of prices both in dollar countries and in other markets where Britain had to compete with dollar goods. The guidance of free markets in sterling had also to be taken. This evidence suggested that the rate should go as low as \$3 to the £ "and probably a bit lower." The final consideration was "to make it absolutely plain that this was not a tentative first step, but a final and completed operation." It was for all these reasons, said Sir Stafford, that a rate of \$2.80 had been fixed.

Diagnosing Inflation

No one will dissent from the Chancellor's assertion that "the results of the last budget are—if anything—working out as less disinflationary than we intended." In this context, as in so many others, his diagnosis is more defensible than the conclusions he drew from it. On this issue, indeed, Sir Stafford showed a considerable realism, for it is not easy to test the inflationary temperature merely by scrutinising the familiar estimates of national income accounting, and the Chancellor, avoiding reliance upon these, based his opinion on more empirical judgments. Thus he declared the most disturbing features to be the rate of dis-investment of savings and the fact that the slackening of exports, combined with rising production, has not produced any "noticeable easing of the position in the home market." This was a wise approach, for any conclusions based merely on the available figures—or at least upon those which are publicly available—would certainly have understated the extent of the danger. Thus, while the budgetary position has deteriorated, the shortfall compared with the estimates, though considerable, seems to have been rather smaller than is popularly believed. In the first 5½ months of the current fiscal year the "above-line" surplus amounted to a mere £8,000,000, in contrast with £224 million in the similar period of 1948-49, a deterioration of £216 million. For the full fiscal year, the budget envisaged a fall of £371 million in the "above-line" surplus and one of £192 million in the so-called "true revenue" surplus.

"Below the line," the deterioration has been less marked: net expenditure has amounted to about £238 million compared with £195 million in 1948-49, so that the overall deficit amounts to £230 million, compared with £29 million last year. For the full fiscal year, the overall surplus was expected to fall from £352 million to £14 million. Very little information is available about the trend of the other factors in the nation's capital account. In the early part of the year, gross savings by companies were probably still running above their 1948 level, but are probably now turning downwards. Personal savings, however—in so far as their trend can be judged by the behaviour of National Savings—have fallen throughout. For the first 25 weeks of the current year, before taking account of interest paid out on encashed Savings Certificates and excluding repayment of Defence Bonds at maturity, there was a net dis-saving of £41 million, compared with a dis-saving of £13 million in the similar period last year.

On a narrow statistical reckoning, however, it might have been deduced that the increase in inflationary pressure resulting from these adverse trends in the budget and in savings had been at least partly absorbed by the worsening of Britain's external balance of payments considered as a whole—since the effect of this has been to release "frustrated exports" for the home market. Such a calculation might lead to the conclusion that the disequilibrium in the capital account is of only minor proportions—which is plainly contrary to the facts. It is better by far to look to more general indicators of inflationary pressure—the persistent rise in costs, the recurrence of wage demands, and, above all, the persistently very low volume of unemployment, the trend of which has been downwards. But if such proofs as these of the rising pressure of inflation show the dangers of relying too much upon the purely statistical

analysis, they demonstrate also—what close observers suspected at the time—that the last budget promised to be insufficiently disinflationary even in the conditions in which it was framed.

* * *

No Correctives in Sight

While the Chancellor now in effect admits this, he plainly has no intention of making any heroic efforts to retrieve the ground which has been lost. There are to be "substantial but not spectacular" economies in administrative services, and there is to be another pruning of the investment programme. In addition—though Sir Stafford did not mention this—the budgetary position should be reinforced by an increase in the sterling value of Marshall aid. If the Chancellor does in fact stick firmly to the limit of £465 million which has been put upon the cost-of-living subsidies and if the internal accounting of receipts from ECA is honestly conducted (in the sense that, e.g., the Ministry of Food is debited with the full dollar value of ECA supplies), then these supplies will now be sold to the public at an average of 44 per cent more than before devaluation. In the current fiscal year, this might bring some £40 million of relief to the budget.

Even with this reinforcement, however, there is evidently no prospect that the disinflationary policy will be pushed to the point at which it exerts any positive effect. The Chancellor's aim, quite plainly, is merely to take some limited counter-inflationary action, to put a brake on the rise in sterling incomes, but never to impose such pressure as to create the general disinflationary slack in the economy which is indispensable if the requisite mobility of men and resources is to be obtained. Given this timidity in the budgetary approach to disinflation, it might at least have been expected that some attention might have been given to the possibility of recourse to monetary policy. No significance, presumably, need be

attached to the fact that this time the Chancellor did not reaffirm his adherence to the cheap money policy. But, if that is to be taken for granted, as he doubtless intends, the authorities might at least take the trouble to scrutinise their own lending arrangements. Having allowed the gilt-edged market to fall to a 3½ per cent basis, it is high time that the rates charged for loans to local authorities were adjusted accordingly. At the present level of 3 per cent they give a positive inducement to borrow in advance of need, and this not only tends to depress the market rate of interest now but will surely also increase the pressure on real resources later on.

* * *

"Profiteering" Markets?

Although the excitement in Throgmorton Street in the unofficial dealings on September 19th gave pain to those ignorant of the mechanics of a free market—including, if one is to take his Llandudno speech at its face value, the Prime Minister himself—the most remarkable feature of the stock markets since devaluation has undoubtedly been the smallness of the price movements which have taken place. Anyone unaware of the currency events of the last two weeks who compared the current price list with that of a month ago would be hard put to it to deduce that a financial earthquake lay between. This is well demonstrated by the monthly security index compiled by the *Investors' Chronicle*, which covers a wider range than some other indices, and is usefully broken down into sub-indices.

The latest index, made up to a date before the news of the increase in profits tax is reproduced overleaf. The comparison with August tells its own story. It will be seen that industrial ordinary shares rose, on the average, by only 3.9 per cent between August 25th and September 22nd (they have, of course, certainly lost the whole of this small gain since). Those groups



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(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1949.

CAPITAL, £1,247,602 IN £1 SHARES. ALL ISSUED, FULLY PAID.

DIRECTORATE.

W. M. FRAMES (Chairman), P. H. ANDERSON, W. M. BARCLAY, MAJOR C. S. GOLDMAN, P. S. HAMMOND, G. V. R. RICHDALE.

	Tonnage Milled, 2,225,000.	Per ton milled
Total Working Revenue	£2,852,833	£1 5 8
Total Working Expenditure	2,628,936	1 3 8
Working Profit	£223,897	£0 2 0
Total Profit for the year		£225,260
Balance unappropriated at 30th June, 1948		433,332
Transfer from Shareholders' Contingency Reserve		13,400
Amount previously appropriated for Capital Expenditure, now reversed		15,519
		£687,511

This amount has been dealt with as follows:—

Dividends declared during the year:		£644,067
No. 78 of 8½ per cent. and No. 79 of 8½ per cent.		218,320
Leaving a balance unappropriated of		£425,723

The available ore reserve was re-estimated as at 30th June, 1949, as follows:—		
	Tons	dwt.
Main Reef	825,000	4.2 .. 56.3
Main Reef Leader	1,068,000	4.5 .. 51.0
South Reef	845,000	3.8 .. 45.1
Bird Reef	1,575,000	2.9 .. 31.8
Kimberley Reef	300,000	2.8 .. 30.1
Total	4,175,000	3.7 .. 55.1

There were in addition 1,233,000 tons of possible ore valued at 4.2 dwt. per ton contained in shaft and safety pillars not at present available for stoping.

Compared with the estimate for the previous year, the available reserve decreased by 24,000 tons, the stoping width being 0.1 inch less and the value unaltered.

The shortage of European and native labour adversely affected mining operations.

The full Report and Accounts (with Plans of Workings) may be obtained from the London Secretaries, A. MOIR & CO., No. 4, London Wall Buildings, London, E.C.2.

of industrials which made the best showing seem to be not so much the expected dollar-earners as the groups (such as shipping, newspapers and radio) which had registered particularly heavy falls in the preceding months. Outside the industrial market, gold mining shares, as the most obvious beneficiaries from devaluation, advanced by 12½ per cent, but this was actually a smaller percentage rise than was recorded in July when the rumours of exchange adjustment really started. Rubber, tin mining and base metal shares increased in very much the same ratio as gold shares, although here again the percentage rise in price did not come up to the previous best monthly performance. Gilt-edged and industrial fixed-interest stocks stood up to the month's news virtually unmoved.

This sober picture shows how grossly distorted was the impression conveyed to the general public by the headlines and news-photographs of the "Street" market. Inevitably, any

DEVALUATION IMPACT ON STOCK MARKETS (Monthly Index of Investors' Chronicle*)				
	June 23, 1949	Aug. 25, 1949	Sept. 22, 1949	% Change in Last Month
British Funds	122.2	116.9	116.4	- 0.4
Colonial and Dominion	121.0	113.8	115.4	+ 1.4
U.K. Corporations	133.6	121.7	124.3	+ 2.1
Index Gilt Edged	125.8	117.6	118.7	+ 1.0
Industrial Debs.	151.9	143.3	143.5	+ 0.1
Industrial Pref.	116.4	108.3	108.4	+ 0.1
Index Ind. Fixed Int.	134.1	125.8	125.8	+ 0.1
Banks	...	120.4	121.9	+ 1.2
Insurance	...	164.3	172.1	+ 4.7
Investment Trusts	...	45.8	47.4	+ 3.5
Aviation	115.7	126.2	135.3	+ 7.2
Breweries	265.1	285.7	284.1	- 0.6
Building	136.1	139.5	143.5	+ 2.9
Chemicals	214.7	209.8	209.4	- 0.2
Electrical equipment	134.2	133.2	138.2	+ 3.7
Food and tobacco	115.8	114.8	114.5	- 0.3
Iron and steel	69.6	68.0	71.0	+ 4.4
Motors	156.8	157.5	165.4	+ 5.0
Newspapers	136.3	132.6	144.5	+ 8.9
Plastics	69.7	74.9	76.7	+ 2.4
Provisions	94.2	97.7	104.4	+ 6.9
Radio	38.3	38.7	41.8	+ 8.0
Retail stores	190.7	196.8	202.9	+ 3.1
Shipping	75.9	75.1	88.1	+17.3
Silk and rayon	91.5	91.5	96.6	+ 5.6
Textiles	55.6	57.0	59.8	+ 4.9
Miscellaneous	271.9	278.1	288.1	+ 3.6
Index Industrials	131.3	133.9	139.1	+ 3.9
Gold mining	110.4	127.0	142.9	+12.5
Copper, lead and zinc	93.7	128.1	142.5	+11.3
Land	125.8	133.4	138.9	+ 4.1
Oil	243.9	271.3	278.9	+ 2.8
Rubber	54.3	44.4	49.9	+12.4
Tin mining	58.6	61.4	63.8	+ 3.9
Tea	90.3	123.5	139.5	+12.9
Index commodities and land	107.8	127.0	135.6	+ 6.8
Index All Stocks	124.3	128.1	133.4	+ 4.1
Coal	73.6	75.3	76.9	+ 2.1
Gas Light and Coke	122.3	116.4	116.4	...
Australian Govt. stocks	129.3	118.9	120.7	+ 1.5

* This index, which covers 200 securities in all, takes as base December 31, 1923=100

major change involves profits and losses in security dealings, but the investing community, taken as a whole, had little cause for satisfaction with the post-devaluation behaviour of markets. Obviously, the most astute operators have made profits, and it may disturb the Chancellor to reflect that the Treasury was among them. Armed with its fore-knowledge, and knowing that the gold share market would be strongest at the outset, it wasted no time in selling large blocks of the gold shares it acquired from the French. Perhaps Sir Stafford regards these tactics as a righteous effort to damp down speculation and confine as much of the profits as possible for the one speculator who can do no wrong.

Help from the Fund?

Canberra has for some time past been one of the more fruitful sources of advance information about financial matters of general Commonwealth interest. The latest "leak" of this

character was the report published early this week from the Australian capital that during the Washington negotiations the British representatives had made a formal request to the International Monetary Fund to restore facilities for the purchase of dollars from the Fund by Britain. The message from Canberra went on to suggest that Australia would also be entitled to the facilities of the Fund and spoke in terms of a total "loan" to the two member countries of a little over \$1,000 million spread over the next three years. The best available information in London suggests that this "leak" is not up to the usual standard of accuracy. The IMF decision which prevents those member countries receiving Marshall Aid from buying dollars from the Fund still stands. The arguments which underpinned the decision remain intact. The only development which might conceivably have changed the situation is that the devaluation of sterling may in the eyes of the IMF have changed the position of Great Britain from one of fundamental disequilibrium to one of temporary disequilibrium and to that extent to have made Britain a more eligible applicant for assistance.

It should, however, be remembered that the IMF decision banning ERP countries from access to its dollars was not justified by any argument relating to the economic position of the countries in question. It was based on the contention that the normal dollar requirements of these countries would be satisfied by the Marshall Plan and that the dollar resources of the fund should be kept intact for the post-Marshall Aid period when, according to all available evidence, the dollar would remain a scarce currency. If the British representatives in Washington asked for a reversal of this decision, they must have been even more hard-pressed than the available evidence on the reserve position would seem to suggest. No word has yet come from the Fund to suggest that such a request was made or that it met with a favourable answer. As for Australia, that country not being a direct recipient of Marshall Aid has normal access to the facilities of the Fund and should be able to buy dollars from it up to the amount of about \$50 million a year.

New Exchange Rates

Apart from the devaluation of the West German mark, which is discussed in a following note, the principal currency decisions announced this week have been those by Switzerland, Italy, the Netherlands West Indies and Turkey. The Swiss announcement has silenced the rumours that there had been a wavering towards "partial" devaluation, or at least to a system of differential rates involving a "tourist franc" designed to cushion the impact on the hotel industry. Herr Nobs, the President of the Confederation, has described the maintenance of parity as Switzerland's contribution towards world recovery, because it would induce an expansion of Swiss purchases from soft currency countries. In the long run, he declared, Swiss tourism would benefit from the spending of these increased export proceeds, and he hinted that this consideration would be strongly urged in any future negotiations of trade agreements involving an increase in Swiss purchases. Meanwhile, it seems evident that any special aid for the tourist services will not take the form of exchange manipulation.

Italy has still not made any definitive move; the only formal change so far is that the official exchange rates are now being based on the daily free rate instead of upon its average during the preceding month. This has avoided the lag which would otherwise have occurred in the response of the official rate. After being steady for some months at 575 lire to the dollar, the lira depreciated at one time to just over 636, but is now settling down at a little under 633 lire. This represents a fall of 9.1 per cent against the dollar and gives a cross-rate of 1,772 lire for sterling, the effective depreciation of which in terms of the lira is on this basis reduced to 2½ per cent.

The Netherlands West Indies, the Philippines and Colombia have all announced maintenance of their dollar parities.

Similar announcements have also been made by Turkey, Syria, Hungary, Yugoslavia, Brazil and Chile. But in each of these latter cases special considerations reduce the significance of the declaration. Iraq and Iceland have followed the Commonwealth members of the sterling area by a 30 per cent devaluation. Thailand has devalued by 20 per cent against the dollar, involving a reduction of the sterling rate from 40 ticals to the £ to 35 ticals.

Prices after Devaluation

The week has seen no startling changes in commodity prices. The absence of proper terminal markets for many commodities lengthens the delay before the effects of devaluation become apparent. In Britain, the Raw Cotton Commission on Monday raised its selling prices for the second time within a week. All American types of cotton were increased by 1d. a lb., and Egyptian cottons were increased by between ½d. and 3d. a lb. The new cover quotation for American cotton is 29.15d. a lb., for Brazilian (Sao Paulo) 28.90d. and for Egyptian (Giza 30 and 7) 38d. a lb. Even so, it is generally believed that the Commission's new prices are still below replacement costs. The Commission's case is that it is holding large stocks of cotton bought at much lower prices and that it is averaging the cost of replacement over its whole stock. This policy, however, prevents the building up of a reserve fund to enable it to reduce its selling prices when world prices fall.

The London wool sales opened on the Thursday following the devaluation. Prices were on the whole higher than at the closing sales in July. Greasy merinos were 5 per cent dearer, and crossbreds were between 7½ and 10 per cent dearer. There was no evidence of any American buying, and unless activity in the American wool textile industry increases, purchases by the United States this season may not (in spite of the devaluation of sterling) be much larger than last. Yorkshire dominated the market as usual, but appeared to be buying only for current needs. France, Belgium and Switzerland were the main continental buyers. Even in this market, which was very well attended, a general air of caution was apparent, with buyers waiting to see how prices in general will move and whether consumers will be in a position to pay more for finished products. In the Calcutta tea market, however, American buyers have been much more active than of late and prices generally were bid up by between 3d. and 6d. a lb.

The American markets have, as yet, shown little change. The cocoa price has dropped slightly but there has so far been no active dealing at the new level. Base metals, with the exception of lead, have held their prices, though at the beginning of the week the Ministry of Supply reduced its selling price of tin to the United States from 103 cents a lb. to 95 cents. Last week a leading American custom smelter reduced its price for lead from 15½ cents a lb. (equivalent to £121 a ton) to 14½ cents (£118). This move has not yet been generally followed by the market or by the Ministry of Supply. In March the fall in the price of lead in the United States precipitated a general decline in base metal prices. The experience may not be repeated, but this weakening of price might suggest that American recovery from the recent recession may not be so secure as is generally believed.

Revaluation Clauses

The devaluation of sterling has brought into operation the exchange revaluation clauses which are incorporated in a number of payments agreements negotiated by Britain. The list of such agreements carrying revaluation clauses expressed either in gold or in terms of the rate of exchange between the two contracting parties was last officially announced in Parliament in November, 1947, as follows:—Argentine

Belgium, the Belgian Congo, Brazil, Iran, Paraguay, Portugal, Sweden and Uruguay. Since this list was published Chile has come into the group of countries enjoying a reciprocal exchange guarantee on its sterling holdings, while Brazil has dropped out of the list as the result of the new payments agreement negotiated with that country last year.

The revaluation clauses on Argentine accounts are expressed either in terms of gold or dollars. These, however, are unlikely to cause the British Government any appreciable loss. Argentina has been rapidly running down its sterling holdings, and can now hold little more than negligible balances in London. Some of the confusion regarding the Argentine position was due to the fact that the apparent exchange reserves reported in the Argentine Central Bank returns have included the £100 million advance made by Britain to Argentina under the Andes Pact and intended as an advance payment for the subsequent year's imports from Argentina. Over this period there have therefore been no current sterling receipts by Argentina, the proceeds of whose exports to the sterling countries having merely been used to repay this advance. If all amounts due by Argentina to residents in the sterling area were in fact paid, it is probable that the Argentine accounts in London would today show an overall debit balance. Revaluation in respect of these should therefore cost little or nothing.

The revaluation clause in the case of Argentina also applies to the net forward position which that country may have covered in respect of her prospective sterling receipts for four months. It is, however, the *net* position that is involved, and since there are substantial amounts still due to Britain in respect of short-fall of deliveries under the Andes agreement, it may well be that the net position to which any revaluation condition would apply will be found negligible or non-existent. The position regarding the Argentine meat contract was somewhat clarified by the Chancellor this week when he admitted that the price would have to be re-negotiated; no automatic guarantee had been given to the Argentine Government but in the negotiations, the British side "indicated" that meat prices would be discussed again "if the sterling-peso rate of exchange was varied as a result of action taken by us." If Britain gives way on this issue, it can only be on the ground that a reduction in the meat ration could not be tolerated so near to a General Election. If, however, the British Government gives ground on meat, it may also have to do so in the prices paid for coarse grain to Argentina, and this in turn might well bring into question the other contracts for coarse grains, including that with the USSR, which have been established on a sterling basis.

Of the other countries enjoying a gold or dollar guarantee, Portugal and Iran will be the main beneficiaries. The revaluation guarantee to Belgium is based on the direct sterling-Belgian franc rate, which, as a result of the differential changes in parities announced last week, has involved a 20.4 depreciation of sterling. The consequent writing up of Belgian sterling balances will certainly lift these balances above the gold ceiling. This is therefore a case in which the devaluation of sterling will involve an immediate and probably quite substantial loss of gold. The revaluation guarantees to Latin American countries, including Chile, Paraguay, Uruguay, will reflect the full depreciation of sterling in terms of dollars, since those countries have for the time being decided to remain at parity with the dollar. The losses involved, however, should be small.

Devaluation of the D-Mark

The new conversion rate for the D-mark is still not finally fixed. The long delay has inflicted much damage on Germany's foreign trade, which has been practically paralysed since September 19th. Against this damage may be set the psychological value of restoring the prewar relationship of the mark to the dollar. The provisional decision of the High Commission to approve a devaluation of the D-mark by 20.6 per cent would

bring the D-mark back to the old parity of RM4.20 to the dollar.

The German authorities proposed a cut of 25 per cent to the High Commissioners, and have protested against French stipulations designed to reduce German competitive power; but it should be noted that a body of German opinion favoured the rate of DM4.20 to the dollar that has now been approved by the High Commission, subject to further discussions. The conversion rate which valued the D-mark at 30 cents was fixed only eighteen months ago, and for a considerable range of German exports has not proved excessive. Last year, before increased production and efficiency lowered costs, one authoritative German survey estimated that a cut of 10 per cent would render exports adequately competitive. The British action brought demands varying from a cut of more than 30 per cent to no cut at all. In general, an enquiry among business circles made last week by the *Handelsblatt* brought the reaction that industry preferred to limit devaluation and forgo an advantage in exports. Those business men who are not keenly imbued with the export spirit, in spite of the extent to which internal demand has dried up this year, recalled that, after all, the export markets absorb on an average only about 20 per cent of western German production.

The devaluation to a 23.8 cent mark (if adopted) will increase the cost of imports by one billion marks during the current Marshall year, 1949-50. The German Federal Republic takes from hard currency areas nearly 40 per cent of its total imports; these are largely accounted for by grain imports from the United States. It is faced during 1949-50 with a dollar gap of \$750 million, dollar imports amounting to \$1 billion against an estimated export total to the dollar area of a mere \$250 million. The prospects of expanding dollar exports are viewed with pessimism, now that Britain, France and other European competitors have devalued to a greater extent than Germany.

Furthermore, increased costs of imports are likely to upset the prospects of lower prices, stabilised wages and a tax reduction for business enterprises with which the German economy had reckoned. The Government has announced that there will be no rise in food prices, but that the increase in this sector will be met by means of subsidies. It is hard to see in these circumstances how taxation can be reduced in order to enable manufacturers to re-equip their plants; and the trade unions, hitherto extremely accommodating, intend now to come forward with fresh wage claims.

Industry and Trade

Freer Trade in Europe

Britain's opening bid in the move to free European trade was made by the President of the Board of Trade on Thursday when he announced that a number of goods imported into Britain on private account would be transferred from specific general licences to open general licences as from October 5th. Last July, the British Government notified the Organisation for European Economic Co-operation that it was willing to remove import restrictions on a wide range of goods provided that Britain was not involved in a loss of gold or dollars. The OEEC supported this move and requested member countries to submit by October 1st similar lists of goods on which they were also willing to abolish import licences. The only other country which has so far published such a list is France.

The British list is impressive. Admittedly, it covers only goods imported on private account, but the range includes all groups of imports. A number of important classes of goods, however, have been omitted. They are mainly goods which are made in Britain but not freely available to the home market, for example, motor-cars, typewriters, nylon stockings, silk goods, carpets and pianos. The total import value of the goods now placed on open general licence amounted to £75 million last year or about half of the total trade on private

account from OEEC countries. This at least shows that the British offer is meant seriously.

The open general licences will apply to all countries except those generally known as "hard currency" areas. Thus the United States, Canada and the dollar account countries of Central and South America as well as Argentina, Uruguay, Japan, Russia, countries of eastern Europe, Belgium and the Belgian Congo, Luxemburg, Switzerland and western Germany, are all excluded. It is impossible to assess the effect of such freedom to import, but it should afford some element of competition in the home market and it may even help to restrict a general rise in prices caused by devaluation. What is more important is that this list is only the first move; it is hoped to complete the liberalisation of European trade by progressive stages by 1951. The next step must await similar announcements from the other OEEC countries.

* * *

Radiolympia

The second postwar exhibition of the British radio industry was opened by Mr Herbert Morrison on Wednesday after a confused weekend in which its opening had begun to seem improbable. The woodworkers and painters working on the stands went on strike on Saturday, claiming the higher wage rate which was being paid by some small firms. On Monday they were joined by the electricians. Work was resumed on Tuesday morning, but the organisers, the Radio Industry Council, were obliged to cancel the invitation day for special visitors which was to be held before the general opening. The exhibiting firms had allowed themselves nearly a week of preparation instead of the usual three days; but this did not save them from being driven by an opportunist strike into a situation in which some of them were obliged to pay high prices for labour in the last-minute rush.

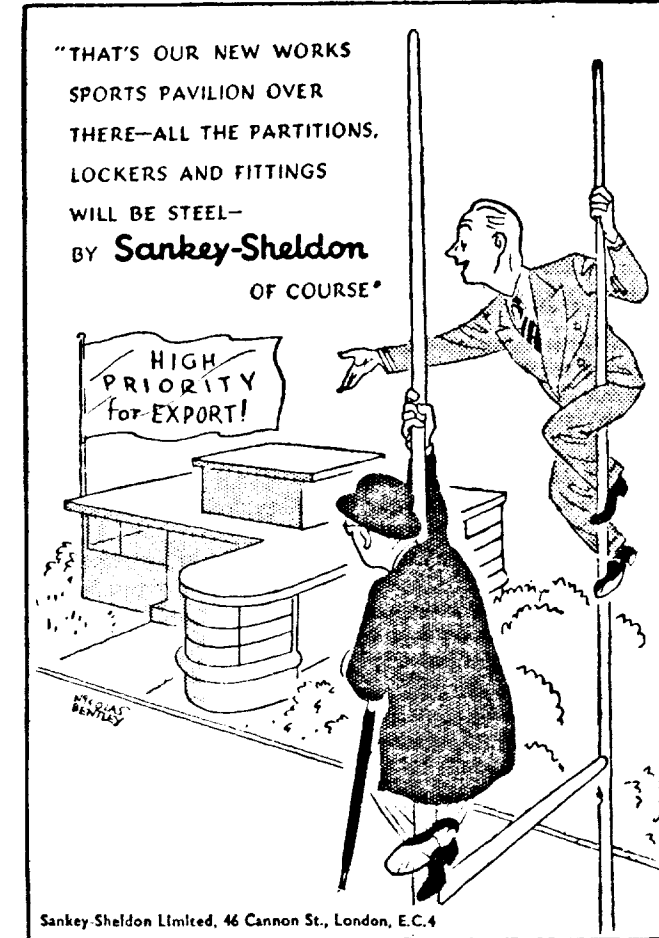
The radio industry has made an effort to reduce its prices and stimulate sales. Since the last exhibition was held in 1947, the price of an average portable radio set has fallen by 18 per cent, and at least five manufacturers show receivers priced at less than £10 without tax. Manufacturers are finding it more difficult to reduce the prices of television sets, but four firms are showing sets which cost (without tax) less than £40, and one of these costs £30.

The show is organised primarily for the home customer, but the radio industry does a considerable export trade in radio components and electronic equipment. British firms manufacturing in Canada expect to be able to compete with American manufacturers of television receivers, but there seems to be no faith in the practicability of exports of complete television sets from Britain to the United States. The American market for television equipment, and particularly for cameras and testing apparatus, is more promising. A British firm is shortly to demonstrate in Washington a British-built transmitter working on the American system, in the hope of proving the British claim to transmit a better picture. When the building of new television stations in the United States is resumed in the near future, British firms may be in the field for contracts for these complete stations.

Pye Limited is one of the few British firms interested in the industrial uses of television. The market for individual applications is held by some makers to be too small to cover the development costs, but this firm estimates that its development costs on the new closed-circuit colour system which it is demonstrating could be covered by the sale of three of the transmitters. The high cost of colour receivers would make it impracticable at present to use the colour television process for entertainment. It is to be marketed in this country for teaching and commercial uses and, presumably, for the monitoring of nuclear reactions which has to be done in colour if the reactions are to be interpreted correctly. Export sales are not to be undertaken until further development work has been done.

When sudden overload or storm damage interrupts the mains, you will see, in any darkened urban area, some few lighted buildings here and there: hospitals, factories, public buildings, stores and cinemas. Places where sudden darkness holds risks too great to be tolerated and a battery stands by against emergency. In buildings such as these, all over Britain, Chloride Batteries are on duty; and the list of new installations increases steadily. The Chloride Electrical Storage Company, originators and makers of the Keepalite automatic emergency lighting system, have over 50 years' experience of battery design and manufacture. Chloride, Exide and Exide-Ironclad Batteries can be trusted: and they are.

THE CHLORIDE ELECTRICAL STORAGE COMPANY LIMITED
Exide Works, Clifton Junction
near Manchester



Sankey-Sheldon Limited, 46 Cannon St., London, E.C.4



Have you ever seen a bamboo bicycle?

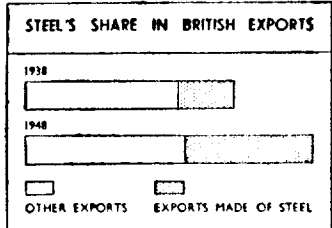
A few 'safety' bicycles with bamboo frames were made in the late 1870s when it was found that using solid steel bars made the new machine too heavy. The inventiveness of the men in steel soon found a cure for that — in the steel tube, strong and light — and the 'safety' became a practical job in 1885.

SUNDAY BREAKFAST.

Our exports of goods made from steel are now twice the pre-war volume and in value almost half of our total exports. They include bicycles, which have a 'sure fire' sale wherever they go, to the tune of over £20 million a year.

It is, of course, by those exports that we live and eat, so you owe your Sunday breakfast in a way to the 70-year-old bamboo bicycle!

PRIVATE FORESIGHT. This sort of development now is all in the decade's work for our steel industry, which indeed may be said to have changed its whole nature with the changes and chances of each succeeding generation. To-day the focus of attention is on the development scheme that is giving us ever-increasing quantities of steel. But let us not forget that only the foresight and inventiveness of our pioneers in steel made possible the vigorous industry that embarked on that bold enterprise as soon as the war was over.



18,000,000 TONS

The industry's own £240-million development plan ensures us a capacity of 18 million tons in 1952 — the figure agreed on with the Government as the right level.

STEEL

is serving you well

BRITISH IRON AND STEEL FEDERATION

Dollar Steel for the Motor Industry?

British car prices have been reduced by an average of 20 per cent in the American market, and the few British manufacturers who have established themselves in that market believe that they can sell every car which they can send to the United States within the next three or four weeks. When the pound was devalued, American dealers held among their stocks about 1,000 Austin cars and 500 cars of the various Nuffield makes. These were sold within a few days. Manufacturers were at first inclined to treat the telegrams which came in from their American dealers as "panic" orders; but the tone of overseas buyers attending the Motor Show suggests that the immediate stimulus to sales may last for a while yet.

The industry has taken the occasion to re-open its campaign with the Ministry of Supply for increased steel allocations. Its capacity has been increased, largely as a result of the war, to about 800,000 vehicles a year; but the manufacturers are still getting supplies of steel appropriate to their prewar capacity of about 500,000 vehicles. They do not wish to incur the odium of depriving the home market of its quarter-share in the present output. They also argue that a larger output would enable them to spread their overheads more widely and reduce their prices, and that this would stimulate exports further.

Home production of sheet steel for the motor industry cannot be quickly increased, but the steel could be imported from hard-currency countries. In preliminary talks between the Minister of Supply and the motor industry this week, a case has been put forward for spending dollars on the import of steel in return for an assurance from manufacturers that more dollars will be earned by the sale of cars. The Minister would have to be assured that the extra steel was not used for sales to the home market or to soft-currency countries. This means that in allocating the extra steel he would be obliged to discriminate against the many British manufacturers who have not felt able to undertake marketing arrangements in the United States.

Although manufacturers were threatened in the past with cuts in their steel allocations if they failed to export a full 75 per cent of their production, the threats were not carried out in practice. The industry has again begun to wonder whether the Ministry of Supply might begin to withhold steel from such firms and from other manufacturers whose dollar earnings are low, and to allow more to those who can expand their hard-currency sales. Such action would bring some dislocation to the motor industry and would be a threat to "full employment" as at present interpreted. The industry feels it to be more probable, therefore, that a favourable decision will be reached on the allocating of foreign steel to one or two manufacturers. But, if the decision is made, the final choice of firms and the proportions to be allocated to them will raise some difficult questions.

* * *

Radical Talk on Productivity

The steel founders' productivity team—the first of the teams sent to the United States by the Anglo-American Productivity Council—has produced a startling report*: imaginative, reasoned and blunt. Its members estimate productivity in the American steel founding industry (measured in man-hours per ton) to be between 50 and 90 per cent higher than in the British; and their report seeks to explain not only the technical and trading differences, but also the differences of social atmosphere, which produce that result. The cause is not to be found in the use of large numbers of skilled workers. American foundry labour is, by British standards, conspicuously unskilled. The trade union organisation is not on a craft basis, and more than half the workers are coloured. "The exercise of skill has been taken from the shop floor into the pattern-shop, the methods office, and the brains of the supervisors." Where skilled men are found on the shop floor, they

* Productivity Team Report: Steel Founding. Anglo-American Council on Productivity. 3s.

are fully serviced by lower-grade men: "Since labour is expensive, the best possible use is made of it."

The report makes detailed comments and suggestions. A few main points on American methods and organisation may be picked out. More machines are used than in Britain. Technical innovations are more readily taken up; methods still being hesitantly tried out in Britain are in wide use by Americans, who have not waited for corroborative evidence. Standardisation is advanced, and price policies are devised to encourage long runs. The product is expected to be physically adequate for its purpose—not analytically flawless. Power is freely used and freely available; the fear of power cuts is not present to deter innovation. Wage systems are simple. Incentives—crude, direct and powerful—seem to have struck the British team with the force of complete novelty. There must, says the report, be a direct incentive: "It is a waste of effort to act as though abstruse economic problems can be understood by the whole population." Those problems must be understood by the leaders who influence policies and negotiate agreements. The rewards of productivity must be shared not only by workers and technicians, but also by the investors who lock up their money in productive equipment, and by the customer whose co-operation may be needed.

The authors of the report had not had the opportunity of hearing the Chancellor of the Exchequer remark on Tuesday that "nothing—and I mean literally nothing—should be done to increase personal incomes arising out of wages, profits, or salaries." They did, however, perceive whither the search for incentives might lead:

Increased wages in the hands of the population are useless as an incentive unless they can purchase goods corresponding in some proportion to the increased productiveness of effort.

In the ethical climate of this week, it appears that hardship—not effort—is to be the ground for better pay. But the steel founders' team was already aware of the different society with which, in the United States, it had to deal. It was aware of "a widespread degree of productivity-consciousness"—which it distinguishes from "production-consciousness." It perceived the incentives at work, and observed the sovereignty of competition. Its report therefore turns, and rightly, on the question: "Is high productivity really desired?" And before too easy assent is given to that question, it substitutes another: "Over what features in the British industrial system does the desire for high productivity take preference?" Such penetration will upset many of the preconceptions on which industry, labour and government in this country have long been content to act.

* * *

Higher Wheat Price

The devaluation of sterling and of the Canadian dollar has raised difficulties in the operation of the international wheat agreement which came into force last July. The maximum price for the current season was put at \$1.80 a bushel and the minimum at \$1.50, both quoted in terms of Canadian currency as determined by the International Monetary Fund on March 1, 1949. Since the Canadian dollar has been devalued by 10 per cent in terms of US dollars, the question arose whether the limits would continue to be \$1.80 and \$1.50 or \$1.98 and \$1.65 in Canadian currency. The executive of the Wheat Council, however, has ruled that the prices fixed in the agreement were in fact related to the price of gold in terms of Canadian currency, and since, through the devaluation of the Canadian dollar, the price of gold has risen, the new limits for the current season will be \$1.98 a bushel maximum and \$1.65 a bushel minimum. In terms of American currency the old price limits still hold.

This interpretation of the wheat agreement does not affect the British wheat contract with Canada, which still has this season to run. Under the contract Britain agreed to pay \$2.00 a bushel (Canadian currency) which at the time was equivalent to 10s. With the 30 per cent devaluation of sterling and the subsequent 10 per cent devaluation of the Canadian dollar,

the sterling equivalent is now 13s. a bushel. But Britain's purchases from Australia will cost more, even though Australia followed sterling all the way down. In terms of sterling the price limits under the agreement before devaluation were 9s. a bushel maximum and 7s. 6d. a bushel minimum, and the price agreed to by Britain and Australia would have had to be within this range. The new sterling equivalents of the limits are 12s. 6d. a bushel maximum and 10s. 9d. a bushel minimum. Australia is, therefore, now guaranteed a higher minimum price, while Britain is now confronted by a higher maximum. It looks as if the experience of the first postwar international marketing scheme may not be a happy one for consuming countries, particularly as the price range was from the outset put fairly high.

* * *

International Commodity Clearing House

The existence of surplus food supplies in certain countries with under-consumption in others, owing to the non-convertibility of currencies, has spurred the Food and Agriculture Organisation to examine the whole problem of commodity policy. A committee was set up in July for this purpose, and its report on world commodity problems has been sent to the 58 member countries. It will be examined at the November meeting of the FAO Council. The committee has recommended the creation of an International Commodity Clearing House (ICCH) which would permit producing countries to maintain a high level of output of agricultural commodities and would render unnecessary such restrictive measures as the destruction of crops. At the same time importing countries which, for lack of foreign exchange, are now unable to buy as much as they require, would be able to buy from the ICCH at full price in their own currency or at reduced prices in the currency of the supplying country.

This is an imaginative proposal. The ICCH would be a public corporation with a capital equivalent to \$5 billion contributed by member countries in their national currencies. Only 20 per cent of the authorised capital would be initially called up; the remainder would be called upon as needed. The payments would be earmarked for use in the contributing country to buy commodities declared in surplus supply. The ICCH would not interfere in normal trade; it is intended only to facilitate the disposal of surplus goods.

Such a scheme would in itself raise many questions. There must, of course, be an agreed definition of "surplus goods." Goods are ordinarily in surplus supply only because their price is maintained at an artificially high level. It is possible, theoretically at any rate, to calculate an average cost of production for each commodity and for each country, and this might be used as a basic "floor" price below which the market price would not be allowed to go. But then the question arises: on what level of output should the cost of production be calculated? Again, what is the "full price" at which importing countries buy these surplus goods in their own currency? Is it the support price set by the producing country, or a world market price? What happens to a country like Britain which would be mainly a purchaser of goods, presumably in sterling, when it has few or no agricultural goods in surplus supply? Part of the sterling so obtained could no doubt be used to help other countries to purchase sterling area products, but a time could be foreseen when the ICCH might be holding an embarrassing quantity of sterling. In fact, the ICCH would tend to become an international bank, exchanging inconvertible currencies against one another. But in that case, might it not be necessary to extend its scope to cover manufactured goods—so that "surplus" agricultural commodities could be exchanged against "surplus" manufactures?

* * *

Pakistan and India

The jute trade in the Indian sub-continent is virtually at a standstill. The Government is still attempting to

sell at the old price in terms of Pakistan currency (its own rupee has remained at par with the dollar, and is now at 2s. 2d., compared with 1s. 6d. for the Indian rupee), while in Calcutta merchants are refusing to buy raw jute at the premium of 44 per cent which arises from this disparity between the two rupees. Apart from jute, Pakistan also sells to India raw cotton and food grains when they are available for export. India, for its part, exports to Pakistan coal, sugar and manufactured goods, particularly cotton cloth and jute goods. Given the new rates of exchange, Indian goods (if export prices are unchanged) now become 30 per cent cheaper in terms of the Pakistan rupee. In the long run, the relative prices of imports and exports between the two dominions would depend upon relative elasticities of demand. At a pure guess, India might have almost as good a chance of raising its prices to Pakistan to the full extent as Pakistan has of extracting the full premium for its exports to India in terms of its own unchanged rupee.

But even before the short run has expired, some action to remedy the present muddle in trade and the rupee exchange will be inevitable. The more probable outcome would be the devaluation of the Pakistani rupee to bring it once again into line with the Indian rupee. During the past fortnight illicit trading between the two dominions has increased enormously—an inevitable consequence of distorted exchange rates which cannot be defended in the absence of any administrative mechanism for exchange control. The Pakistan frontier is wide open for trade of this kind, and extreme pressure on the Pakistan rupee through the unchecked flight of capital is quickly developing. The Pakistan Government no doubt felt justified in trying to maintain its rupee at the old dollar value. The new dominion needs capital equipment, and by maintaining its rupee rate no doubt expected to be able to reduce the rupee cost of such imports. It now remains to be seen whether this policy will work or whether it will create pressures so extreme as to defeat its object.

* * *

Repayment of Czech Debts

Settlement has at last been reached with Czechoslovakia on the repayment of its debts to Britain. The Czech Government has agreed to pay £8,000,000 over the next ten years for British property nationalised or expropriated: £5,000,000 of this sum is to be paid within the first five years. In addition the Czech Government will repay the debts owing to the British Government and private creditors. The sum agreed to is £28 million, which will be repaid over a number of years, unspecified, but £10 million of it will be made available in the next five years. In total, therefore, Britain is to receive £36 million, of which Czechoslovakia has undertaken to pay less than half (£15 million) before the end of 1954. The original British claim was for £40 million—£10 million as compensation for sequestered property and £30 million for repayment of debts. The agreed figure is admittedly somewhat reduced, but the efforts of the British negotiators have not been in vain.

To enable Czechoslovakia to meet these financial commitments, the repayments over the next five years have been incorporated into a general trade and financial agreement. Czech exports to Britain are to total £10½ million a year; £3,000,000 of these earnings will be set aside for compensation and debt repayment, making a total of £15 million over the five years of the agreement. The remaining £7,500,000 of the annual earnings will be used on purchasing goods and services from Britain and the sterling area. A list of specific exports from Britain—mainly machinery, cotton yarn, chemicals and medical supplies—accounts for £1,500,000 each year, and the balance of £6,000,000 will no doubt be used by Czechoslovakia to buy raw materials from the sterling area, in particular rubber, wool and cotton. British imports from Czechoslovakia will include timber (15,000 standards of softwood are scheduled in the first year), machinery, 25,000 tons of sugar and a variety of manufactures.

INSURANCE SURVEY

Nationalisation Examined

WHEN Lord Beveridge prepared his famous report he gave a good deal of attention to the industrial life offices, and came to the conclusion that they should be nationalised. His advice to the Government was that the state should have a monopoly of the use of collectors, and be empowered to issue policies (either direct or through collectors) up to an amount of £300 each. In other words, no office, proprietary or mutual, would be allowed to carry on industrial life insurance; and the Government would not be allowed to grant a non-industrial policy for more than £300.

If this recommendation had been followed, the Prudential and the Pearl—big composite offices—would have been taken to the operating theatre and cut into two almost equal parts, of which one would have been hurried away by the Government, and the other handed back to the shareholders for resuscitation and the resumption of normal life. The recommendation was not followed. Industrial life insurance was not nationalised and the question of an operation did not arise. But now the intelligentsia of the Labour Party have decided to proceed with the scheme of nationalisation, and have been taking another look at the patient to determine whether Lord Beveridge's operation is either necessary or desirable. They have decided against it. They have dismissed the surgeon and declared that this is a case for adoption, not operation. When the voter's decision has been reached at the next General Election, a good home will be ready for the patient.

The point at which the Labour Party openly differs from Lord Beveridge is in the results that would follow from dividing up the offices. Lord Beveridge assumed that the division was possible and could easily be made. The Labour Party manifesto challenges that view. It says that if the industrial sections were segregated and nationalised by themselves, confusion would follow, and that the only practicable course will be to take over all the business, absorbing at one gulp the ordinary life, the fire, the accident, and the marine departments (at home and abroad) of such great composite offices as happen to cater for working class life insurance in this country. It may be that Lord Beveridge was wrong and that the Labour Party proposal is right in this forecast of chaos, but the difference between the two opinions springs probably from the fact that the Beveridge scheme was worked out in the calm atmosphere of a world war, whereas Labour is thinking about the votes it will need in the turmoil of a General Election. In other words, it has its eye on the agents and collectors. These men, who work for the industrial offices and societies, are said to number about 65,000, and with their womenfolk they must account for nearly 100,000 votes—a block not to be sneezed at in a close fight. And if they draw, as they are believed to do, substantial commissions from fire and general business, they would naturally resent any change that cut them off from this source of income. In their resentment they might on election day put their crosses against the wrong name; and it may well be that possibility, rather than the danger of confusion and chaos, that has guided the hand of the Labour

Party in drafting its proposals. Indeed, page 20 of "Labour Believes in Britain" is unmistakably directed at the agents' vote, for it openly offers them more security, no dismissals, greater benefits, more trade union representation, and full compensation for their book interest.

★

If the back-room boys of the Labour Party are right in suggesting that Lord Beveridge underestimated the difficulty of separating industrial from general business, they themselves most certainly miscalculate the effect of their own proposal to take over "as they stand the Prudential, the Pearl and the other offices doing industrial insurance and the larger collecting societies." They realise the dangerous possibilities, but look at them through the wrong end of their field-glasses to make them at once remote and trivial.

In handing a bouquet to the insurance industry as a whole they say:

The insurance industry has rendered great service to the community. Millions of people have been protected against the hazards of life and every single person has benefited indirectly from the overseas earnings of insurance.

But they then proceed:

Industrial assurance companies, however, conduct only a small proportion of total overseas insurance.

Both these statements are correct, but the second statement, in which the sting lies, would be true of almost any British company. The invisible exports of British insurance are made up of contributions from a large number of offices and a large number of underwriters; and with one or two possible exceptions each of the tributaries by itself provides only "a small proportion" of the full stream. What the Labour election pamphlet obviously wants its readers to believe is that the foreign business of the Prudential and the Pearl is negligible, and that the loss of this business can from the national point of view be disregarded. In the light of this implication it is worth while to examine the figures of the two offices and see how they are made up. Their total premium income is almost £100 million a year, drawn from industrial life and from fire, accident, ordinary life, motors, sinking fund and marine; between industrial life and the other departments, the split in round figures is: industrial life, £52 million; other business, £48 million. How much of this £48 million is drawn from the two companies' overseas enterprise is not precisely known; but it is known that the American subsidiary of the Prudential had a dollar premium income equivalent in 1947 to £1,130,000 and in 1948 to £656,000 (at the old rate of \$4.03 to the £). The Prudential has branches or agencies in not less than 32 countries apart from the United States, and the Pearl has branches or chief agencies in not less than 34; and as the offices are managed by very able business men it may be safely assumed that the income contributed by these 67 outposts is at least substantial. If no premiums or only negligible premiums were produced the foreign field would be abandoned as sterile. In fact the income derived from abroad by the composite industrial offices is probably a little under £20 million a year.

So the Labour Party's innuendo—that the overseas business of the offices is negligible—cannot be supported by facts and can fairly be called misleading. In an electioneering manifesto, where a high level of candour is not to be expected, that is not surprising and in itself the statement is not significant. But the inference to be drawn from it is very significant indeed. Why do Labour's intellectuals think it necessary to belittle this overseas premium? Why do they dismiss it as unimportant? They do it because they know that when these offices are nationalised the overseas connection will be put under sentence of death, and they find it prudent to discount and minimise in advance the value of what they are proposing to destroy.

If their policy is carried out their expectation will certainly be fulfilled. When foreign nationals know that the Prudential is not the old Prudential, nor the Pearl the old Pearl, but that both are the British Government camouflaged to look like two different insurance companies, then the pseudo-offices will find themselves involved in a double tribulation. They will have lost the good will of their most important overseas policy-holders, and they will also strengthen and sharpen the protective instincts of the foreign governments. The certainty that the good will of the policy-holders will be impaired can easily be demonstrated by the dependence of insurance companies on the business of industrial concerns—large, medium-sized and small—managed on capitalist lines by capitalist owners, to most of whom nationalisation is the abomination of desolation standing in the holy place. If, for example, the two companies had been nationalised in August, 1949, what chance would they have had of holding their position in America? A campaign against the British Government and its schemes of nationalisation hardly provides a congenial atmosphere for inspectors and managers in their task

of persuading old clients to continue their policies and new clients to take out new ones. Can it be doubted that in America certainly, and in most other countries probably, nationalisation would kill the business of the nationalised companies and react heavily on the business of the other British offices not yet taken over?

Behind the foreign policy-holders lie the foreign governments. For fifty years the habit of protecting native insurance companies against invaders from abroad has been increasing, and has been met with growing difficulty by the great British offices. Thanks to the skill and energy of their management the offices have succeeded in maintaining, and even increasing, their premium income from overseas; but their proportion of the total premiums has fallen, not risen, and their contribution to British invisible exports is checked in almost every country by national prejudice, which finds its expression in more stringent regulations and in higher barriers raised against British insurers. Surely it is patent that local nationalism and protection will be intensified and embittered when the invader is not a private British company but His Britannic Majesty's Government, sending its travellers round to cajole American or European or Asiatic manufacturers to entrust their fire and accident risks to a foreign government. If it is galling to have private aliens touting one's nationals for insurance, it will be a hundred times more galling to watch the touting done by an alien government. The result must be fresh restrictive legislation, injuring not only the nationalised concerns but every insurance company working from Great Britain; and *pro tanto*, British invisible exports will suffer and decay. To ignore that certainty is to admit that the proposal to take over the offices as they stand is fed by politics and not by logic.

Insurance and Dollars

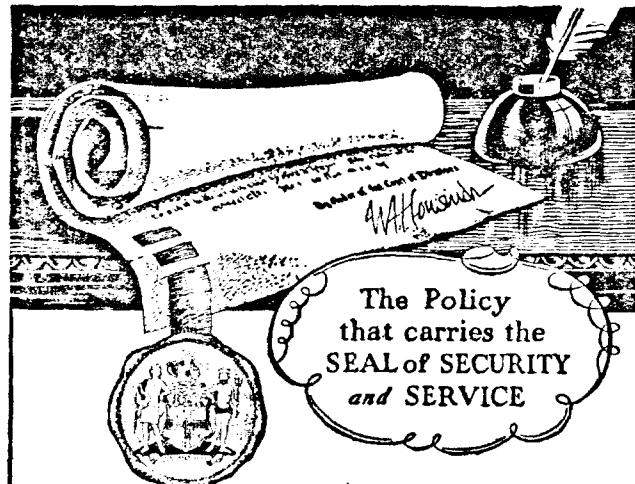
THE devaluation of the pound in terms of the dollar focuses attention on the valuable contribution made to the balance of payments by British insurance earnings in the United States and other countries in the dollar area. Insurance protection furnished by British companies and underwriters at Lloyd's occupies a position in American economic life unequalled by any other British industry.

The development of an insurance industry is essentially a long term operation. Seeds sown take many years to come to fruition. Nearly all the British offices working in America have the roots of their organisation in the nineteenth century and one company—the Liverpool and London and Globe, now forming part of the very large Royal Group—has a record of continuous operation since 1848. Reserves have to be built up carefully over a long period to enable insurers to withstand catastrophic losses and the phases of adverse trading which sometimes persist for a number of years. More important still, reputations must be established. Once established, they endure; it is still remembered that British companies settled generously in the disastrous San Francisco earthquake of 1906.

There have been phases in the history of British insurance in the United States when the volume of business transacted changed little or actually declined. Other periods have shown rapid expansion. The war and postwar years have witnessed such an expansion to a quite unprecedented extent. The figures in Table I, which have been prepared from published sources of information and relate only to the

United States branches of British companies and their American affiliates, show an increase in total premiums received for fire, marine and casualty insurance from \$256 million in 1940 to \$497 million in 1948, a gain of \$241 million, or 95 per cent. Unfortunately it must also be recorded that the absolute gain has been accompanied by a relative fall in the position occupied by British offices. In 1940 the total volume of fire, marine and casualty premiums written by stockholding companies, domestic and foreign, operating in the United States was \$1,714 million, of which the British share of \$256 million represented 14.9 per cent. In 1948 the corresponding total figure had increased to \$4,356 million and the British share of \$497 million had dropped to 11.4 per cent.

What are the reasons for this relative decline? The answer lies partly in the very stringent financial standards applied to insurance companies in the United States and partly in Britain's dollar shortage. Insurance companies in America are required to carry unearned premium reserves—reserves relating to unexpired periods of the policies in force—at the rate of 100 per cent of the unearned premiums, without any deduction for the expenses incurred in obtaining the business. This imposes a heavy strain at a time of rapidly increasing premium income, especially where, as in the United States, a considerable volume of fire and other business is transacted on a three-year basis. A further strain is involved in making provision for an increased volume of outstanding claims, the reserves for which are required to be on a



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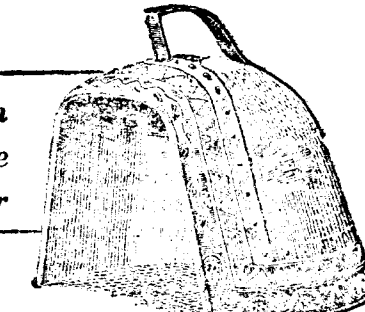
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A Fifteenth Century Fire Extinguisher



A Couvrefeu taken from an old print

Few probably realise that 'Curfew' derives from the French 'Couvrefeu'—an appliance for extinguishing fires, shaped like a Dutch Oven. At sundown, it was placed over the embers to exclude air and the fire soon died away. The hardship of having no fire in the evening led to a "raising of the Curfew," but as not all citizens were careful, disastrous fires occurred. When in 1710 the Sun Fire Office came into being it gave active service in the limitation of fire damage as well as providing insurance cover for which it is famous to-day.



The Centuries-old Sign of Public Service

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generous scale and, in certain forms of casualty insurance, are checked by reference to various formulae. It is, moreover, accepted practice that after allowing for these reserves the capital and free reserves remaining shall amount to not less than 50 per cent of the annual premiums written.

Happily, the United States branches of British companies and their domestic subsidiaries were for the most part well supplied with resources at the outbreak of war. The total volume of free reserves (including the capital of domestic subsidiaries) amounted at the end of 1940 to \$337 million, equivalent to 133 per cent of premiums. In 1941, however, there came the Reconstruction Finance Corporation's loan of \$425 million on security largely consisting of insurance interests, and the offices naturally felt in duty bound to contribute to the utmost to payment of the interest on and amortisation of this loan. When the upward surge of premiums set in after the war, it was possible at first to accept business with some measure of freedom; but afterwards it became necessary to apply the brakes, because the offices wished at all costs to avoid aggravating British difficulties by seeking permission from the Bank of England to remit additional funds to America and were also under the obligation of maintaining the service of the RFC loan. By contrast the American companies were able to raise additional capital to enable them freely to take on increased commitments. It is highly improbable that British insurers will now be able to make up the lost ground.

In actual figures the free reserves amounted at the end of 1948 to \$343 million, very little more than the figure eight years before and only 69 per cent of premiums, against the former ratio of 133 per cent. These total figures cover a fair degree of variation as between one office and another and even as between different offices in the same group; generally the companies transacting fire insurance, because of the greater catastrophe risks which are considered to be inherent in the business, maintain higher standards than the companies writing casualty insurance. The British offices for some years to come will have to follow a policy of conservation and building-up of resources to conform with the enhanced volume of business which they are now undertaking.

Some comfort for the reduced share of American insurance now written by British companies can be derived from the fact that in controlling the growth of premium income the offices will have applied a more rigid selection policy

than they would otherwise have done, so that the average quality of their business must have improved. Moreover, a considerable part of the increased business written has been due to the development of group accident and sickness insurance on which the profit margins are very small and in this development the British offices have participated only to a very small extent.

Such are the dimensions of British insurance business in the United States. What of the profit-earning power? Table II shows the net underwriting profits and net interest income for the 10-year period 1939-1948.

TABLE II—EARNINGS OF UNITED STATES BRANCHES OF BRITISH COMPANIES AND AMERICAN SUBSIDIARY COMPANIES (\$'000)

	Underwriting Profit			Net Interest Income	Underwriting Profit and Interest
	Fire and Marine	Casualty	Total		
1939	5,890	11,181	17,071	27,773	34,844
1940	6,597	8,290	14,887	17,753	32,640
1941	3,259	8,065	7,676	18,424	26,100
1942	4,849	16,916	12,076	18,885	30,761
1943	8,096	11,732	19,738	18,475	38,213
1944	1,249	8,155	6,913	19,080	25,993
1945	6,089	2,932	7,148	19,449	18,501
1946	24,874	12,048	36,922	19,698	17,224
1947	8,859	3,380	12,239	21,184	8,945
1948	20,962	697	20,555	23,936	43,391
TOTAL	4,829	51,236	46,407	193,737	240,144

For the first five years of the decade, profits averaged about five or six per cent of premiums, the indifferent fire results being compensated by good casualty figures. After the war the business entered a phase of adverse trading. Fire insurance was bad because sums insured did not keep in step with inflated values. In automobile insurance the very substantial increase in the cost of claims necessitated large rate increases which were slow in coming and usually inadequate when they did come. The process of increasing rates was not assisted by the uncertainty which prevailed after the Supreme Court decision in United States v. South Eastern Underwriters as to whether rates were to be controlled by the Federal Government or by the States—now happily resolved in favour of the States. But perhaps the most important reason for the adverse results was the necessity for establishing reserves on a stringent basis for the increased volume of business transacted.

As the table shows, the fire business earned a good profit

TABLE I—PREMIUMS OF UNITED STATES BRANCHES OF BRITISH COMPANIES AND AMERICAN SUBSIDIARY COMPANIES (\$'000)

Company or Group	1940			1948			Rise or Fall		
	Fire and Marine	Casualty	Total	Fire and Marine	Casualty	Total	Fire and Marine	Casualty	Total
Royal-Liverpool and London and Globe	37,345	34,066	71,411	81,549	72,404	153,953	+ 44,204	+ 38,338	+ 82,542
Commercial Union	13,920	11,244	25,164	30,475	19,518	49,993	+ 16,555	+ 8,274	+ 24,829
North British and Mercantile	15,455	...	15,455	32,500	...	32,500	+ 17,045	...	+ 17,045
Phoenix	7,013	10,579	17,592	13,892	21,637	35,529	+ 6,749	+ 10,988	+ 17,737
General Accident	2,645	16,000	18,645	20,445	45,129	65,574	+ 2,678	+ 21,797	+ 24,475
Employers' Liability	...	24,739	24,739	...	43,022	43,022	...	+ 18,283	+ 18,283
London and Lancashire	10,360	3,178	13,538	21,284	7,213	28,497	+ 10,924	+ 4,035	+ 14,959
Prudential	9,051	...	9,051	13,751	...	13,751	+ 4,700	...	+ 4,700
Sun	5,573	3,016	8,589	10,538	5,793	16,331	+ 4,965	+ 2,777	+ 7,742
Scottish Union	3,712	...	3,712	8,027	...	8,027	+ 4,315	...	+ 4,315
Royal Exchange	4,499	3,716	8,215	6,546	3,267	9,813	+ 2,047	+ 569	+ 2,616
London	5,729	...	5,729	9,489	...	9,489	+ 3,760	...	+ 3,760
Yorkshire	2,961	1,141	4,102	4,278	3,314	7,592	+ 1,317	+ 2,173	+ 3,490
Northern	5,309	...	5,309	9,839	...	9,839	+ 4,530	...	+ 4,530
Norwich Union	4,022	254	4,276	4,815	1,003	5,818	+ 791	+ 749	+ 1,540
Atlas	3,752	...	3,752	7,680	...	7,680	+ 3,928	...	+ 3,928
Eagle Star	2,659	...	2,659	1,506	...	1,506	+ 1,353	...	+ 1,353
Prudential	3,438	...	3,438	2,625	...	2,625	+ 813	...	+ 813
Caledonian	2,138	...	2,138	4,271	...	4,271	+ 2,133	...	+ 2,133
Century	2,165	...	2,165	4,027	...	4,027	+ 1,862	...	+ 1,862
Sea	2,265	...	2,265	4,452	...	4,452	+ 2,187	...	+ 2,187
Alliance	1,599	...	1,599	2,911	...	2,911	+ 1,312	...	+ 1,312
Guardian	353	...	353	508	...	508	+ 155	...	+ 155
TOTAL	146,063	110,033	256,096	279,994	216,908	496,902	+ 133,931	+ 106,875	+ 240,806

In 1948 and the ills which affected this section of the business are now thought to be largely surmounted. Casualty business, though still "in the red," showed a big improvement; automobile insurance is now back on a profitable footing and the outlook for the casualty account generally is much brighter. It would seem reasonable to expect henceforth an average profit of at least five per cent on the combined fire, marine and casualty business, producing on an income of \$500 million an annual profit of \$25 million. Interest earnings now stand at \$23 million, having risen from \$17.8 million in 1939, so that total expected future earnings may be put at about \$48 million. This figure is not exhaustive because it relates only to companies operating through United States branches or American subsidiaries. There is also a very considerable business, especially in marine insurance, transacted on the London market by underwriters at Lloyd's and by the companies, the figures of which are not available. Operations in Canada and other parts of the dollar area also attain substantial dimensions.

Challenge of Change

TWO world wars have brought about great changes in British economic and social life. Three aspects of change have particular importance for insurance. The first is the breaking down of a stratified society of more or less definable classes by the progress of education and by the heavy taxation of higher incomes and personal property. Secondly, economic planning, which has so greatly encouraged these social changes, has also fostered earlier tendencies towards closer organisation in industry, resulting in great business unions or associations of firms working in agreement. Thirdly, there is the slowing down of the expansion of Britain's population which has been described so recently in the Report of the Royal Commission.

To understand the effects on insurance of these major changes it is necessary to distinguish its two broad sections. General or commercial insurance embraces marine, fire insurance and the many forms of casualty insurance which are required in the ordinary business of commerce and industry. Secondly, personal insurance embraces life assurance in its many forms, including annuities, pensions, and personal accident insurance. The broad social and economic changes which have been gathering force in the life time of the present generation affect these two classes of insurance in quite different ways.

Industry and commerce have three separate ways of dealing with the elements of risk in their business. Some forms of risk by reason of their very character are not insurable; these have to be carried by the businesses themselves and covered, if at all, by reserves set up from profits. Where, however, a business is big enough to average the numerous individual hazards in its own undertaking, it may decide to carry its own risks even though they could be placed with an independent insurer. Typical examples of such self-insurance are to be found in railway and steamship practice. A second method is by mutual insurance, of which a typical example occurs when a body of employers in a given industry set up a mutual association for their own insurances. In the past, workmen's compensation insurance was extensively covered in this way. The third method, and the most common, is to place the risk with an insurance company or Lloyd's underwriters.

It would be wrong to convey the impression that all is now set fair for British insurance in the United States. As old problems recede new ones take their place. The new so-called "multiple underwriting" laws, permitting fire companies to transact casualty insurance and vice versa, in place of the previous rule whereby each class of company was limited to its respective sphere, will almost certainly lead to intensified competition. The trend away from the general agency system of representation to a branch office system more on British lines, though calculated to bring important benefits in the long run, is expensive. But on the whole the outlook is vastly improved. British insurance interests in the United States are administered by a small body of experts at little cost in manpower and none in scarce materials. It is greatly to be hoped that the Labour Party will withdraw its threat to nationalise industrial insurance, which is so damaging to a valuable source of dollar earnings built up with care and skill over a long period of years.

Greater uniformity in income may not affect general insurance directly, but its indirect effects are important. It means greater uniformity in the character of demand for housing, food, and semi-essentials. A more even distribution of income is expressed in a greater demand for three- or four-roomed houses, a larger consumption of milk and other high quality foodstuffs, a greater standardisation of furniture and kitchen equipment and a demand for a small family car. The pattern of social habit and the character of the family budget are far more uniform than they were. This greater social uniformity should give a wider outlet for the services of the general insurer catering for the income earner in his home. But this wider opportunity for insurance business is not pure gain, since the business to be won increasingly consists of a larger collection of smaller individual risks. If greater uniformity in social and economic life can be measured at all in insurance terms, it suggests steady business rather than highly profitable business.

*

The new income pattern has in turn accelerated the tendency towards mass production, larger business units, concentration of capital and greater economy and efficiency in production. The day may not be far off when associations of firms in particular industries come to examine their costs more carefully, including the costs of insurance. If they discover that it would pay to carry such insurance risks by self-insurance they may well begin to do so. Alternatively industrial firms may form mutual assurance associations.

Given the present competition from the mutual offices and the potential competition of other mutual associations which may be formed, the composite companies and Lloyd's underwriters may during the next decade have to conduct their business with greater economy if they are to maintain their present share of the insurance market. There is little doubt that in some directions their expenses are high, particularly in respect of business which normally goes through brokers. The termination of the wartime standstill agreement has led to a degree of competition which from time to time results in the transfer of large blocks of insurance business from one insurer to another, involving considerable cost but producing little benefit. The inevitable result of



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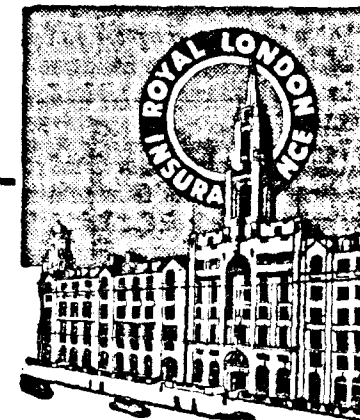
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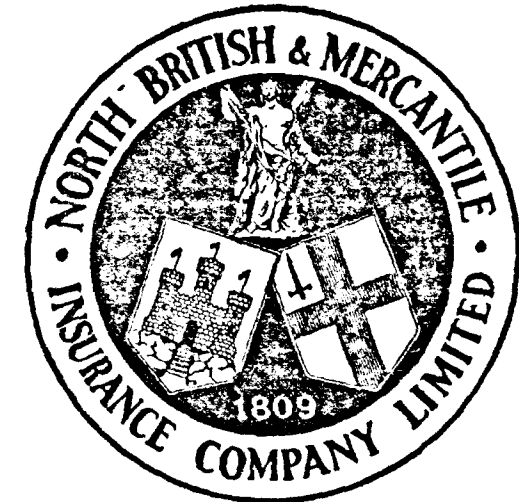
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overlapping insurance facilities and excessive commissions, where they exist, will be to encourage the growth of mutual insurance.

This possibility of a wider area of mutual insurance presents a challenge to the companies and to Lloyd's. However ably the challenge is met, it still seems likely that in future years organisations which are big enough to do so will tend to carry at least a measure of their own risks. Many risks average out within a year and the setting up of an annual account with but a moderate reserve is all that is necessary to cover them. Larger risks and catastrophe risks can only be averaged by covering a wider area or by extension over a longer period. Losses such as these can be and are dealt with by insuring the risks over and above a specified amount of loss.

Thus it seems advisable for the British insurance industry to expect a larger measure of self-insurance and associative risk-carrying in future. Whether the aggregate of premium incomes received by the companies and Lloyd's from general insurance in this country may fall as a result is difficult to guess. Recent years have seen a continued increase in the number of branches of insurance. Private property, although more equally spread, may in the aggregate increase and the more modest means of its owners may also increase their demand for cover. On balance, it seems early to expect any immediate reduction in the magnitude of the general business conducted by insurers within the United Kingdom.

The overseas business of the composite companies and Lloyd's, however, greatly exceeds that carried out in the United Kingdom itself. It has recently been estimated that 70 per cent of their fire, accident and marine insurance is transacted outside the United Kingdom. Except, perhaps, in the case of marine insurance, insurers are very much under the control of the governments of those countries where they do business overseas. There is a natural tendency on the part of important foreign customers of British insurers to favour their own nationals, even if they are less efficient, by imposing on British offices regulations and taxation to such an extent that it becomes increasingly difficult for them to make a reasonable profit. Such foreign markets as are still open to British insurers may present greater difficulty as time goes on, although the development of new markets and new types of insurance may enable the industry to maintain its position in the overseas field.

The more equal distribution of wealth is likely to have a marked effect upon personal insurance, particularly as it is accompanied by the extension of social insurance. The modern state provides through social insurance a minimum which, together with free education and a free health service,

prevents any victims of misfortune from becoming stranded. Given these guarantees by the state, it might seem at first sight that the need for personal insurance would be reduced. There is, however, no sign of waning popularity of life assurance. Indeed, the substantial increase in incomes during the postwar years has prompted a great increase in saving by way of premiums on life assurance. Despite its reduced real value, the pound retains sufficient credit in the eyes of the British public to encourage them to make provision under money contracts for a distant future. Such confidence, however, is tenuous, and a violent movement in prices and the cost of living might eventually have important consequences on new insurance business. Moreover, the volume of life assurance, effected or maintained, was in prewar years very sensitive to economic fluctuations and unemployment. Much new life assurance placed since the war is based on the unformed postulate in the proposer's mind that full employment is here to stay.

It remains to consider the slowing down of the rate of increase in the population and the change in its age composition. In future, the number of people in this country beyond the age of 65 will form an increasing proportion of the total. If the average age for retirement remains at 65, more and more people will be drawing incomes for which they make no current return in service, and they will therefore be dependent on the work of others. Apart from the pension provisions under the National Scheme, a large and increasing number of employed persons now belong to contributory pension schemes, some of them set up as internal funds in the hands of trustees and some administered by insurance companies. The reserves of such new pension schemes managed by life offices often represent a considerable proportion of their life funds, and they are steadily increasing. To the extent that they are invested in productive industry they will provide in themselves an answer to any suggestion that the retired represent a parasite class. This shift in the age of the population has opened up a new field of life assurance activity, and it is likely that in future more attention will be paid to income insurance in all its forms rather than to capital payments.

The social and economic changes outlined at the beginning of this article present the British insurance industry with a challenge. On balance the outlook for British insurance seems by no means unpromising. Effort and imagination may well be needed in future to stimulate the growth of insurance on a scale to match the achievements of the past, but the industry may well find that by the exercise of greater efficiency and ingenuity its contribution to the British economy can be steadily raised.

Investment Policy

THERE is a well-established principle that insurance offices cannot postpone indefinitely the investment of their accumulating cash balances. The insurance business is not one which can exercise liquidity preference for very long, for it cannot afford to be without a return on its funds if it is to meet its contracts. Last year there were several periods when the insurance offices were temporarily out of the market; it follows that new investment demand on the part of the offices must have been an important factor in the market rallies when they occurred.

The measure of their demand is shown by the totals for the investments of 38 offices (mutual, proprietary, industrial

and ordinary, and composite offices) as shown by their reports at the end of 1947 and 1948. Their investment portfolios increased by £178 million, from £1,933.1 million to £2,111.4 million. Apart from the increase in the offices' funds, there was another major factor which affected the comparison between 1947 and 1948—namely, the exchange on January 1, 1948, of transport stock for the former railway debentures and preference and ordinary stocks. No doubt this exchange accounts to some extent for the fact that British Government securities (which includes guaranteed stocks) increased by no less than £150 million, from £699 million to £849.3 million. As a result, gilt-edged securities repre-

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sented over two-fifths of the offices' total portfolios at the end of last year, compared with 36.2 per cent (of a much lower total) at the end of 1947.

TABLE I—DISTRIBUTION OF INSURANCE ASSETS
1936-39 and 1947-48

Class of Assets	1937	1938	1939	1947	1947	1948	1948
	%	%	%	£ mn.	%	£ mn.	%
Mortgages, including loans on policies	23.0	23.6	23.9	176.3	9.1	209.9	9.9
British Govt. securities	17.5	17.0	16.4	699.0	36.2	849.3	40.2
Indian, Colonial & Foreign Govt. securities	7.5	7.1	6.9	...	...	...	...
British Municipal & County stocks	2.8	2.9	3.8	180.1	9.3	170.7	8.1
Indian, Colonial & Foreign Municipal securities	2.8	2.1	1.8	...	...	...	...
Debenture stocks	18.7	18.9	18.8	204.8	10.6	199.4	9.4
Preference & Guaranteed stocks	9.5	9.4	9.4	185.5	9.6	168.4	8.0
Ordinary stocks	9.2	9.2	9.2	206.1	10.7	215.5	10.2
Other investments	...	...	...	42.2	2.2	37.2	1.8
Property	...	...	...	112.2	5.8	127.9	6.1
Cash, agent's balance, reversions, etc.	9.5	9.8	10.3	127.2	6.5	133.1	6.3
TOTALS, 38 Offices	100.0	100.0	100.0	1933.1	100.0	2111.4	100.0

Consequential changes arising from the transport operation appear in other categories. Debenture holdings were smaller by £5,000,000 at £199.4 million. The fall in preference stocks was more pronounced, from £185.5 million (9.6 per cent of the 1947 total) to £168.4 million (8.0 per cent);

TABLE II—PERCENTAGE DISTRIBUTION OF ASSETS OF 38 OFFICES
END 1948

Office	Mortgages & Loans on Policies	Govt. & Municipal Securities	Home & Foreign Govt. & Municipal Stock	Debenture Stock	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agent's Balances
Mutual Offices									
Equitable	14.8	22.2	3.5	22.5	9.1	10.2	6.6	7.2	3.9
Friends Provident	19.2	16.4	6.3	16.6	9.7	13.2	0.4	6.4	11.8
London Life	16.5	43.9	4.5	7.0	8.5	18.7	...	8.9	4.1
Marine & General	4.5	32.3	4.8	14.5	22.9	13.5	...	2.1	5.4
National Mutual	12.1	29.1	2.7	12.4	17.2	11.5	...	9.3	9.6
National Provident	11.6	28.9	2.9	11.1	12.4	19.6	0.1	10.8	2.6
Norwich Union	40.5	18.4	7.8	5.0	1.4	1.6	8.4	13.4	3.5
Provident Mutual	4.5	37.8	3.3	9.6	17.8	20.2	0.8	2.2	3.8
Scottish Amicable	15.5	40.5	1.6	11.5	10.3	14.5	0.5	1.5	4.1
Scottish Equitable	8.8	29.7	4.4	13.8	7.7	16.5	15.1	0.9	3.2
Scottish Provident	3.7	30.3	5.0	10.3	12.7	17.8	0.2	3.3	2.0
Scottish Temperance	8.7	30.0	3.5	10.4	17.3	14.5	3.6	9.0	3.0
Scottish Widows	8.8	30.5	1.4	11.9	20.2	20.2	...	1.6	5.4
Standard	4.6	38.7	8.8	16.3	10.5	14.7	4.2	0.7	1.5
United Kingdom	13.6	17.7	12.1	3.1	2.0	20.7	0.4	28.0	2.4
Average	15.6	29.6	5.7	11.1	9.9	13.4	3.1	7.6	4.0
Proprietary Offices									
Clerical, Med. & Gen.	19.9	12.3	2.4	6.8	7.1	16.3	17.8	10.3	7.1
Equity & Law	16.1	26.0	0.7	9.9	14.7	16.6	9.7	5.4	0.9
Scottish Life	5.7	29.5	1.2	15.8	27.4	13.4	...	0.7	6.3
Sum Life	16.5	49.3	4.6	23.1	2.1	1.3	0.1	1.0	2.0
Average	16.0	36.5	3.0	16.9	8.0	8.2	5.0	3.5	2.9
Industrial and Ordinary Offices									
Britannic	15.3	53.7	6.5	2.0	3.3	13.8	0.2	2.0	3.2
Pearl	2.3	50.1	8.1	11.3	8.4	14.1	0.4	2.1	3.2
Provident Ass.	43.1	25.3	28.3	0.8	0.1	0.1	...	0.8	1.8
Prudential	5.7	50.7	5.8	8.5	7.3	9.8	0.2	6.9	6.1
Refuge	11.1	56.3	3.9	7.7	11.7	3.6	...	1.5	4.2
Wesleyan & General	22.0	47.3	4.8	5.6	11.2	...	...	4.1	5.0
Average	7.5	50.9	6.5	8.2	7.7	9.7	0.3	4.8	4.4
Composite Offices									
Alliance	12.6	38.5	6.3	16.0	6.8	6.4	...	3.1	10.3
Atlas	13.0	27.1	14.0	9.4	4.8	8.8	2.4	7.2	13.3
British Equitable	6.8	47.0	6.3	11.2	6.3	3.6	...	6.6	12.2
Calcutta	4.7	39.1	14.8	5.9	4.6	10.3	...	4.6	16.0
Commercial Union	4.7	27.5	16.1	7.9	7.6	9.6	5.7	3.4	16.3
East Star	6.0	25.7	3.8	5.3	12.8	30.6	0.3	7.9	9.3
Guardian	11.5	22.3	8.4	9.9	9.5	12.8	0.7	5.9	19.0
Law Union & Rock	19.4	38.2	10.6	6.0	8.6	5.7	...	4.4	7.1
Legal & General	8.9	39.5	8.1	5.5	6.3	5.4	6.2	17.1	3.0
London Assurance	9.0	25.5	11.4	11.3	8.2	10.4	3.0	5.3	15.9
N. Brit. & Mercantile	6.8	39.9	22.8	6.5	4.3	6.8	...	4.0	9.9
Phoenix	6.7	30.2	23.8	8.4	4.9	6.5	0.2	4.2	16.1
Royal Exchange	7.3	26.7	9.9	15.7	8.6	6.5	...	12.3	13.0
Average	8.4	32.6	13.2	8.5	7.0	9.2	2.5	7.4	11.2
Average, 38 Offices	9.9	40.2	8.1	9.4	8.0	10.2	1.8	6.1	6.3

perhaps it is possible to see here not merely a consequence of the exchange of railway stocks, but also a revision of ideas about the investment status of preference shares themselves. Apart from these changes, the increase in mortgages and loans on policies illustrates a growing outlet for the investment of insurance funds.

The percentage figures discussed in these paragraphs are radically different from those shown for prewar years. The 1947 and 1948 figures and percentages relate to the assets of all offices included in the computation. The prewar averages are arithmetic averages, calculated by adding the percentages for the individual offices and dividing by the total number of offices. Thus the percentage of gilt-edged held by, say, the Marine and General received an equal weight with the percentage shown by the Prudential, whose holdings were two hundred times as large. The new figures therefore are much more representative than the old.

Last year brought some relief—not very great but certainly welcome—to the persistent fall in interest earnings on life and annuity funds. For most offices, interest earnings do not change very violently from year to year, and the average gain from a quite significant rise in interest rates is damped down by the weight of old investments in the funds. For the 38 offices whose figures are given in the third table, the rise in the average net return was a mere five pence per cent, from £3 9s. 4d. to £3 9s. 9d. Save in a few cases (and some of these exceptions may be explained by the arbitrary, though entirely reasonable, method of calculation), movements in net earnings shown by individual offices were generally limited to a few pence.

TABLE III—NET RATES OF INTEREST PER CENT
LIFE AND ANNUITY FUNDS OF 38 OFFICES

Company	1938	1947	1948
Mutual Offices:—			
Equitable	£ s. d. 4 0 10	£ s. d. 3 12 8	£ s. d. 3 14 2
Friends Provident	3 16 9	4 12 10	4 13 10
London Life	3 15 0	3 5 2	3 4 6
Marine & General	4 1 2	3 14 6	3 13 5
National Mutual	4 3 6	3 11 3	3 10 1
National Provident	4 1 0	3 19 9	4 2 0
Norwich Union	4 2 5	3 14 10	3 14 10
Provident Mutual	4 4 7	3 9 2	3 6 11
Scottish Amicable	4 0 5	3 14 8	3 16 4
Scottish Equitable	3 18 0	3 13 2	3 12 1
Scottish Provident	3 15 0	3 8 7	3 8 8
Scottish Temperance	3 19 6	3 6 10	3 9 5
Scottish Widows	4 1 6	3 16 7	3 16 2
Standard	4 14 2	3 16 1	3 15 8
United Kingdom Provident	4 1 6	3 14 4	3 17 3
	4 1 0	3 14 0	3 14 9
Proprietary Offices:—			
Clerical, Medical & General	3 16 6	3 13 3	3 11 11
Equity & Law	4 8 0	3 10 7	3 14 9
Scottish Life	4 2 2	3 13 0	3 12 11
Sum Life	3 18 0	3 2 4	3 4 7
	4 1 2	3 9 9	3 11 0
Industrial and Ordinary Offices:—			
Britannic	4 2 10	3 4 5	3 4 10
Pearl	4 1 9	3 10 6	3 9 2
Provident Association	3 12 8	2 13 0	3 4 9
Prudential	4 4 4	3 10 6	3 9 4
Refuge	3 19 5	3 11 0	3 8 1
Wesleyan & General	3 17 2	3 3 9	3 9 7
	3 19 8	3 5 6	3 7 3
Composite Offices:—			
Alliance	3 9 8	2 17 0	2 17 2
Atlas	4 3 2	3 9 1	3 9 3
British Equitable	3 18 2	3 0 4	2 13 3
Calcutta	3 16 8	3 4 8	3 3 1
Commercial Union	3 14 4	3 4 7	3 3 2
East Star	4 1 3	3 17 0	3 17 0
Guardian	3 13 9	3 13 11	3 10 6
Law Union & Rock	3 11 7	3 9 8	3 8 8
Legal & General	4 2 8	3 9 10	3 9 8
London Assurance	3 14 8	3 4 2	3 4 8
North British & Mercantile	3 8 6	2 19 9	2 19 3
Phoenix	3 16 5	3 0 3	3 0 4
Royal Exchange	3 15 3	3 1 9	3 4 0
	3 15 10	3 5 6	3 4 7
	3 19 1	3 9 4	3 9 9

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BOOKER BROTHERS, McCONNELL & COMPANY, LIMITED

SUGAR INDUSTRY: ECONOMIC FOUNDATION OF BRITISH GUIANA

HUMAN RELATIONSHIPS CONSTITUTE MAJOR PROBLEM

MR A. F. V. McCONNELL ON THREE MAIN FACTORS

The forty-ninth annual general meeting of Booker Brothers, McConnell & Company, Limited, was held on September 28th at the registered office, 37-41, Gracechurch Street, London, E.C.

Mr A. F. V. McConnell, the chairman, presided.

The Secretary, Mr C. C. Batch, A.C.I.S., read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman, which was circulated with the report and accounts for the year ended December 31, 1948:—

Since we last met there have been two changes in the constitution of your board. Mr A. W. Armour, who joined the company in 1982, indicated to us that on account of advancing years he wished to relinquish his directorship from January 1, 1949. Although during recent years failing health had led Mr Armour to take a less active part in the administration of the company, it was with the most sincere regret that we accepted his resignation.

On August 16, 1949, Sir Frederick J. Seaford, C.B.E., was invited to join the board as a managing director. To those of you who have been connected with our company for any length of time, Sir Frederick Seaford will need no introduction. After many years' outstanding service to Bookers in British Guiana, Sir Frederick agreed to come to London to assume the general charge of the administration of the sugar side of our activities. We all offer him our warmest congratulations on his recent knighthood. No son of British Guiana has been more worthy of honour or has done more for the Colony with which and with whose peoples he has so fully identified his life and career. His intimate experience of British Guiana is proving of invaluable assistance in London. His former colleagues and associates in the Colony feel that they have lost a great ally, but your board are satisfied that his work in London can, at the present time, do even more to further the interests of British Guiana; furthermore, we are confident that the team now responsible for our sugar undertakings there will prove most able successors.

PARENT COMPANY'S ACCOUNTS

From the opportunity which you have had of studying the directors' report and accounts for the calendar year 1948, you will have seen that after taxation the profit was £157,162. You will also have seen that your directors recommend the payment of a final Ordinary dividend of 5 per cent. and a bonus of 3½ per cent., both free of income tax. We further recommend that £60,000 should be transferred to general reserve, the remaining small balance being added to the credit balance brought forward. Our recommendations, as last year, fall in with the wishes of the Chancellor of the Exchequer, but circumstances which should become plain to you as you read this statement would in any case have decided us to recommend no increase in the rate of dividend.

Examination of the parent company's balance sheet will show that the two salient features of interest are the appearance of the

£1,000,000 Notes of which I told you last year, and the changes that have taken place in the distribution of our assets. It will be more instructive to deal with the former when considering the consolidated balance sheet of the group, but the latter requires elaboration here.

A NEW SUBSIDIARY

A new subsidiary company, Bookers Drug Stores, Limited, was formed on January 1, 1948, to take over all our activities in the manufacturing and retail drug trades in British Guiana. From the point of view of the distribution of our assets this has had the effect of transferring some of them from the fixed and current assets headings to shares in subsidiary companies, which consequently total £1,521,956 this year, as against £1,159,271 last year.

Under current assets, debtors, you will see, show an increase of nearly £300,000 over the previous year, while stocks are rather less than the 1947 figure. Had it not been, however, for the transfer of assets consequent upon the formation of the new drug company, these two items would together have exceeded the previous year by more than half a million pounds. This formidable increase in stocks and debtors is the direct outcome of increased sales and further inflation—factors also influencing our subsidiary companies, as is clear from the current assets shown in the consolidated balance sheet. Stocks are conservatively valued and they are turning over regularly.

Three main factors have led to an increase of nearly £650,000 in net advances to subsidiary companies. These are, first, a greater quantity of produce on hand at the end of the year; secondly, the extensive programme of exceptional work being carried out upon our sugar estates; thirdly, expenditure upon our new ship, the *Amakura*.

Creditors, you will see, show a material reduction against the previous year, while loans from bankers show an increase. This is largely due to the fact that last year the item creditors included some £600,000 of temporary finance.

THE CONSOLIDATED ACCOUNTS

Having called to your attention these salient changes in the parent company's balance sheet, I now turn to the overall financial position of our company which is reflected in the consolidated balance sheet. Here you will see that the excess of current assets over current liabilities and provisions is more than £1,600,000—in contrast to a small deficit in the parent company. This contrast results from the fact that a large part of the current assets of our group are held by subsidiary companies, whereas the borrowing to finance these assets is mainly the responsibility of the parent company. This incidentally is a good example of the complexity of the financial problems of our group with its activities so diverse and so widespread. Your directors are continually considering the possibility of simplifying the internal structure of the group to make the

handling of financial and administrative matters easier.

Comparing the consolidated balance sheet as at December 31, 1948, with that as at December 31, 1947, it will at once strike you that we are employing almost exactly £1,000,000 more finance. This £1,000,000 has been obtained by the proceeds of our Note Issue, and generally speaking it is being used to finance higher current assets. There is, it is true, an increase of some £250,000 in fixed assets and trade investments which has been largely financed by money ploughed back into the business. You will see that the way in which we are employing the proceeds of this £1,000,000 Note Issue coincides in nearly all respects with that foreshadowed in my statement last year, with the one important exception that little of it has in fact been spent on fixed assets. This is satisfactory and coupled with our £1,600,000 excess of current assets implies a healthy financial position.

As you know, your directors have always before them the question of whether or not it would be wise to raise more permanent capital, but before I tell you their present views, you should have before you the broad picture of our financial problems as we judge them.

FINANCIAL FLEXIBILITY

First of all it must be emphasised that the very nature of our business dictates a high degree of flexibility in our financial arrangements. We have to forecast and to provide not only for the repair, maintenance, and improvement of our fixed assets of all kinds but also for the provision of adequate stocks of merchandise in our stores, and the financing—at times very heavy—of our sugar crops. The amount of money necessary for these and our other undertakings varies greatly at different times of the year. For these reasons it may always be necessary for our company to make use of ample overdraft facilities with our bankers. It would clearly not be provident for us to employ permanent capital up to the peak of our financial needs since that would result in holding money idle—sometimes for long periods. Furthermore, we must never lose sight of the important fact that on the evidence of the consolidated balance-sheet now before you, were there to be any real degree of deflation leading to reduction of stocks and debtors, we might find ourselves with more money than we require. Neither, on the other hand, must we forget that we have to accumulate funds to repay our note holders by 1958, and we can see our way to this provided our group continues to earn reasonable profits, which—taking one year with another—we hope it may.

CAPITAL EXPENDITURE PROGRAMME

Since our last annual general meeting we have advanced much further with our programme of expenditure on our fixed assets. We have finished paying for our new ship, the *Amakura*, we have made strides with our buildings, and we have completed well over half our programme of renovation and improvement in both field and factory on our sugar estates. This latter statement is, you will see, borne out by comparison of this with last year's balance sheet notes covering commitments for capital expenditure; nevertheless, we expect that, as was the case in 1948, a material proportion of this expenditure will be met from current revenue. In 1949 and 1950 drawings from the rehabilitation fund will also be available. In other words, the notes covering capital commitments and contracts show a larger sum than will in practice become a charge upon our liquid resources.

There is the picture, and in view of the progress which we have made with the ex-

penditure on our fixed assets your directors feel that they are able to judge it more clearly than they were able to do a year ago. At that time I told you that we were unable precisely to define our company's capital requirements, and the picture which I have just painted for you will, I think, show you that precision is still impracticable. We are, however, operating on overdrafts larger than we think altogether desirable, and that, coupled with a comparatively small programme of capital expansion which we wish to undertake in our Central African business, may justify an increase in permanent capital when market conditions allow. Indeed, from the notice which you received dated June 20, 1949, you will know that your directors have, in increasing the authorised capital of the company, made provision for an issue of ordinary shares. I must say frankly that we had been thinking of making such an issue soon after the publication of these accounts, but the effect of market conditions upon recent issues inclines your directors, in the light of the healthy situation disclosed by these accounts, to the view that it would be unwise to reach any hasty conclusion.

Before leaving our finances there is one further point in the group balance sheet which needs comment. There is a sum of £35,000 deducted from our revenue reserves for "unrealised profits on inter-company transactions." This deduction—following upon Note 3 in the consolidated profit and loss account last year—has been made to show the amount of unrealised profit contained in the stocks of our subsidiary companies which have bought their merchandise from the parent. This, or a similar sum, has of course always existed, and it is only the presentation of consolidated accounts which has raised the question of making an appropriate entry. It is a technical accounting matter.

BRITISH GUIANA

The year 1948 has been a difficult one, both on the sugar estates and in our general commercial undertakings. Taking our sugar estates first, output of sugar was 120,000 tons, as against 117,500 tons during the previous 12 months—a not unsatisfactory result considering unfavourable weather conditions for the spring crop and the six months' strike on the east coast which caused the loss of some 6,000 tons of sugar. This strike, as you know, led to the appointment of a commission of inquiry under the chairmanship of Dr Venn, of Queens' College, Cambridge, "to inquire into and report on the organisation of the sugar industry in British Guiana, with particular reference to means of production, wages and working conditions, and any other relevant matters; and to make recommendations." I understand that the commission's report is now in the hands of the printers, and it may well be published at about the same time as these accounts. Your directors can have nothing to fear from it; indeed, they believe that a full and impartial statement of the position of the sugar industry in British Guiana will do great good.

The sugar industry is, as you know, the social and economic foundation of the colony. Its prosperity, and thus the prosperity of British Guiana and its peoples, depends upon three main factors: first, the efficiency of the industry; secondly, the price paid for its products; and, thirdly, the human relationships within the industry and within the colony.

You already know that we are doing everything within our power to achieve maximum efficiency for the industry and to expand production.

SUGAR PRICES

As regards the second factor—the price paid for our products—the position is that

In 1948 the price of export sugar was increased by a net figure of about £2 16s. per ton over what we received in 1947. In 1949, however, a sound case for a further increase was rejected by the British Ministry of Food, the buyer. Production costs, however, continued to rise owing to ever-increasing prices of imports from the United Kingdom. Moreover, the value of and demand for our by-products has decreased very sharply.

You may have seen in the press that British West Indian Sugar Producers have been representing to His Majesty's Government the need to secure the future. During July and August two delegations visited this country to give powerful support to these representations, one with the mandate of the Jamaica Government, led by the Attorney-General, supported by Mr Bustamante, Mr Henriques, and Mr Barker; the other from the British West Indies Sugar Association, under the chairmanship of Mr Harold Robinson, chairman of that association. Two trades union leaders from British Guiana, Mr Thorne and Mr Edun, also came over and did valuable work in the same cause.

H. M. GOVERNMENT'S DECLARATION

The West India Committee have participated actively throughout all these prolonged negotiations—negotiations which culminated in the publication on August 10 of a communique which is so important a declaration that I quote it in full:—

"A series of discussions regarding the future sugar policy of His Majesty's Government in the United Kingdom has taken place in London in the past few weeks, first with representatives of the British West Indies Sugar Association and subsequently with representatives of the Jamaica Government. There have been full exchanges of view which were most useful to both sides.

"His Majesty's Government assured the delegations that they recognise that the prosperity of the Sugar Industry is vital to the maintenance of an adequate standard of living in sugar-producing colonies, such as the British West Indies. It is their intention to make long-term arrangements which will give to the efficient producer of sugar in these areas and elsewhere in the Commonwealth firm assurances of markets for agreed tonnages of sugar, at reasonably remunerative prices to be negotiated with the producers. It is the declared policy of H.M.G. to maintain and improve the economy of the Colonial territories and where, as in the British West Indies, sugar production is the main and indispensable basis of a healthy economy, this will be given special consideration in fixing the quantities of sugar to be covered by these arrangements.

"Before these arrangements can be completed, representatives of other Commonwealth producers will have to be consulted. It is the intention of H.M.G. to undertake these consultations in the autumn. Representatives of the West Indies will, of course, be included in these further discussions.

"The two delegations from the B.W.I. insisted throughout the negotiations that any assurances which might be given must, to meet the needs of the situation, cover a period of at least ten years. While appreciating this view, H.M.G. regarded the period of the agreement as a point to be covered in the negotiations in the autumn."

SECURITY OF THE SUGAR PRODUCER

It is true that this is essentially a declaration of principle, but if, as we are sure, it has been made in good faith, the final negotiations, when they take place in the autumn, should be conducted in an atmosphere and against a background which will ensure to British West Indian sugar producers the real

security which they justifiably seek and without which the Colonies where they operate will be devastated by social and economic disintegration. It is also true that His Majesty's Government have at this stage not found themselves in a position to discuss the length of term which the proposed arrangements should cover. I am satisfied, however, that producers will be able to convince those concerned that ten years is the shortest period to be of real value.

HUMAN RELATIONSHIPS—EFFORTS TO ACHIEVE HARMONY

The third factor is the all-important question of human relationships in British Guiana and in the sugar industry and they present probably the most difficult problem which we have to face. There are three parties directly involved—Government, labour and the sugar industry.

On the part of the industry much has been done, is being done and will continue to be done to improve the conditions of our workers. I must confess, however, that there exists in the Colony an atmosphere of suspicion of our motives and even of hostility which often depreciates if it does not actually thwart our efforts and our aspirations. This atmosphere is generated not by our own employees but by certain sections of the general community, including, I regret to have to say, some Government officials. For the good of British Guiana it is essential that this atmosphere be dispelled and towards this end it has been decided to appoint for the British Guiana Sugar Producers' Association a full-time manager of high calibre. This important post was offered to, and has been accepted by, Mr W. A. Macnie, Colonial Secretary of the Leeward Islands. Mr Macnie, who was born in British Guiana, is a Colonial officer of wide experience who has served with distinction in his motherland and elsewhere.

The working population have for their part made further welcome strides towards organising themselves. The recent visit to this country on their own initiative of two leading trades unionists in connection with sugar negotiations was an impressive and significant event.

Government, by means of legislation and at times exhortation, have striven to achieve a happier relationship.

None of these endeavours, however, can independently achieve that relationship without which the colony can never prosper. We all wish to make British Guiana a place fit for all its people to live and work in, in the greatest attainable degree of prosperity, happiness, and freedom, but we shall surely fail unless we all strive in concert to that goal—unless every one concerned believes that "we are all in the same boat"; unless, in short, we all of us realise the identity of our interests.

REPLACEMENT COSTS

Finally, on the subject of sugar I must tell you that our sugar companies did not as a whole show profits in 1948—their expenditure in fact exceeded their revenue. In this connection, however, you will have seen the sixth note on the consolidated balance sheet, which explains that there has been charged to the profit and loss account expenditure upon replacements, which includes exceptional expenditure on rehabilitation. As you know, in the case of our sugar companies we use a "replacement" basis of accounting and not a "depreciation" basis. This means that expenditure upon the replacement of major units is charged to revenue wholly in the year in which it is incurred. Improvements or extensions are, of course, capitalised. Drawings from the rehabilitation

fund, which are also mentioned in this note, will, at any rate during the next year or two, be barely sufficient to cover the capitalised portion of expenditure. This "replacement" basis of accounting creates very real difficulties for all sorts of reasons, and whatever merits it may have had in the past, it may be that your directors will, with the advice of our accountants, seek to modify it at some future date.

Turning to our general commercial undertakings, here again, as I have told you, we have had a difficult year and our difficulties have arisen largely from a decrease in gross profit margins forced upon us as a result of Government action. I can only say that traders generally in Georgetown are considering putting before Government, and if necessary the Secretary of State for the Colonies, a full case supporting revision of these profit margins.

Since the beginning of this year we have agreed with the Colonial Development Corporation to sell them our Timber Company. The price obtained was fair to both buyer and seller and we are satisfied that the sale is in the best interests of British Guiana and of Bookers. The acquisition of Bookers Timber Company by the Colonial Development Corporation will enable them to integrate their interests in the timber undertakings of the colony and will facilitate the plans they envisage for the ordered expansion of the timber industry. We, for our part, enjoy the most cordial relations with the Corporation and have undertaken to step back into the industry when the time is ripe and provided any proposition put up by them to us is in our view a sound commercial undertaking. In Trinidad Stephens, Ltd., have once more proved a most valuable unit in the group.

AFRICA

Our Central African Subsidiary Group, of which Campbell Bros., Carter and Company (Central Africa) Limited is the parent, had a very satisfactory trading year in 1948. This group of companies, under the most able and energetic leadership of a magnificent team, continues to make good progress and we are more than ever pleased with the success of our large-scale incursion into the wholesale and retail trading business in the Rhodesias and Nyasaland. Indeed, the trading results achieved not only by our recent Central African Group but also by their old and well-established progenitor, Campbell Bros., Carter and Company Limited, London, have been responsible for the fact that the trading profits of Bookers as a whole are as satisfactory as they are in the light of the difficult conditions in British Guiana during 1948.

UNITED KINGDOM

Our London and Liverpool branches, together with our Steamship Company, have made an encouraging showing during 1948. Our new ship, the *makura*, was launched on March 2nd this year and we are proud once more to have two vessels running on the only direct service between the United Kingdom and British Guiana, particularly at a time when shortage of British passenger services is causing such intense anxiety throughout the West Indies.

It is too early to tell you more than you already know about our latest subsidiary, United Rum Shippers, Limited, although we hope that their acquisition will make a substantial contribution towards solving the problems created by the very greatly reduced demand for the by-products of the sugar industry.

CONFIDENCE IN THE FUTURE

The future undoubtedly holds great difficulties for our company, as it holds difficulties

for everybody else in the world as it is today. Profits will be harder to earn, and I am certainly not going to indulge in optimism. Nevertheless, we face the future with confidence for the diversity of our interests and the wide spread of our operations give breadth and strength to the foundation of our structure, as indeed the results of 1948 have proved.

Before thanking the management and staff of our companies for the fine contribution they have made to our working during 1948, your board would like to pay tribute to the Colonial Office, with whom the nature of our business brings us inevitably into regular contact.

Much criticism is levelled nowadays at Government departments and their so-called bureaucrats. I and my colleagues can say in all sincerity that in the Colonial Office we find men of great ability and vision who are prepared at all times to discuss our many problems with us and to give invaluable assistance and advice where it is possible and proper for them to do so. Mr Creech Jones as head of the Colonial Office is a true friend of Colonial peoples.

Our management and staff throughout the group your directors on your behalf thank most sincerely for their continued work and endeavours. During 1948 many of them have worked under conditions of great and sustained strain and we must never forget that without them we could not now present to you the accounts which I shall ask you to pass.

The report and accounts were adopted.

The retiring directors, Mr A. F. V. McConnell and Colonel F. C. Drake, O.B.E., M.C., were re-elected, and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

BRITISH HOMOPHONE COMPANY, LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of the British Homophone Company, Limited, was held on September 28th in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), who presided, said:

The net profit for the year, before providing for taxation, amounts to £13,850, as compared with £16,007 for the previous year. The fact that the net amount of dividends we are proposing to pay for the year is slightly greater than the Homophone net profit should cause no worry, as the consolidated accounts show an appreciable increase in the total carry-forward of the group.

The accounts summarise the results of this company and its wholly owned subsidiary, Ebonestos Industries Limited.

During the period under review, the consolidated profits which the group earned in the previous year were maintained during the first six months only. In the second half of the year there was a substantial falling off in those of Ebonestos Industries Limited. Last year, I gave some indications of the reasons why I thought that the moulding industry was entering a difficult trading period. The directors, however, despite the present difficulties, view the long-term outlook for your group of companies with confidence. Our organisation is sound economically and competitively, with a "know how" second to none in its field of activity.

As you know, the Homophone Company, with its wholly owned subsidiary, is controlled by Crystalite Limited.

We should all be proud of our executive and staff and its loyalty and effort under the direction of our managing director, Mr Jack Lessert.

The report was unanimously adopted.

GEORGE COHEN SONS AND COMPANY, LIMITED

STRONG POSITION

The twenty-fifth annual general meeting of George Cohen Sons and Company, Limited, was held on September 28th in London, Mr Cyril M. Cohen (chairman and managing director), presiding.

The following is an extract from the statement by the chairman:—

The consolidated balance sheet again presents an overall picture of financial strength and flexibility, with current assets double our total liabilities and combined reserves of approximately £1,800,000.

In comparison with the previous year—a record one in the long history of the company—the net profits have dropped, but, none the less, the final figures cannot be regarded as unsatisfactory. The combined profits of the Group show a return of 14 per cent. on the real capital employed and, after the payment of the Preference dividend and profits tax, as shown in the accounts, are equivalent to 50 per cent. of the nominal Ordinary share capital.

The fall in our profits is not attributable to any serious decline in the volume of business transacted, which, as foreshadowed in our circular of October 22, 1948, proved to be substantially the same as last year, the total aggregate turnover of the Group being under 2 per cent. lower than that of the previous year. This small reduction was not at the expense of exports, which, despite the many difficulties, showed an increase.

We have encountered a combination of the various factors which have adversely affected so many undertakings of late. Markets, both at home and abroad, have progressively become more competitive, necessitating smaller profit margins as well as increased selling effort and expense to maintain turnover—whilst certain other major costs have, at the same time, steadily risen from causes quite outside our control.

In regard to selling prices, we have made a few minor increases—these being authorised by statute—but, rather than augment those of our main proprietary manufactures to figures liable to prove uncompetitive or which might be detrimental to our goodwill, we have deliberately absorbed the aforesaid higher costs and have not passed them on to the customer.

Improved plant, facilities and methods achieved many reductions in operating costs, and it is unfortunate that these direct savings are at present being counteracted by increases arising from external causes, for example, transport, fuel, social services, etc.

Our extensive programme of modernisation continued during the year, but, due to various restrictions and shortages, the headway made in the concluding stages of some of our schemes was not as rapid as we would have wished.

After the payment of the Preference dividend for the year ended March 31, 1949, amounting to £29,906, and after writing off the expenses of the new issue of £13,730, there remains a balance attributable to the year's trading of £166,135, which is sufficient to cover some 2½ times an Ordinary dividend at the same rate as was paid last year.

We regard the volume of business which the Group is handling as satisfactory. In particular, production at our major plants has expanded and they have well-filled order books at remunerative prices, which should keep them fully occupied for some time ahead. Your board, whilst acutely mindful of the complexities of the industrial outlook, faces the future in a mood of steady and reasoned confidence.

The report was adopted.

STEEL BROTHERS AND COMPANY, LIMITED

PROGRESS IN OLD AND NEW TERRITORIES

WIDESPREAD ACTIVITIES

MR J. K. MICHIE ON THE OUTLOOK

The fifty-eighth annual ordinary general meeting of Steel Brothers and Company, Limited, was held on September 29th, at Winchester House, Old Broad Street, London, E.C., Mr J. K. Michie, chairman and managing director, presiding.

The following is the Chairman's statement circulated with the report and accounts for the year to December 31, 1948:—

The necessity to comply with the conditions of the new Companies Act and the consequent difficulty in getting audited accounts from our subsidiaries have, I regret, delayed the presentation of our accounts for 1948, but I hope they will be considered to be satisfactory. For convenience and because of the increasingly widespread nature of our business geographically, I propose to comment on our activities under separate territorial heads, but first there are certain general observations to be made.

HIGHER PROFITS

The expectation expressed in my last report that profits would be less in 1948 than in 1947 I am glad to say has proved too cautious, for profits are actually higher by £40,222. This has been due to the energetic pursuit of business in both old and new territories; to the receipt of £16,588 for assets left in Burma in 1942; to the realisation of the sum of £16,307 in respect of profits accrued but not actually received in previous years; and to a credit of £5,384 being a provision for workmen's compensation insurance in Burma no longer required. Before arriving at these results stock values have been carefully considered, and we are satisfied that all necessary provisions have been made.

The sum available after paying dividends on preference and preferred ordinary stock enables us to do certain things which have been for some years objectives of your Board. We have allotted the sum of £115,401 for depreciation of our assets and our investments; we have been able to set aside the sum of £100,000 to inaugurate a pension fund for the covenanted staff overseas and the staff in London and we have been able to pay dividends to the deferred ordinary shareholders after a period of denial of seven years.

WAR DAMAGE SETTLEMENT

In spite of the encouraging results of the year's workings certain of these decisions would not have been so easily made but for the fact that at long last an overhead settlement has been reached with His Majesty's Government on compensation for war damage suffered by British interests in Burma in 1942. On June 24th last the Chancellor of the Exchequer made the following statement in the House of Commons:—

"Without prejudice to any further action which may be taken by the Government of Burma or to any claims made against that government, His Majesty's Government have decided to make an *ex gratia* payment of limited amount to United Kingdom business

interests whose property sustained war damage in Burma primarily for the purpose of assisting them in overcoming their capital handicaps in the task of rehabilitation. They accordingly propose to seek Parliamentary approval for an *ex gratia* payment of £10,000,000 to be allocated on the advice of an independent committee consisting of Mr W. Carter, C.B.E. (chairman), formerly of the Royal Insurance Company and adviser to the Board of Trade on war damage matters; Mr J. A. Halford of Messrs A. L. Sturge (Underwriters to Lloyd's) and Mr F. K. Davies of Messrs Robinson Davies and Little (fire loss assessors).

"The committee will receive applications in respect of war damage to property in Burma (other than private chattels) which occurred between December 8, 1941, and March 31, 1946, from persons being British subjects domiciled in the United Kingdom or companies wherever registered which are mainly owned or which are managed and controlled by British subjects so domiciled."

Our claims along with others are now being examined by the assessing committee who will allocate the sum among us and we hope sincerely this difficult task will be completed and the money paid out before the end of the year. Meantime it is impossible to say or to guess what our share is likely to be.

I regret that the *ex gratia* grant by His Majesty's Government—which they regard as implementing the promise made to the Hay Committee in 1942—is so small in relation to the losses suffered and the sacrifices made by the claimants. I can only assure you that no effort has been spared and no argument left unused in our endeavours to have it increased. As you will appreciate governments are the final arbiters of the cash value of their moral responsibilities. When received our share will be used to write down the book values of our properties and investments in Burma and our balance sheet will then be presented in normal form.

We are now left with our legal claims against the Government of Burma for what is termed "denial"—and these are being pursued. "Denial" applies to only a small part of the parent company's losses, though the losses of our main subsidiaries fall very largely under this head.

Last year I commented on the change in our then cash position as compared with a year before. The balance sheet now presented shows that bank overdrafts at December 31, 1948, had reached the large sum of £1,183,703—an increase of £98,622 in the year. This looks suspiciously like over-trading, but the cause was that the stocks represented by these overdrafts were being carried by us as agents for governments and not as principals; and if the prewar machinery of financing shipments by bankers' credits had been in force this position would not have arisen.

BURMA

Our trading profits in Burma were satisfactory mainly because we entered 1948 with large stocks of readily saleable goods which we had laid down some considerable time ahead. For several reasons our business in Burma became progressively circumscribed as the year went on. Trading, both export and import, was affected by new licensing systems and by currency restrictions made

necessary by the deterioration in the economic position of the country.

On May 31, 1948, a large part of our forest areas was taken over by the state, and on May 31st of this year they assumed possession of the balance of our areas. So we are no longer forest lessees in Burma, although we still own our sawmills in Rangoon and Moulmein. A settlement of our claims for our assets and stocks taken over by the Government has not yet been achieved.

Although since the war ended we have been unable to work any of our remaining rice mills, we hired certain small mills in the Bassein district in 1948, where we also acted as buying agents for Government. Unfortunately, that area was the scene of serious disturbances from August onwards and considerable quantities of our stocks were lost. The financial responsibility for these losses, in our view, rests with the Government of Burma and/or on the insurance companies, but a settlement has not yet been reached.

As from December 31, 1948, we ceased to be rice buying agents for the State Agricultural Marketing Board, and this year we are not engaged in rice milling so are temporarily out of the rice business of Burma. Our organisation, however, is intact and could be put into use at short notice.

STRAND HOTEL

A new company—Strand Hotels, Limited—in which we hold the major interest, was formed in April, 1948, to take over and reconstruct the old Strand Hotel in Rangoon.

Owing to the unsettled conditions in Burma there was some delay in completing the extensive structural alterations and the refitting necessary to adapt the building to meet modern needs. The hotel was opened on August 1, 1948, and the results for the five months to end-December showed a small loss. In spite of present difficulties and the high cost of catering in Rangoon, the hotel is now paying its way. It is the premier hotel in Burma and is admittedly one of the finest in the east. It meets a crying need in Rangoon and is very well patronised by all sections of the community.

OTHER COUNTRIES

India: Our business in India, which is largely an agency one, has progressed satisfactorily and I would like particularly to mention our association with the Indian Tea Association in Bengal, for which we have acted for several years as buyers of their rice and other requirements. Results from the trading sections of our Indian branches have been encouraging.

Pakistan: We are now firmly established in Karachi and Chittagong and the volume of our business at these ports has been satisfactory.

Hongkong: During 1948 business continued to develop but recent events in China are likely to affect it adversely.

North Borneo: Our business is still in its beginnings as is the development of the territory and we cannot expect profitable trading for some time to come.

Siam: In Bangkok we are a member of the Siam Rice Agency, Limited, which is again functioning this year. We are also developing our business in the export and import trade of the country.

Ceylon: Our subsidiary, Messrs E. B. Creasy and Company, Limited, had a satisfactory year, but trading conditions have since become much more difficult.

Middle East: In spite of many difficulties our activities in these territories were well maintained and our relations with the various Governments are cordial.

East Africa: I have recently returned from a tour of East Africa, where I had the

pleasure of visiting the various branches of Messrs A. Baumann and Company, Limited, with whom, as then reported to you, we became associated last year. It is a pleasure to be able to say that everything I saw confirmed our previous good opinion of our new friends. We have just concluded an agreement with the Government of Tanganyika under which we shall become lessees of a forest area in the southern province of that territory. The arrangement will be a profit-sharing one and we have good hopes that it will prove mutually satisfactory.

SUBSIDIARY COMPANIES

Carbutt and Company (1928), Limited: This wholly owned London subsidiary, which operates rice and barley mills in London and Hull, again had a satisfactory year.

Mactaggart and Evans, Limited: Last year I referred to the formation of this company. On June 18, 1948, a large gathering, representatives of the technical and industrial community assembled at Sondes-place laboratories for the opening ceremony, when Sir William Larke, K.B.E., in an inspiring address stressed the dearth in this country of research laboratories which are available to trade and industry generally, and explained how this company fills a long-felt want. In its first year, which included only six months' operations at Sondes-place, as might have been expected, the company made a loss. Work is steadily increasing and we look forward to improved results in the future.

SOUTH AMERICA AND JAPAN

Brazil: In October, 1948, we closed our agency in Rio de Janeiro, having been unable to pay our way. H.M. Treasury puts a limit on losses where foreign exchange is involved, but, that apart, prospects were not encouraging.

British Guiana: During the year we became associated with the Colonial Development Corporation and Messrs Booker Brothers, McConnell and Company, Limited, in a survey of the timber potentialities of this colony.

This survey is not yet completed, but in the meantime the Colonial Development Corporation have acquired a forest concession and timber mills there and an arrangement has been come to whereby we operate their concession and mills as their managing agents.

Japan: We have just opened an office in Tokyo with the object of entering the import and export trades of that country.

PROSPECTS

As to prospects for the current year, I have already given you certain indications. It is our opinion that with the changed position in Burma and the end of the sellers' market throughout the world, results must show a definite recession, but every effort is being made to develop the old and to find new sources of revenue.

Staff: Once again a warm tribute must be paid to the staff in all sections of our business. Difficulties have been many, but they have been met as they must be in the spirit that they can be overcome. A good staff is the first essential to successful enterprise and in that respect we can count ourselves fortunate.

The report and accounts were unanimously adopted; the board's dividend proposal was approved; the retiring directors, Mr T. T. McCreath and Mr R. H. L. Langford James, were re-elected, and the remuneration of the auditors, Messrs Deloitte Plender Griffiths and Company, was fixed.

Resolutions were passed amending the memorandum and articles of association to give power to the board to establish a pension fund for employees, including directors.

INTERNATIONAL DIATOMITE COMPANY LIMITED

The fourteenth annual general meeting of International Diatomite Company Limited, was held on September 28, 1949, at Winchester House, E.C.2, the chairman, Mr E. W. D. Tennant, OBE, presiding.

The Secretary (Mr Jesse Wood) read the notice convening the meeting and the report of the auditors was read by Mr H. J. Binder.

The following is the chairman's statement which had been circulated with the accounts for fifteen months ended June 30, 1949:—

In my statements to you last year and the year before I was able to refer to the improved position of the Company which was reflected in the Accounts for those years. It is with pleasure that I now refer to the present position. A further improvement for the fifteen months under review has been achieved, and your operating Subsidiary Company, Moler Products Limited, has made great strides forward.

GREATER EXPORT BUSINESS

The export business obtained by Moler Products Limited is considerably greater than prewar, and the total orders executed for home and abroad are at a rate 30 per cent. higher than the previous year. The Works Plant at Colchester has been well maintained. Considerable improvements have been achieved and production has been brought up to the maximum of which the present plant is capable, and this is considerably above any previous output in the history of the Company.

Orders continue to come in freely and, with a substantial order book in hand, I am able to anticipate a further satisfactory year. In this regard the Company has already made a good start.

In the field of High Temperature Insulation, our products are in great request, and our present production is unable to cope with the demand. This is being remedied. A new section of plant is being erected for the manufacture of the special products in this field. It is anticipated that this new plant will be brought into operation before the end of the present financial year. In order to finance this important extension a secured loan of £50,000 has been obtained on suitable terms repayable by instalments over a period of fifteen years, or earlier at the Company's discretion.

THE DANISH COMPANY

In regard to our Danish sub-Subsidiary Company, a/s Fur Moler Kompagni, that Company has made a small profit, which has been deducted from the loss it made while in enemy hands. Fur Moler has, during the period under review, supplied all the Danish Moler which Moler Products Limited requires for its own consumption. During the period our Managing Director has on three occasions visited Denmark and on each occasion has made a satisfactory report regarding the Danish Company's condition. In September, 1948, I had the pleasure myself of visiting Denmark and inspecting the quarries at Fur and Ejerslev, and I am satisfied that the supply position is assured for many decades.

Viewing the profit achieved against the Issued Capital of the Company, one might erroneously come to the conclusion that the ratio of profit was high in regard to capital employed in the business, but this is not the case. In March, 1935, by an Order of the High Court, a Scheme of Capital Reconstruc-

tion was sanctioned, which scheme wrote off a total amount of £254,605, including £100,000 off the fixed assets of Moler Products Limited and of a/s Fur Moler Kompagni. These fixed assets are still there and, in fact, have appreciated in value, but they are not reflected in our present capital. Actually, therefore, the real capital that has been invested in the business is substantially larger than the figures shown in the balance sheets and the shareholders own a security of a value considerably greater than the book figures.

TRIBUTE TO MANAGING DIRECTOR

During the past seven years, subject always to the Board of Directors, the control of your affairs has been in the hands of our experienced and energetic managing director, Mr Robert Wood, and thanks to his sound and progressive management, the Company has recovered from the effects of the war, and of the German occupation of its mines, and marked success has been achieved. In order that this progress shall continue into the future, the directors of Moler Products Limited have appointed to the Board of that Company Mr W. J. Shaw, the sales manager, and Mr Ronald Ingham, the technical manager.

I feel sure that the shareholders will join the directors in expressing to our managing director and to all the officials and employees of the company sincere appreciation of the results they have obtained.

The report and accounts were unanimously adopted, and a final dividend of 10 per cent., making 30 per cent. for a period of fifteen months, was approved.

The retiring director, Sir Ronald W. Matthews, J.P., was re-elected. Messrs Binder, Hamlyn and Company continue in office as auditors.

COAST LINES LIMITED INCREASED PROFIT

The thirty-sixth annual ordinary general meeting of Coast Lines Limited was held, on September 27th, in London, Sir Alfred H. Read (chairman of the company) presiding.

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

The trading profit of Coast Lines Limited and its subsidiary companies for 1948 has reached a total of £1,449,177, representing an increase of £191,806 over the 1947 figure. An interim dividend of 5 per cent. was paid on July 21, 1949, and in view of the necessity for conservative finance, the directors do not recommend the payment of any further dividend for the year 1948.

The coastal and cross-channel fleet owned by the group in December, 1948, consisted of 100 vessels in service, of which 18 were passenger ships, 15 cattle carriers and 67 steamships and motorships.

The very high level of building costs is a cause of serious concern to shipowners and shipbuilders alike. At the present level of costs new tonnage is uneconomic, and future large-scale replacements cannot be contemplated until the cost of building is drastically reduced.

Our freight services to Eire and Northern Ireland have been active with a welcome increase in tonnages shipped of 8 per cent. The advent in 1948 of the new passenger ships, the *Leinster* and *Munster*, on the Liverpool to Dublin service, and the *Innisfallen* on the Fishguard to Cork service has brought a very gratifying response from the travelling public.

Although shipping is a hazardous business the industry has nevertheless faith in its future. It has faced and met its difficulties in making good the huge war losses and re-establishing the British Mercantile Marine in its former pre-eminent position.

The report was adopted.

PALESTINE ELECTRIC CORPORATION, LIMITED

SATISFACTORY RESULTS

The twenty-sixth ordinary general meeting of the Palestine Electric Corporation, Limited, was held on September 23rd in London, the Rt. Hon. Viscount Samuel, F.C., G.C.B., G.B.E. (the chairman) presiding.

The following is an extract from his circulated statement:—

During the year under review, the affairs of the Corporation were profoundly affected by the striking events occurring in Palestine. After a prolonged period of acute tension and disturbance, the country was exposed, on the termination of the British Mandate, to all the devastating effects of war. In addition, the exclusion of Palestine from the sterling area in February, 1948, gave rise to economic problems of great difficulty.

Considering the adverse circumstances of the year, the financial results, as shown by the report and accounts, may be regarded as satisfactory. The number of units sold was 246,247,651, only 12 per cent. less than in the previous year. The evacuation of a great part of the Arab population necessarily involved a loss of consumers; nevertheless the total number of consumers increased by 4,241, making the total at the end of the year 128,561. The gross revenue for 1948 was £2,663,751.

In my statements in previous years, I referred to orders placed by the Corporation in connection with our plans for extensions. The 12,000-kw turbo-generator set ordered in 1945 for installation in the Reading power house was put into commission last year. With regard to the 30,000-kw turbo-generator set for the Haifa power house, also ordered in 1945, progress could not be made according to the original plans, owing partly to delay by the manufacturers and partly to the dislocation resulting from the situation in Palestine. The work of erection of the plant for that set continues, and it is expected that the boiler and turbo-generator will be ready for operation before the end of the current year.

It is reasonable to anticipate that the future demand for electricity stimulated by intensive settlement and colonising activity and by expansion of industry and agriculture, will show a steep upward trend. To cope with this, additions to the generating capacity of the Corporation's system will be required beyond the total for which plans are now in progress. Such extensive development schemes will involve considerable additional finance in the coming years, and the directors will therefore propose, in order to allow a sufficient margin for the future, that the authorised capital of the Corporation be increased from £4,000,000 to £10 million.

The directors will also propose that, subject to the consent of the Capital Issues Committee, the share premium account be capitalised, and that there be distributed to the existing holders of ordinary and "A" ordinary shares one fully-paid ordinary share in respect of every six ordinary and "A" ordinary shares now held, thus absorbing £289,604 out of the £290,818 standing at

credit of this account. The directors will further propose that the issued shares of the Corporation be converted into stock units.

Last year, although the available profit would normally have justified the payment of dividend, the directors did not consider it advisable in the circumstances then prevailing to recommend a dividend on the ordinary and "A" ordinary shares. This year the directors feel justified in recommending a dividend of 5 per cent., free of tax, on the ordinary and "A" ordinary shares.

The report was adopted.

SILENTBLOC LIMITED

EARNING CAPACITY UNIMPAIRED

The fourteenth annual general meeting of Silentbloc Limited was held on September 28th in London.

Mr Harold Vezey Strong, the chairman, in the course of his speech, said: The Government at an earlier date requested industrialists to maintain the price level despite increases in wages and cost of raw materials, and endeavour through raised output to reduce the all-over cost of production. Your subsidiary company attempted what proved to be an impossible task, and this failure was the outstanding cause of the unsatisfactory results of the early months of the financial year. As soon as the position became apparent a revision of prices was made, which, with other adjustments, resulted in the earlier losses being recovered and the year ending with a net profit of over £17,000.

The parent company, too, has not been without its disappointment. When incorporated some dozen years ago it catered almost exclusively for the motor trade. That was not a healthy position. Consequently, it has always been the board's aim to find uses for the company's products in as many other industries as possible, and thus lessen the effects of bad trade in one.

We still derive from the motor trade a substantial volume of business. Owing, however, to changes in design and the general introduction of independent front suspension systems, mostly using metal to metal bearings, our sales have been affected to some extent, and this is reflected in our turnover. Active steps have been taken to meet this new situation by the development of a new type rubber bush, which is now being offered to motor car manufacturers as a practical solution of this particular problem.

The trading profit has fallen by £22,789, which leaves it only slightly higher than the 1946-47 figures—£95,639 as against £91,827. The net profit at £27,978 represents a fall of £10,435, but we bring in the sum of £6,163 over-provided in respect of previous years, and these, together with £22,314 brought forward from last year, make available on profit and loss account a total of £56,455, against £56,430. Your directors have under consideration the provision of permanent finance and at the same time they will consider the desirability of distributing by way of bonus shares such capital reserves as may legally be dealt with in that fashion.

Sales have increased in all the industrial

groups, that is to say in general and marine engineering, road and rail traction, the textile industry, collieries and aircraft, but among motor manufacturers, as I have already told you, demand slackened. It may reasonably be anticipated that the recent Washington agreements will provide the impetus for an improvement in that position.

I now turn to our wholly owned subsidiary, the Andre Rubber Company Limited, whose affairs are so closely woven into our fabric. The volume of sales of textile products has increased 200 per cent. over last year and the increase continues, orders being received from Canada, Australia, New Zealand, South Africa, India, Egypt, France, Belgium, Holland, Sweden, Norway and Switzerland. Some of this business is new, some repetitive.

The view of your board is that, economic and political blizzards apart, the earning capacity of your company is unimpaired. Indeed, it will be very disappointing to your board if the results of the year under review are not comfortably exceeded in the current year. Your board has recommended a final dividend of 4d. per share, making with the interim already paid, 7d. less tax for the year, which is the same as was distributed both last year and the year previous.

The report was adopted.

GOLD MINES OF KALGOORLIE, LIMITED NEW PROSPECTS

The fifteenth annual general meeting of Gold Mines of Kalgoorlie, Limited, was held in Melbourne, Australia, on September 28, 1949, Sir Walter Massy-Greene presiding.

The mill treated 161,363 tons for a return of approximately 5 dwis. per ton. The net revenue at £65,943 was £16,740 less than the previous year's figure.

A dividend of 1s. per unit of stock was declared. The dividend is totally exempt from Australian taxation, and only 15 per cent. of it will be subject to tax in the hands of United Kingdom stockholders.

The chairman referred to two important prospects on the Kalgoorlie field, about to be tested by the company.

On the southern prospect a geophysical gravity survey is about to begin. In this area there is the possibility of a repetition of the Kalgoorlie mineralisation existing at depth. G.M.K. holds leases over all the ground which is considered to be of interest in this investigation.

The other potentially important prospect is that of ore in the second dolerite bed which is believed to underlie the calc schist throughout most of the Kalgoorlie field. A proposal has been made to certain companies with adjoining leases to join with G.M.K. in working the second dolerite bed as one mind. A special statement will be issued as soon as a decision is reached.

The association with Mines Consultants Pty., Limited, which is a subsidiary of the Consolidated Zinc Corporation group, has been preserved by their appointment as consultants and advisers to the company.

The chairman's statement is to be circulated to stockholders.

NOTICES

IMPORTANT Retailing and Manufacturing business with large branches in London and Provinces invites applications for Head Office appointment of Manager in control of all branch offices, involving about 20 in number with 300 personnel.

Applicants, not over 35 years of age, must be professionally qualified as accountants, actuaries or bankers, or hold good degrees in commerce or economics, and have experience and capacity for organising retail office systems and managing office staffs. Minimum salary £1,500 p.a. with generous pension scheme.—Only gentlemen in similar responsible positions should apply with full details of qualifications and experience to Box 208.

M. A. (Hons.) Oxon. age 25, mathematics, economics, statistics, philosophy, ex-officer (Army), desires position of responsibility, Executive or Assistant Secretaryship.—Box 217.

QUALIFIED Statistician (26-35) required by large commercial organisation with world-wide interests, to play and organise new Statistical Department. Previous commercial experience (including office mechanisation) desirable. Excellent prospects and conditions. Commencing salary approximately up to £1,000 per annum according to age and experience.—Write, giving full details of career and qualifications, to Box J. 271, Willings, 362 Gray's Inn Road, W.C.1.

ROBSON, MORROW & CO. require the services of an outstanding Chartered or Incorporated Accountant, with wide industrial experience. Age not over 37. The successful candidate will be trained as a specialist in the installation of accounting schemes for management control. Four-figure commencing salary and good prospects. Send full particulars of age, education, qualifications, experience and present salary to Robson, Morrow & Co., 59, New Cavendish Street, London, W.1, marking envelope "Application."

Investment Statistics

Company Notes

Standard Motor.—The balance on trading account increased from £1,651,466 to £2,617,515 and net profit from £453,833 to £555,249 in the year ended August 31, 1949. The dividend is unchanged at 25 per cent.

William Doxford and Sons.—Net profit before taxation increased from £362,174 to £457,163 in year to June 30, 1949. The total distribution of 20 per cent for the year, including 5 per cent bonus, is the same as for 1947-8. It is proposed to issue 50,000 £1 ordinary shares by way of a free bonus on the basis of one new share for every ten ordinary shares held on October 17, 1949.

Southern Kinta Consolidated.—Profit for the year to March 31, 1949 amounted to £632,705 (£157,279) after providing £196,087 (£70,000) for depreciation and depletion but before taxation £320,000 (£101,500) and £130,000 (nil) written off restoration expenditure. A total distribution of 22½ per cent is recommended for the year compared with 10 per cent paid in 1947-8.

North Broken Hill.—After providing £1,046,500 (£408,000) taxation and royalties and £75,000 (£30,000) depreciation, net profit amounted to £1,712,451 (£979,822) in the year to June 30, 1949.

Olympic Portland Cement.—Consolidated profit amounted to £43,212 in the year to March 31, 1949, compared with £16,368 for the previous 15 months period. A dividend of 12½ per cent for the year is recommended.

London Tin Corporation.—Consolidated net profit increased from £425,921 to £452,516 in the year to April 30, 1949. A dividend of 8 per cent has been recommended for the year compared with 6 per cent for 1947-8.

Clarkson's Old Brewery, Barnsley.—Trading profit declined from £112,901 to £101,885 and net profit from £57,519 to £35,963 in the year ended June 30, 1949. The distribution of 25 per cent, including a bonus of 15 per cent, for the year is unchanged.

Neepsend Steel and Tool Corporation.—Consolidated profit increased from £459,430 to £528,649 in the year to March 31, 1949. Net liquid assets at March 31, 1949, were

£429,935 (£396,121). It is proposed to capitalise £305,847 of reserves by way of a bonus issue of ordinary shares on a one for one basis.

Clifford Motor Components.—Group trading profit declined from £290,459 to £252,847 and net profit from £73,047 to £55,580 in the year to March 31, 1949. The dividend of 30 per cent is unchanged. Net current assets at the year-end were £699,414 (£713,561) and fixed assets less w.o. £453,555 (£429,524).

Jays and Campbells (Holdings).—Consolidated trading profit increased from £397,538 to £766,943 in the year to March 31, 1949. Net profit rose from £139,878 to £265,266. Net current assets at March 31, 1949 were £3,661,000 (£2,608,000).

J. Mandelberg.—Group trading profit declined from £189,771 to £177,439 and net profit from £65,325 to £61,823 in the year to June 30, 1949. The dividend of 12½ per cent for the year is unchanged.

Capital Issues

Acrow (Engineers).—Application has been made for permission to deal in London in the 200,000 5½ per cent cumulative £1 preference shares. Earnings for the year to March 31, 1949, cover the preference dividend 14 times.

Job Wheway and Son (Chain manufacturers).—Lists opened on September 30, 1949, for an offer for sale of 760,000 Is. ordinary shares at 3s. a share. The directors' dividend estimate of 30 per cent for the year to September 30, 1949, is equivalent to a yield of 10 per cent on the issue price.

West Riding Worsted and Woollen Mills.—It is proposed to capitalise £254,100 of reserves by paying up in full 254,100 £1 ordinary shares to be allotted to ordinary shareholders on a one for two basis. An increase in the authorised capital by the creation of an additional 125,000 5½ per cent cumulative £1 preference shares ranking *pari passu* with the existing 500,000 £1 preference shares and a further 250,000 £1 ordinary shares is being sought.

Austin Reed.—It is recommended that £252,509 of reserves be capitalised by an issue to ordinary shareholders of one fully paid ordinary share for each £1 ordinary share held.

Johannesburg Consolidated Investment.—Shareholders' approval is being sought for an increase in the authorised capital from £4,345,000 to £7,000,000 by the creation of 2,655,000 £1 ordinary shares and also for the power to issue at directors' discretion the new shares together with 395,000 £1 shares at present authorised but not issued.

Austin Motor.—It is proposed to capitalise £582,625 of reserves by way of a paying up in full 2,330,500 5s. ordinary shares to be allotted to holders of ordinary and "A" ordinary stocks in the proportion of one for two. A further resolution to consolidate the issued ordinary and "A" ordinary shares into one class of 5s. ordinary shares will also be submitted at the annual meeting of the company in December.

Palestine Electric Corporation.—Permission is being sought to capitalise £289,604 of reserves by way of paying up in full ordinary shares to be issued to ordinary and "A" ordinary shareholders on a one for six basis.

New Issue Prices

Issue	Issue Price (s)	Price, Sept. 28, 1949
Ambler (J.), Deb. (£50 paid).....	100*	51-52
Assoc. Fisheries, Pref.	21/0*	18/9-19/3
Barbados Elec. Prof.	20/6*	19/9-20/3
Clarke (T.), 2½%	3/4½	3/4½-3/7½
Fattorini, Pref.	20/3*	20/0-21/10½
Goldthorpe, 1½%	2/3	2/3-2/6½xd
Gray's Carpets, Deb. (£50 paid).....	100	46-48
Guest, Keen (20% paid).....	37/8	20/4½-20/10½
Harland Eng. 5½%	5/0	Nd-3d. pu
Do. Pref. 10%	11/8	Nd-3d. pu
Lancs. Cotton	20/0	28/3-29/3
Liebigs, 4½% Pref.	20/9	20/9-21/6
Iceland, 4½% (£25 paid).....	99	1½-1 dis.
N. Rhodesia (£50 paid).....	97	1½-1 pm.
London Statist. Rubber	10/5	11/3-12/3
Preston (T.), 1½%	16/0*	12/0-13/0
Rotary Hoos, 5½%	40/0	21/0-21/6
Smith, W. H. (Hld.) A (20% pd.).....	8/0	4/0-4/6
Do. B (4½% paid).....	20/0	11/6-12/0
Do. 4½% Pref. (10% paid).....	20/0	19/6-20/6
Standard Fireworks, Pref.	21/3*	19/6-20/6
Stillfontein, 5½%	5/0	15/9-16/3pm
Teleph. & Gen. Trust, 3½% Deb.	101½*	97-101
Do. 4½% Pref. (10% paid).....	100	101-104
Wilmot-Breedon, Pref.	20/6*	19/3-20/3

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: **Davy and United Engineering**; **Ransome and Marles**; **Fisher and Ludlow**

Prices, Year 1949 Jan. 1 to Sept. 28	Name of Security	Price, Sept. 21, 1949	Price, Sept. 28, 1949	Yield, Sept. 28, 1949	Gross Yield, Sept. 28, 1949	Prices, Year 1949 Jan. 1 to Sept. 28	Last Two Dividends	Name of Security	Price, Sept. 21, 1949	Price, Sept. 28, 1949	Yield, Sept. 28, 1949
High	Low	(a)	(b)	(c)	(d)	High	Low	(a)	(b)	(c)	(d)
BRITISH FUNDS											
100 3/4	100 1/4	War Bonds 2½% Aug. 1, 1949-51	100 3/4	100 1/4	4 1/2	100 3/4	100 1/4	100 3/4	100 1/4	4 1/2	4 1/2
100 1/2	99 3/4	Exch. Bonds 1½% Feb. 15, 1950	100 1/2	100 1/4	0 0	100 1/2	99 3/4	100 1/2	100 1/4	0 0	0 0
102 1/4	99 1/2	War Bonds 2½% Mar. 1, 1951-53	102 1/4	100 1/2	1 1/5	102 1/4	100 1/2	102 1/4	100 1/2	1 1/5	1 1/5
103 1/4	99 1/2	War Bonds 2½% Mar. 1, 1952-54	103 1/4	100 1/2	1 3/5	103 1/4	100 1/2	103 1/4	100 1/2	1 3/5	1 3/5
104 1/4	98 1/2	War Loan 3½% (after Feb. 1, 1952)	104 1/4	98 1/2	2 0	104 1/4	98 1/2	104 1/4	98 1/2	2 0	2 0
105 1/4	98 1/2	War Bonds 2½% Aug. 15, 1954-56	105 1/4	100 1/2	1 6	105 1/4	100 1/2	105 1/4	100 1/2	1 6	1 6
106 1/4	99 1/2	Funding 2½% June 15, 1952-57	106 1/4	101 1/2	1 6	106 1/4	101 1/2	106 1/4	101 1/2	1 6	1 6
107 1/4	99 1/2	Nat. Deb. 3½% July 15, 1954-58	107 1/4	102 1/2	1 7	107 1/4	102 1/2	107 1/4	102 1/2	1 7	1 7
108 1/4	99 1/2	War Loan 3½% Oct. 15, 1955-59	108 1/4	102 1/2	1 8	108 1/4	102 1/2	108 1/4	102 1/2	1 8	1 8
109 1/4	99 1/2	War Bonds 2½% Aug. 15, 1956-61	109 1/4	102 1/2	1 10	109 1/4	102 1/2	109 1/4	102 1/2	1 10	1 10
110 1/4	99 1/2	Funding 2½% April 15, 1956-61	110 1/4	102 1/2	1 10	110 1/4	102 1/2	110 1/4	102 1/2	1 10	1 10
111 1/4	99 1/2	Funding 2½% April 15, 1959-69	111 1/4	102 1/2	1 10	111 1/4	102 1/2	111 1/4	102 1/2	1 10	1 10
112 1/4	99 1/2	Funding 4½% May 1, 1960-90	112 1/4	102 1/2	1 10	112 1/4	102 1/2	112 1/4	102 1/2	1 10	1 10
113 1/4	99 1/2	Sav. Bonds 3½% Sept. 1, 1960-70	113 1/4	102 1/2	1 10	113 1/4	102 1/2	113 1/4	102 1/2	1 10	1 10
114 1/4	99 1/2	Sav. Bonds 4½% May 1, 1964-67	114 1/4	102 1/2	1 10	114 1/4	102 1/2	114 1/4	102 1/2	1 10	1 10
115 1/4	99 1/2	Sav. Bonds 4½% Sept. 1, 1960-70	115 1/4	102 1/2	1 10	115 1/4	102 1/2	115 1/4	102 1/2	1 10	1 10
116 1/4	99 1/2	Sav. Bonds 4½% Sept. 1, 1960-70	116 1/4	102 1/2	1 10	116 1/4	102 1/2	116 1/4	102 1/2	1 10	1 10
117 1/4	99 1/2	Consols 4½% (after Feb. 1, 1957)	117 1/4	104 1/4	1 12	117 1/4	104 1/4	117 1/4	104 1/4	1 12	1 12
118 1/4	99 1/2	Conv. 3½% (after Apr. 1, 1961)	118 1/4	104 1/4	1 12	118 1/4	104 1/4	118 1/4	104 1/4	1 12	1 12
119 1/4	99 1/2	Treas. Stk. 2½% (after Apr. 1, 1975)	119 1/4	104 1/4	1 12	119 1/4	104 1/4	119 1/4	104 1/4	1 12	1 12
120 1/4	99 1/2	Treas. Stk. 3½% (after Apr. 1, 1966)	120 1/4	104 1/4	1 12	120 1/4	104 1/4	120 1/4	104 1/4	1 12	1 12
121 1/4	99 1/2	Redemp. Stk. 3½% Oct. 1, 1986-96	121 1/4	104 1/4	1 12	121 1/4	104 1/4	121 1/4	104 1/4	1 12	1 12
122 1/4	99 1/2	Consol. 2½%	122 1/4	104 1/4	1 12	122 1/4	104 1/4	122 1/4	104 1/4	1 12	1 12
123 1/4	99 1/2	Brit. El. 3½% Gd. Apr. 1, 1968-73	123 1/4	93 1/2	1 19	123 1/4	93 1/2	123 1/4	93 1/2	1 19	1 19
124 1/4	99 1/2	Brit. El. 3½% Gd. Apr. 1, 1974-77	124 1/4	93 1/2	1 19	124 1/4	93 1/2	124 1/4	93 1/2	1 19	1 19
125 1/4	99 1/2	Brit. Tpt. 3½% Gd. July 1, 1978-88	125 1/4	91 1/2	1 19	125 1/4	91 1/2	125 1/4	91 1/2	1 19	1 19
126 1/4	99 1/2	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	126 1/4	94 1/2	1 18	126 1/4	94 1/2	126 1/4	94 1/2	1 18	1 18
127 1/4	99 1/2	Brit. Gas Gd. 3½% May 1, 1990-95	127 1/4	89 1/2	2 0	127 1/4	89 1/2	127 1/4	89 1/2	2 0	2 0

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there are two exceptions (assuming 4 per cent and Consols 4 per cent) on which yields are taken to earliest date and marked 'e'. (b) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interm. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To latest redemption date. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 24, 1949, total ordinary revenue was £58,580,000, against ordinary expenditure of £59,958,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £8,197,000, the surplus accrued since April 1st is £2,244,000 compared with £256,122,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to Sept. 25, 1948	April 1 to Sept. 24, 1949	Week ended Sept. 25, 1948	Week ended Sept. 24, 1949
ORDINARY REVENUE					
Income Tax.....	149,000,000	391,503	379,032	9,212	11,079
Sur-tax.....	105,000	24,500	33,800	650	900
Estate, etc., Duties.....	176,000	87,950	89,200	3,600	3,400
Stamps.....	48,500	27,035	25,700	500	800
Profits Tax.....	240,000	64,610	127,863	5,800	8,100
E.P.T.	1,000	57,200	22,200	1,750	400
Other Inland Rev.	1,000	100	80	...	...
Special Contributions.....	25,000	13,850	13,200	900	300
Total Inland Rev.	208,550,000	666,748	689,072	21,812	24,979
Customs.....	829,650	391,126	378,761	9,866	10,779
Excise.....	663,600	349,100	325,700	12,700	10,000
Total Customs & Excise.....	1,493,250	740,226	704,461	22,566	20,779
Motor Duties.....	54,000	9,454	9,366	...	...
Surplus War Stores.....	44,000	64,408	47,521	42,032	95
Surplus Receipts from Trading.....	18,000	826	14,045	...	10,000
P.O. (Net Receipts).....	12,000	3,300	3,690	Dr 700	Dr 200
Wireless Licences.....	1,000	400	280	...	...
Crown Lands.....	20,000	9,090	10,404	15	...
Receipts from Sundry Loans.....	50,000	78,170	31,035	2,317	2,928
Miscell. Receipts.....	377,775,000	157,262	150,987	87,995	58,580
Self-Balancing Post Office.....	159,630	71,360	74,400	2,760	2,300
Income Tax on E.P.T. Refunds.....	5,700	3,720	4,903	80	222
Total.....	394,308,000	1,647,701	1,589,177	90,835	61,102

Expenditure	Estimate, 1949-50	April 1 to Sept. 25, 1948	April 1 to Sept. 24, 1949	Week ended Sept. 25, 1948	Week ended Sept. 24, 1949
Issues out of the Exchequer to meet payments (£ thousand)					
Ordinary Expenditure.....	485,000	240,239	236,483	1,188	1,284
Int. & Man. of Nat. Debt.....	30,000	11,054	15,642	2,262	1,454
Payments to N. Ireland.....	12,000	3,327	5,029	...	...
Other Cons. Fund Services.....	527,000	254,620	257,154	3,450	2,738
Supply Services.....	280,270	105,570	124,279	44,289	53,220
Total.....	3,329,707	1,308,340	1,499,453	47,739	55,958
Sinking Funds.....	...	8,159	8,197	90	...
Total (excl. Self-Bal. Expd.).....	3,329,707	1,316,499	1,507,650	47,829	55,958

Self-Balancing Post Office.....	Income Tax on E.P.T. Refunds.....	Total.....
159,630	5,700	349,503
71,360	3,720	1,391,579
74,400	4,903	1,586,953
2,760	80	50,669
2,300	222	58,480

After increasing Exchequer balances by £85,313 to £3,060,226, the other operations for the week increased the gross National Debt by £7,820,851 to £25,388 million.

NET ISSUES (£ thousand)

NET ISSUES (£ thousand)	
Post Office and Telegraphs.....	800
E.P.T. Refunds.....	271
Local Authorities Loans Act, 1945, s. 3(1).....	5,100
Housing (Temporary Accommodation) Acts, 1944 and 1947.....	500
Overseas Trade Guarantees Act.....	2
Cotton (Centralized Buying) Act, 1947, s. 21(1).....	3,000
Overseas Resources Development Act: Overseas Food.....	350
Finance Acts 1946 and 1947, Post-war Credits.....	335
	10,358

AGGREGATE ASSETS
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ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£107,000,000
CLAIMS PAID EXCEED	£198,000,000

(1948 Accounts)

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G. DALE, Registrar, University of Sydney,
New South Wales, Australia.

OTHER NOTICES APPEAR ON PAGE 157

The Economist

Established 1843

One Shilling

October 15, 1949

LEADING ARTICLES

Auction for Germany - - -	817
Rescuing the Left - - -	819
Dollar Exports - - -	821
Point Four in Asia - - -	823

NOTES OF THE WEEK

No Election; Tories in Conference; The Gremelin Strikes Again; TUC on Tenterhooks; New Coalition for France?; Socialists' Triumph in Norway; Trade Across Germany; Harder Work or Longer Hours?; Grim Smile of the Potteries; Conservatives and Local Government; Retreat from Canton; China, Burma and India; Economic Framework for Indonesia; All This and Bevan Too; Meeting the Cost; No Axe to School Building; Rebuke from Count Sforza; Two Years' Work on Tariffs; Cheap Japanese Labour Again?

LETTERS TO THE EDITOR

BOOKS AND PUBLICATIONS

AMERICAN SURVEY

Testing Prosperity - - -	838
Taft's Tour - - -	839
Mutiny on the Quarter Deck; Playing Politics with the Atom; Labour Liaisons; The Farmer's Appletart; Polio's Peak; Automobiles in Flood; Shorter Note.	

THE WORLD OVERSEAS

Allies on the Adriatic - - -	844
Political Crisis in Switzerland; Communists and the Kailan Mines; Is Sweden a Model for Socialism?	

THE BUSINESS WORLD

More Coal or Cheaper Coal? - - -	851
Kaffir Calculations - - -	853

BUSINESS NOTES

Speech Without Policy; Sir Stafford's Arithmetic; The Sterling Balances; Reverse for Gilt-edged; South Africa Borrowers; Free Sterling Since Devaluation; Air Corporations' Results; Mr Snyder Kills a Rumour; Bond and Price; Furness Withy Points; Steel Supplies and Consumption; Film Policy and the Finance Corporation; Tin Complications; Fall in Base Metals; September Trade; Coal for Lancashire Miners; Redundancy on Tyne-side; Shorter Notes.

COMPANY MEETINGS

INVESTMENT STATISTICS

STATISTICAL SUMMARY

Vol. CLVII No. 5518
THE ECONOMIST, 22, Ryder Street, St. James's
London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
BY AIR: Europe, £4 5s.
Registered as a Newspaper. Entered as Second Class Mail
Matter at the New York, N.Y., Post Office.

Auction For Germany

THE contest for power in Germany—and in central Europe—has this week reached a new stage. The Federal Republic of the west is now challenged by the "German Democratic Republic" of the east. The success of Allied policy in the west has forced the Russians to produce in the east a fraudulent imitation and some dubious promises of improvement. The backers from beyond the Rhine and the Vistula have set their champions face to face, the seconds are getting out of the ring, and the weight of Bonn is now matched against the cunning of Berlin.

At first sight, it looks an unequal match. Behind Bonn are the power of the Ruhr and the churches, the support of Marshall Aid and the Atlantic Pact, a majority of votes cast in a free election by the largest part of the German nation, and the evidence—for all to see—of more food, more clothes and more production. Berlin, it is true, has behind it the power of the Soviet Union, the conspiratorial skill of the dominant Communist Party, and the prestige of the old capital. Although the Russian concessions to the new regime have fallen far short of expectations, the state over which the Communist Herr Pieck presides—"Pieck republic" will distinguish it as well as any other name—will also boast that it controls its foreign affairs, that it has its own armed police force, and that it has been promised a peace treaty.

Against this, the eastern republic has somehow to overcome the hate and distrust that Germans everywhere still feel for its Russian patrons, who have brought the frontier of Poland up to the Oder-Neisse line. If it has any hope at all of success in the mission that it has proclaimed—to unite Germany, to destroy the "separatist" Bonn Republic, and turn Germans against the Atlantic Pact and Western Union—it must rest on the belief that world economic forces, and the mistakes of the Americans, British and French could in time turn the eyes of western Germany eastwards; Herren Pieck and Grotewohl must hope secretly—whatever they say in public—that such a change of allegiance would be regarded by the Russians as worth the revision of the eastern frontier and a new partition of Poland. If they have no such ideas in mind, then their claim to lead nationalist Germany back to unity is mere foolishness—and Communists are more likely to be rascals than fools.

The challenge and the warning are unmistakable, and the western allies must now raise their eyes from the day-to-day tasks of occupation and look at the future without blinkers. The challenge, indeed, was implicit as soon as it became clear that the Russians would not work the Potsdam agreement, except on terms which would give them the power to control the whole of Germany. Soviet policy in Germany has been one of long-sighted and realistic conspiracy for power, whereas American policy has gone through a 180-degree revolution since 1945. And if British policy has not so completely abandoned its principles, that is only because there have never been any clearly

stated principles to abandon. In practice, the policy of the western allies has been one of short-sighted improvisation, a flurried effort to adapt old directives to new situations, and to pursue at one and the same time policies as contradictory as the Marshall Plan and dismantlement. Matters have come to such a pass that governments which undertook to reform, disarm and re-educate Hitler's Germany are already bidding for the favour of the Germans of Dr Adenauer and Herr Pieck.

That this is so is a measure of the imbecility of Allied policies towards Germany from the days of saturation bombing and unconditional surrender onwards—policies against which this journal has never ceased, during and since the war, to protest. The worst of it is that, now it has come to an auction, the very ruthlessness of the Russians gives them a great advantage. They can offer all sorts of liberties and equalities to Germany, safe in the knowledge that they can all be quickly rescinded by a Communist secret police in Germany; the west has to mean what it says. Their system of government enables them to settle in a matter of weeks policies over which the western allies would argue for months—and then not agree.

It is the obvious and compulsory object of any western diplomacy—American, British or French (for all that some embittered Frenchmen deny it)—to prevent the Russians from winning the auction for Germany. Moreover, the time over which the auction will be conducted will be distressingly short. Very few people would have imagined, at the time of the Potsdam Conference, that it would take only four years to reach the stage of an open auction, with all the opportunities it provides for German manoeuvring. In three more years the Marshall Plan will be over, and one of the most powerful means of western influence in Germany will have gone. Within the next five years defence arrangements under the Atlantic Pact will be completed. It will then be difficult for an American government—and none too easy for a British—to justify to its own taxpayers (let alone the Germans) the retention of troops in Germany; and the question will then present itself, how is an unarmed western Germany to be defended? It will not be long before western Germany will be free to break away from the Atlantic community if it wishes to do so.

★

In the bidding for Germany that is already starting, the attractions of what Moscow has to offer could be very strong. Any sensible German politician knows that the occupying armies of the west are the only safeguard of Germany's freedom and that he ought to despair of his liberty, and possibly of his life, if they were withdrawn. But if the Russians raise the cry of evacuation (their own troops into Poland, the Americans to the other side of the Atlantic), it would be folly to expect any re-echo from the Germans of the west; the primitive urge to national freedom will be too strong. Germany ought to prefer to remain under mild western tutelage, with very large and real freedoms, rather than to have the outward form of complete sovereignty with the reality of complete subjection and suppression; but it is very doubtful whether that will be the preference that German politics will in fact show. No moderate German government will be able to survive the criticism of right and left extremists unless it is obtaining—or

has already obtained—some of the hundred and one concessions which are implied by the word *Gleichberechtigung*—equality of rights or status. (It is none too soon to recall the bitter struggle which killed Stresemann and ruined Brüning.) And every major demand under this heading will cause disagreement among the Allied High Commissioners and hesitation in America and Britain. Already after less than a month of activity within the limits of the Occupation Statute, Mr McCloy, General Robertson and M. François-Poncet have shown a capacity to disagree on fundamental matters, which will encourage a persistent and impatient German Cabinet to exploit their differences and whittle away their powers.

★

Time, therefore, is short and if important concessions are to be made to the Bonn Government at all, nothing is to be gained by delaying them. The Adenauer government is as good as we are likely to see in Bonn. It is weak and it needs prestige; concessions made to it now, before they are suggested or demanded, will have far greater effects than if they come piecemeal after German propaganda campaigns. What then is to be conceded? What will be the dominant ideas in the public opinion of western Germany, which the Bonn government must be helped to master and harness? They have been mentioned already: the demand for frontier revision, the demand for independence by treaty, the demand for a trade policy that will produce and sell goods sufficient to pay for enough foreign food and raw materials, the demand for a share in the defence of western Europe. One has only to state these demands to see that they will acquire, as the years pass, a moral authority which will impress British as well as American public opinion. Neither Britain nor America will wish to deny Germany a right to equality with other nations—especially if that is what Russia ostentatiously (and however deceitfully) offers. The form in which these various forms of equality are to be conceded, the conditions which will have to be met, even their timing, should be decided quickly while German opinion is still unorganised and largely apathetic. To give them in time will reinforce the western case in Germany; to give them only as something extorted by a Communist-led campaign is to turn western concessions to Russia's account.

Clearly not everything can be done, and what can be done cannot all be done at once. Revision of the Oder-Neisse line is an international and not a purely German problem, and nothing can be done about it without Russia's consent—short of war, that is, and certainly the western powers have no intention of starting or being involved in a war about it. On the other hand, the demand that independence be recognised in a peace treaty is one that should be met quickly. A date should be fixed by which the restrictions on the sovereignty of the Bonn government will be reduced to three: the maintenance of occupation troops, the right of inspection to prevent rearmament or military training, the right to intervene for the protection of civil rights. Nothing more than these can be, in the long run, tolerated by German or supported by western opinion. It is better to admit the fact now before the Germans argue us into doing so.

It will be objected that this policy simply opens the way for a nationalist government to do whatever it likes; that it makes nonsense of all the talk about ensuring that Germany co-operates with the west and makes its con-

tribution to European stability. This is true, it does; it may be that the only choice left is between the Communist and non-Communist forms of nationalism. This is another of the fruits of the allies' German policy, but the fact that it is most shocking and unpleasant that things should so soon have come to such a pass is no excuse for not doing what can be done to secure the lesser evil. In point of fact, however, there is still one way of escaping from the dilemma—that is if, *pari passu* with a policy of concessions to the German demand for equality, the British and French governments were to take really seriously the task of organising European unity with the Bonn Government. The only restraints on Germany which will work for more than a year or two are those which its Government accepts because it believes they are profitable, in terms of prestige, security and prosperity. For example, the Ruhr Authority as now constituted will not work unless the Germans want it to. They are still hesitating to be obstructive because they have been encouraged to believe there is some chance of its becoming a planning authority for the heavy industry of all western Europe. The question is now on the agenda: will the French and the Belgians, who have pressed so hard for European unity in theory, give a practical demonstration of their sincerity by considering such an expansion of the Ruhr Authority? If they will not, then it will be surprising if the Germans support an experiment in international planning at their own expense.

Precisely the same choice presents itself in the political sphere. If the Council of Europe does not admit Germans now, to take part in making a reality of the possibilities it offers, what is to prevent them concluding that their only fruitful diplomatic role is to play the Russians off against the Americans? The idea of belonging to the Council of Europe, of taking part in the movement towards European unity is one which could make a great appeal to the imagination of thinking Germans. It is the one idea that German statesmen might pit successfully against the nihilism of the nationalists, that might offer politicians the moral support outside Germany which would give them the courage to be moderate in their patriotism.

In the military sphere the question is less immediate,

Rescuing the Left

IT is now clear that the opportunity of devaluation has been missed. Abroad, there has been much disappointment, mixed with amazement, that so sharp a reduction in the exchange value of the pound sterling was not accompanied by any relaxation whatsoever of the restrictions that keep the pound so tightly inconvertible. "Devaluation," says one experienced continental commentator, "is usually the price paid for getting rid of exchange control. To pay so high a price and get none of the reward is a very bad business." At home, ever since September 18th, Ministers have been busy nailing flags to the mast and enunciating sacrosanctities. They could not have been more anxious to demonstrate that nothing at all has been altered except the arithmetic in the exchange tables. If that is so, there will be some months of relief while the level of costs fills up to the new danger line. But there will be no change in any fundamental relationships.

but just as crucial and difficult. On the one hand the claim of the Germans to take part in the defence of western Europe cannot be indefinitely ignored. On the other hand it is unthinkable that a German government should just be left free to form an army and revive the armament industries. If western Europe is to be provided with sixty divisions by 1954 the idea is tempting; but to those who recall the part played by the German army in politics it is intolerable. Is there no way out of the dilemma?

Again the answer is that a practical solution is possible if the western governments mean what they say about European unity. Would it be quite impossible for the Brussels Pact governments to form a long-service, volunteer, international force in which Germans could enlist? Indeed, can they implement the defence plans of the Atlantic Pact at all unless they have such a nucleus of integrated forces? Is there any sufficient reason why Germans should not form part of such a force, in the control of which a German government would have only one voice among five or six? The alternative is that the American and British governments maintain indefinitely in Germany forces which they know to be inadequate for its defence, and that a west German government watches helplessly while the people's feeling of insecurity turns into frank militarism.

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In proposals of this kind there are many risks and difficulties, both inside and outside Germany; but they are no bolder—only more specific—than the talk so frequently heard, particularly in France, about incorporating Germany into a west European structure. That talk means nothing if it does not mean taking risks of this kind. So far the talk of European union has shown little awareness of the speed with which events in Germany are moving. Conditions there make a policy of constructive concession easier and less dangerous now than it will ever be again. Many of the Sibylline books have been burned, but some still remain. To make such a policy conditional on good behaviour by Dr Adenauer's Government and by forces over which he has no control is simply to allow Russia all the time it needs to play Mephistopheles to the German Faust.

This unbending attitude is being adopted in the name of the favourite objectives of the Left—of social security, of full employment and of fair shares. These objectives were put clearly on record in the motion that the Government carried through the House of Commons in the recent three days of debate, which declared that devaluation had been undertaken "for the purpose of enabling the economy of the sterling area to maintain stability independent of external aid . . . while maintaining full employment and safeguarding the social services." But a motion so worded is a gigantic *non sequitur*. The road to Hell is paved with good intentions of reaching Heaven. Ministers apparently still do not realise the real grounds for the alarm that their policy is creating. What a significant section of public opinion—perhaps the most significant of all, since it lies in the centre—holds against them is not that they are aiming at the social democratic welfare state but the opposite,

that they are putting it into jeopardy, not that they are steering in a Left direction but that they are doing it with their eyes shut.

The full extent of the jeopardy in which the British economy is being put is perhaps not yet fully grasped. It is usually presented in what is, indeed, its most menacing and dramatic aspect—the balance-of-payments problem. That is serious enough in all conscience. Perhaps the public reaction to visions of food and raw materials cut off for lack of means to pay for them has been blunted by too much iteration. But everybody in authority knows that the visions may well turn into grim reality—in fact, that cold-blooded assessment of the visible possibilities makes it seem more likely than not. Yet behind this generally accepted grim forecast of the future on the international payments plane, there lurks the conviction that if only, by hook or by crook, by charity or good luck, by a little pinching here and a little scraping there, the international accounts can be brought into balance without actually starving anyone or throwing him out of work, that then the British economy can run along with tolerable satisfaction to the party in power—in short, that there is nothing very much at home that is wrong. It is still just possible to believe that.

But it is, of course, a great illusion. It is true that the economy works well enough at present to please at least half the nation. Balancing security against real standards of living, the British working class is better off today than it has ever been. The catch is that the present state of affairs cannot last for ever. It has lasted so long because the war-created backlog of demand—here and in the rest of the world—for several most important commodities has not yet been run off, and because the period of inflation that follows all wars is only now, and very patchily, coming to an end. But the writing on the wall is there for all to see. Some figures were quoted in these columns some weeks ago to demonstrate that present British incomes, even at their inflated level, are not large enough to support the still more inflated prices of British goods. We have not only priced ourselves out of dollar markets but out of our own domestic markets as well, and that is a condition that no devaluation can cure. But, if it is not put right, it can only mean that there will not be demand enough to sustain our own industries.

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One or two simple examples of this may perhaps make the point clearer. Anyone who today contemplates building a new hotel to cater for the flood of devaluation tourists or for holidays-with-pay will find that the cost per room of building an hotel, reduced to an annual figure, is very much higher than the profit per room that can be expected after allowance is made for the effect of the Catering Wages Act, for the five-shilling limit on meals, for purchase tax on furniture and fittings and for income tax on the money needed to amortise the capital. It is a plain impossibility, so long as present conditions or anything like them continue, for any new hotels to be built. This is perhaps an extreme example; but it must be generally true that very few economic processes are profitable enough to support the present mountainous cost of building. Dwelling houses can only be brought within range of the mass of incomes by a subsidy that equals about half the total cost. As soon as the waiting lists for houses are reduced, and local authorities there-

fore begin to look severely at the cost of building, and as soon as the bulk of reconstruction works, financed by the War Damage Commission on a cost-of-works basis, begins to run off, it is a mathematical certainty that there will be a slump in the building trades with severe unemployment. The true maintainable economic demand for building at present costs is very small, and not even Mr Aneurin Bevan can put the whole industry on the pension roll.

Another example is suggested by the recent motor show. Before the war, when the cheapest British car cost about £125, there were, in round figures, 2,000,000 private cars on the roads. There were also, in equally round figures, 2,000,000 people with net incomes, after income tax, of, say, £550 or over. The market for cars equalled the number of people with annual net incomes equal to some four or more times the price of the cheapest car. The cheapest British car today costs the purchaser well over £300. How many people are there with net incomes, after tax, sufficient to support a car at this price? If the prewar relationship holds, the answer will be the number of people with net incomes of at least £1,250 a year, of whom there are not more than about 400,000. To say that the domestic market for cars has been reduced by 80 per cent would be unduly pessimistic. But whatever the answer is, it is certainly not anything like 2,000,000. Unless the present relationship between costs (including purchase tax) and incomes is very radically altered, the permanent domestic market for the British motor-car industry—which must in the long run be the backbone of its business—will only be a fraction of what it was.

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To point out these awkward facts is not to argue that the community can never generate enough incomes to buy its output. But it is clear that the aggregate demand in present-day Britain, massively redistributed as it has been from the rich and the middle class to the state and the wage-earner, is of an entirely different shape from what it used to be. That again, may not be a bad thing; but if the economy is held rigid it will create shortages in some places and, as the backlog runs off, heavy unemployment elsewhere. The state largely consumes special sorts of services—so there is a shortage of town planners and dentists. The wage-earners consume imports—if they can; so there is added pressure on the balance of payments. And increasingly these scarcities will be counter-balanced by unemployment, representing the old demands that have disappeared. If the whole economy is held rigid, if nobody's wage or price may go up to attract resources to the new areas of demand, and nobody's wage or price may go down to induce resources to leave the old areas of demand, if the direction of labour is vetoed by the TUC, then there is no reason why this dislocation, these pools of unwanted labour in new depressed areas, should not go on for a very long time. Britain in the 1920s and 1930s showed how very great are the resistances to change even in an economy that put up many fewer artificial obstacles to movement than we have at present.

This, in all sobriety, is the goal towards which the present policies are leading the country. The attempt to freeze the pattern of income distribution that resulted, more or less accidentally, from the war, and similarly to freeze the existing pattern of manpower, cannot possibly succeed. It must, within the lifetime of the next Parlia-

ment, result in heavy unemployment. And if the attempt is made to cure that unemployment by still higher Government expenditure, that can only result in still further distortions that cannot be permanently maintained.

Continuance of the present course can, therefore, only mean that the Labour Government's experiment in the welfare state will come down with a crash. So far from safeguarding full employment, they are making it impossible. So far from making the social services sacrosanct, they are building up a crisis in which they will probably be cut to the bone. So far from ensuring "fair shares," they are inviting a reaction, such as is already fully visible on the Continent of Europe, to a policy of complete freedom of action for the rich. It will be the story of 1931 all over again, magnified many times over.

It is the view of this journal—and, we believe, of the decisive sectors of British public opinion—that the crisis of 1931 was an unmitigated disaster. It led to long years of Tory rule, which started the fatal process of enervating the British economy and, in its foreign policy, led directly to the war. Yet the tragedy of 1931 was that the Labour Government, by sheer stubborn refusal to see where it was going, created conditions in which the neutral, decisive mass of public opinion had no option but to put it out of office, even though it half-saw the

consequences. The same circumstances are building up again, and if there is not to be another 1931—it is incumbent on progressive, radical, liberal opinion—on all that opinion which would far rather have a government of the Left in office than one of the Right—to try to save the Labour Party from itself.

This involves trying to set down the outlines of an economic policy which would be designed to correct the mistakes of the last few years without abandoning their ambitions. There is nothing wrong with the objectives—that the citizen should have a decent minimum standard of living guaranteed to him as of right, that mass unemployment should be banished, that the distribution of the material rewards of life should more closely correspond to relative services to the community, that the state, as trustee for the people, should exert a certain purposive direction over the development of the national economy—all these things combined with maintaining the efficiency of the national economy. What policies would a government of the Left, starting afresh without prepossessions, apply, in the present situation, to rescue these great objectives from the peril in which they have been placed by the unthinking idolatry paid to them in the last four years?

An attempt will be made in later articles to sketch an answer to this difficult question.

Dollar Exports

(By an American Correspondent In London)

"WE must take man as we find him and if we expect him to serve the public, we must interest his passions in doing so." For a hundred years Alexander Hamilton's dictum provided the mainspring of economic progress throughout the English-speaking world. It seems lately to have fallen into disrepute in Britain. Its neglect may account for Britain's failure to succeed in the drive for increased exports to North America.

It is possible to find the individual British businessman who has rolled up his sleeves and is wrestling eagerly with the American consumer—but not in any great numbers. Far more common is the manufacturer who says: "Of course the dollar gap has got to be closed, but what can I do? If I succeed in selling product 'X,' then the United States tariff will be raised against it, or the American producer will simply make the same article better and at half the price. Besides, it's too vast a market for the small British firm."

The genuine defeatist has at least made some show of looking at the problem. But his argument is often used to mask an even larger group of manufacturers—those paralysed by complacency. They are perfectly happy to cultivate their familiar garden of half an acre and see no point in running after the worries and risks attendant upon breaking new ground. Take the example of the British textile manufacturer who was approached by an American firm shortly after the war. The Americans were prepared to throw over their domestic supplier on condition that the British producer guaranteed to fill their orders within a certain price range. The manufacturer rejected the offer, partly because of price difficulties, but mainly because he was unwilling either to disappoint his traditional customers in the sterling area or to expand his output to satisfy both markets.

Since that incident, two years ago, very little has apparently happened to dissipate either of these moods.

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Who, or what, is to blame? High American tariffs? The British Government? Or is the British businessman himself at fault?

The United States Congress has undoubtedly been reluctant to face drastic tariff cuts. In recent months, however, the American business community has been undergoing a change of heart toward the problem of European imports and those of Britain in particular. Lip service to the principle of two-way trade is gradually giving way to conviction and a new note of urgency. Admittedly the businessman has not carried his concern much beyond the talking stage, but a revolution has occurred when the conservative National Association of Manufacturers can ask itself publicly: "An export surplus is often referred to as a 'favourable' balance of trade; but is it really so favourable?" This change in outlook may not translate itself into lower tariffs the day after tomorrow, but for the first time it does provide some hope that a desire of the Administration to lower the American tariff will not be met with a stone wall of refusal from Congress and from industry.

As for the British Government, it would seem on the surface that no government could have done more. It has cajoled and pleaded, it has subsidised expensive agencies to carry out market research in the United States, it has made radical reforms in its overseas trade services and appropriated scarce dollars for advertising and sales promotion. But in spite of all this helpfulness, there are a great many businessmen who do not avail themselves of the Government's assistance. One could point to a recent experience with a British exporter to New York. When offered the advice of the new Commissioners of the Board of Trade in the United States, he asked instead for the addresses of the branch offices of the US Department of Commerce which were situated in the same towns. The Board of Trade, he explained, was "Government." Part of the trouble is due to the fact that the Government was as slow off the mark as industry. In 1946 and 1947, the years when it would have been easiest to establish consumer preference in North America for British goods, the Government was ill prepared. The internal organisation of the Board of Trade was not designed for emphasis on dollar earning, and the consular and trade commissioner services were not equipped to give high pressure assistance to British businessmen. And these defects have only been remedied very slowly. The necessity for a regional approach to the American market, recognised by the creation of regional trade consuls in mid-1949, was a truism of knowledgeable British merchants in 1946.

Devaluation, the Government's most recent device for stimulating dollar exports, has made the job of selling a little easier by reducing the price the American consumer has to pay for British goods. But it is questionable whether price cuts, by themselves, will have a galvanic effect on the British manufacturer. The defeatist is still apt to feel overwhelmed by the prospect of battling single-handed to conquer a billion-dollar market. The complacent will still find it as profitable to sell in Pakistan as in Paducah. If the one is to be fired to storm the Atlantic wall and the other to be weaned away from his traditional ties in non-dollar markets, then action of a different order seems called for.

What the American businessman would demand for himself in similar circumstances is an appeal to crude, vivid, monetary self-interest. The British business

mentality is said to differ from the American in many respects, but this is not one of them. Sir Graham Cunningham, Chairman of the new Dollar Export Board, stated his position with considerable feeling in a broadcast debate recently: "There is no crime in making profits," he declared, "for they enable expansion and the like, so the question of 'beating down' upon high profits is the wrong attitude."

This question of incentives is the kernel of the dollar export problem, and so far no one seems to have swung a hammer at it. The American approach is naturally an individualistic one—big carrots for smart donkeys. A typical suggestion is that the British exporter be allowed to keep a percentage of his dollar earnings to spend as he pleases—on travel in the United States, on advertising, or on acquiring imported dollar goods. In Holland a Socialist-Catholic government has just launched an experiment of this kind, permitting the Dutch businessman to retain 10 per cent of his dollar earnings. Before long it should be possible to measure the results.

Schemes of this kind have so far been given a chilly reception in Britain, especially in official circles. It is said that they would outrage the national instinct for fair play and that they are alien to the Socialist philosophy of "fair shares." To make them palatable, it would probably be insisted that the successful exporter share the spoils with his employees—e.g., American nylons in the workers' canteen—a reasonable suggestion that might have the effect of attracting manpower to the export industries. Possibly it would also be demanded that the exporting trades share their dollar rewards with those manufacturers who preferred, or were compelled, to remain in the non-exporting trades—which would make nonsense of the scheme. A further suggestion that the British Government hand out bonuses in sterling to deserving manufacturers meets with similar objections and emasculations. The idea of a tax rebate to successful exporters also has staunch advocates, but it hardly fits in with the Government's profit-cutting policy and besides it might stir up trouble in the United States. Tax rebates would undoubtedly be regarded by the American manufacturer as an export subsidy and as grounds for demanding higher tariff protection.

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If such proposals as these are to be rejected for ideological or other reasons, then what remains? One possibility is the "negative" incentive. If selling for dollars cannot be made more attractive by positive enticements, then the same object might be reached by lessening the attraction of non-dollar sales. To do this would require a far more drastic realignment of economic forces than has yet taken place. Devaluation has stimulated American demand for British goods without so far doing anything to check appetites in Britain and the soft-currency areas. In fact, the domestic consumer has already been assured that his buying power will not suffer from devaluation; the pressure he exerts on British production is to remain at least as great as before. Nor is there any visible move on foot to dam up the sterling balances, the enormous reservoirs of purchasing power still held by Britain's wartime debtors.

The almost total absence of incentive is bound to hamstring the work of the Dollar Export Board. Its first public announcement—issued ten days after devaluation—contained the same battery of pop-guns that have failed

before to fire the dollar campaign. Once again the amorphous manufacturing world has been assailed with the familiar vocabulary of exhortation—"sacrifice," "urgency," "voluntary effort" and "new spirit."

Within narrow limits there is a certain amount the Board can usefully do. It might well help to reduce to less formidable dimensions the task of marketing in the United States. It will need to create for the whole of Britain's export trades a network as effective as the one which nature has presented to the Scottish businessman. Stretching throughout the forty-eight States are dozens of Scottish expatriates who occupy high commercial positions and who are devoted to their native soil with an exuberance of sentiment seldom found in the transplanted Englishman. It might encourage British firms to enter the American market by way of the Canadian one, where similar market reactions can be studied on a smaller scale.

The Dollar Board apparently intends to tackle the job in two ways. First, groups of British industry will be encouraged to put their collective resources behind joint organisations for distributing British products in the United States. In this way the small British producer may be able to enjoy the advantages of the costly selling agencies that the American market demands and that

Point Four in Asia

WESTERN aid to the backward areas is once more under discussion. In Washington, the Foreign Affairs Committee of the House of Representatives is criticising President Truman's "bold new programme" for laying out \$35 million to this end. At Lake Success, a United States delegate has told the other United Nations that such criticisms imply no slackening of American intentions. Mr Nehru is visiting the United States to discuss, among other subjects, American investment in India. In Iraq, irresponsible journalists are inveighing against "western imperialism disguised as aid for Arab refugees." In Rangoon, Thakin Nu, the Burmese Premier, has stated the terms on which Burma will admit foreign investment and aid. One deduction that can be drawn from the sum of these facts is that western aid to eastern poverty is not going to be as easy of execution as optimists had expected. It is going to meet with resistances indigenous to Asia as well as with its plain adversary, which is Communist propaganda.

Much of the blame for any over-optimism there has been lies with President Truman. His Point Four—so called from its place in his inaugural address of January last—was starry-eyed to a fault. It had at its back far too little forethought about how the plans were to be executed:—

We must embark on a bold new programme for making the benefits of our scientific advances and industrial progress available . . . to help the free peoples of the world, through their own efforts, to lighten their burdens. This should be a co-operative enterprise in which all nations work together, through the United Nations, . . . to help create the conditions that will lead eventually to personal freedom and happiness for all mankind.

When he spoke, he was prompted partly by genuine concern for the lot of the underdog but partly by thoughts of increasing the purchasing power of backward areas and their potentialities as markets. Since he spoke,

only the large-volume manufacturer can usually afford. This is already being successfully done for British books through a book centre in New York organised by Bitsfords. In the second place, schemes may be promoted for placing the sales facilities of large American firms at the disposal of British manufacturers.

American firms may be persuaded to do this by the revival of such projects as the Westinghouse experiment, tested without success two years ago. What the American company proposed at that time was to use its own sales apparatus, or to set up a new one, for distributing in the United States the products that it would buy in Europe. The Westinghouse Corporation asked that the dollars so earned be made available to its organisations in Europe for the import of dollar goods. The project misfired, in part because European manufacturers had little to offer the American consumer and partly because European treasuries refused to sanction the request for import licences.

As matters stand, however, the various plans for distribution now being mooted are all of limited value. Certainly they will ease the path of the British manufacturer who turns toward the dollar market. But what they all lack and what still needs to be devised is a magnet powerful enough to pull his energies single-mindedly in a westerly direction.

Communism has captured China. The present prime purpose of Point Four was summed up last week by a New York newspaper as: "To demonstrate that a humanitarian and democratic capitalism can outdo anything that communism can achieve." But can it? Can Mr Truman's promises to the underdog in an under-developed area compete with Mr Stalin's? What are the chances, not in Latin America or in Africa, which are far from Russia's borders, but in that testing frontier area, the under-developed, under-fed, under-administered independent states of Asia?

Since the President let his thoughts fly in January, official Washington has done some serious thinking. It has realised that there are in Asia and Africa few independent states in which conditions lend themselves to vast foreign expenditure on overall projects, and that small beginnings and slow progress may be inevitable. But it still lacks perception of the difficulties that confront would-be western helpers at the receiving end. It hopes that the techniques for aid to Latin America worked out by its Institute of Inter-American Affairs are simply transferable to other areas. It leaves out of its calculations the xenophobia and mistrust that riddle countries newly freed from western tutelage. It has no special plans for selling its projects to Asiatics whose only conception of the westerner—rooted, not without reason, in the nineteenth century—is as someone who has come to exploit them or else as someone to be exploited.

If anything, Pandit Nehru's visit is likely to increase Washington's misapprehension of the psychological problem ahead of it in Asia. For it will judge him to be typical, which he is not. India is, as a recipient for aid, in a class apart from the other would-be democracies. Indian acumen has already indigenously produced the type of business mentality that sees development in terms of investment, good management, profits ploughed back,

and other concepts familiar to western minds. Elsewhere—that is, in countries like Burma or Iraq, Iran and Syria—the leaders' conception of the term development is different. To them, natural resources are so many assets to be milked for the money they can be made to yield—at best, to play politics with, at worst to pocket. Well-to-do politicians are all ready to pay lip service to schemes for social reform, but all unready to tax themselves to pay for it, or to forgo any part of their life of ease in order to administer it properly.

The aid that the politician in such countries likes to imagine as on its way from the west is either Santa Claus bounty in the shape of gifts in money or kind, or else technical advice, which he may take or reject as he sees fit. But the westerner with experience in Asia no longer believes in getting any return from either of these forms of aid. He has become convinced that his help does not serve his purpose unless it is accompanied by the condition that he must supervise its execution. The Americans are sore from their experience in China. Their recent white paper on this subject was described in *The Economist* of August 20th. Because they took the view that it was undemocratic and intrusive to supervise another country's plans and operations, their government "reduced itself to the role of pouring hundreds of millions of dollars into China while remaining a helpless spectator of the uses to which its aid was put." They are chary of making any further unconditional gifts. In the field of advice, the British have had the more experience, particularly in the Middle East. And the fruits of this are that, usually through the politician's unwillingness to impose the taxes and other innovations that action would entail, the advice is not taken. It lies in his drawer. What form of aid, then, can the western contributor devise in order to fulfil two requirements: a satisfactory outlay from his point of view and a scheme acceptable to the jealous nationalists at the other end?

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The expression "Point Four" has come to be loosely used to cover all sorts of fountain-heads for aid to underdeveloped areas, whether or no they come within the vague outline of the President's original statement. These include specifically American projects, such as loans sought from the Export-Import Bank, or private investments protected by that bank's guarantee, as well as international projects, such as money lent by the International Bank or technical assistance and equipment provided by Uno. But the aid in question also falls into two different groups—the one that from the banks, American and international, who lend money, and expect a dividend and ultimate repayment; the other that contributed—as is Marshall aid—on a politico-philanthropic basis by westerners who feel a concern for hard lots, as well as a desire to demonstrate that their way of life can, materially speaking, offer the masses just as many benefits as can communism.

It looks as if, from the Asiatic receiver's standpoint, the biggest sums are for the present to be had on the bank loan basis. But loans are going to be conditional upon foreign inspection—even supervision—of a type that is distasteful to him. Countries in which a prime consideration is a job for the premier's nephew are not easily ready to swallow terms which entail a foreign right to inspect and manage, hire and fire. At least two of Asia's independent democracies have, though needing money from the International Bank, so far been too proud

to sign its stock clause requiring periodic right of inspection. Politicians dare not confess to their vociferous nationalist followings that they have granted a foreigner something of a whip hand. Similar obstacles, though for different reasons, beset leaders as far removed from one another in thought and upbringing as are an Arab landlord-politician and a Burmese socialist. From an investment standpoint, the International Bank or Export-Import Bank are fully justified in putting strings upon their loans. But in view of these facts, too much faith should not be placed in them as agencies for demonstrating to the masses that capitalism is as good as communism.

There remains the strictly "Point Four" or politico-philanthropic type of aid that various contributors are now planning to operate through Uno. From the Asiatic politician's standpoint, this type of aid is easier to present to the home public. From the standpoint of the principal contributor, which is the American Congress, it is unlikely to provide so telling and effective an advertisement for western ways as would a more direct form of contribution. There are only remote means of controlling the way in which the money is spent locally, and there is little guarantee that the tap will be turned off directly the spending does not match the contributor's aims. It follows that the funds available by this route for improving the lot of the Asiatic peasant are, so long as administration by Asiatic governments remains as bad as it is at present, likely to be less than those which could be had through Asiatic borrowing, on conditions of foreign supervision, from Washington or Wall Street or even the City of London. It should be remembered that the sum for which the President is asking Congress as a first year's appropriation is only \$35 million for the whole world's "underdeveloped areas." (Compare the \$3,628 million contribution to European recovery—that is, to relatively efficient government administrations—in the current fiscal year.)

Above all, the contributor to Point Four schemes would be mistaken in thinking that, even where the spending of his money is successfully administered, it would serve as an immediate antidote to communism. Paradoxically, any change for the better in the Asiatic peasant's miserable circumstances seems to wake him out of his fatalistic lethargy only to render him receptive to communist whisperings that he ought to be getting more.

What then is the right course for capitalist democracies who want to prove that they can give as square a deal as can communism? Are they to insist upon running the schemes for which they are prepared to pay? Or are they to look for local Mustapha Kemals who will run them more efficiently than do democratic cabinets who live in terror of losing office to rivals who outbid them in anti-foreign protestations? Or are they to settle down to long years in which they pay for Uno experts, on an ever-increasing scale, and wait for them to make themselves indispensable to the masses, much as medical missionaries and the teaching orders have done for generations without changing the peasant lot except in tiny areas? Or are they to go on bolstering the present politicians on the false assumption that change is always for the worse, thereby achieving little or no improvement in the faulty social structure of Asiatic countries? The last seems to be the present policy. If no more drastic western method is devisable, communist chances look promising.

NOTES OF THE WEEK

No Election

Speculation on the possibility of an autumn election reached its climax as the *Queen Mary*, bearing Mr Ernest Bevin, neared the shores of Britain; but in less than twenty-four hours after his arrival the whole bubble of rumour had been burst by a curt announcement from Downing Street that there would be no dissolution this year. There is no doubt about the wisdom of making an announcement, for the fall in the gilt-edged market and the air of uncertainty overhanging the country had made it imperative for the Government to state their intentions. But it is difficult to see what has prompted the Government to take this course. The economic situation may be very much less propitious for them in the spring, Mr Churchill's demand for an early election would have disarmed any criticism of electoral sharp practice, and the Government could have fought the election on an issue of confidence. Both the party and the national interest would seem to have dictated such a course.

One can only presume that Mr Attlee's decision was influenced by his own attachment to the Steel and Parliament Bills, by the unpreparedness of the party managers, by the desire to be in office at the time of the Labour Party's jubilee next February, by the anxiety of the older Cabinet Ministers not to vacate the comforts of office before they had to, and by general inertia and Micawberism. One thing is certain, that the Government have chosen a much more difficult road. Having decided not to have an election, they must now have a policy, and any policy which makes even a beginning at underpinning devaluation must inevitably be unpleasant to the Government's opponents and supporters alike.

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Tories in Conference

On Wednesday, the annual Conservative conference opened its proceedings with a debate on devaluation amid the encircling gloom of the Empress Hall. The size of the conference was impressive, but its reactions were confused and lacking in that enthusiasm which it is the object of party conferences to produce. On the whole the delegates spoke with a seriousness and a sense of urgency—apart from a knockabout turn by the recently converted Mr Ivor Thomas—which was impressive if not particularly constructive. A speech by Mrs Bird, of Jarrow, illustrated a point noticeable at previous Conservative conferences, that when Conservative representatives of a working class area take the rostrum, they advocate orthodox socialist measures—a fact which should, but never does, disturb the conference.

Mr Anthony Eden, winding up the debate, made his points with a clarity and force which, despite a rather weary platform manner, shows why he has regained his place at the head of the working members of the Conservative front bench. He used to its full the failure of the Government to follow up devaluation by policies which would ensure its being more than a temporary fillip to the British trading position. But when it came to satisfying the demands of earlier speakers to know what a Conservative policy would be, he politely but firmly refused to be specific. Until the party had all the facts and information—that is until they were in office—it was impossible to say what their plans would be. There is a grain of sense in this; modern government is so complex that a party out of office can easily go awry on questions of fact. But this is a lame reason for not attempting to lay the framework of a policy before the electorate. Now that the Government have finally decided against an autumn election, the Conservatives have acquired a breathing space, which they do not really deserve, in which to

devise a better formula than a contrast between "more socialism with those rigid bureaucratic methods" and "the sound foundation of enlightened free enterprise."

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The Gremlin Strikes Again

On Monday morning the *Daily Express* featured side by side the exploits of Pierre, the Channel swimming sealion, and the political programme of Lord Beaverbrook. The main points of the programme were a demand for a system of Empire free trade—that is an impenetrable tariff barrier round the areas marked red on the map—a minimum wage of £6 a week, a floating rate for the pound, the abolition of the British Council and the House of Lords, and large scale manufacture of the atomic bomb. The purpose of the manifesto is clear enough—Lord Beaverbrook is shocked at the concern for international and especially European co-operation which of late has gained ground in the Conservative Party, and also at its lack of a forthright policy. His platform points are pure chauvinism and show an ignorance of contemporary realities remarkable even in the chancellor of a university. "The Empire" for which Lord Beaverbrook would throw over the rest of the world is an abstraction existing only in the minds of himself and his editors: if he means the Commonwealth, there is not a country in it which could agree with the autarkic policy he demands. The demand for a £6 minimum wage is irresponsible, and Lord Beaverbrook is presumably actuated by the same calculation as the Communists: a desire to gain popularity with the unthinking wage earner, knowing full well that he will not have to bear responsibility for the repercussions of such a policy.

It is remarkable that the London newspaper press (other than the *Express* group) considered his policy worthy of comment, since he occupies in the contemporary scene much the same position as that of Lord Brougham a hundred years ago, adding something to the gaiety but little to the wisdom of nations. It is therefore difficult to believe that the Conservative Party will be seriously inconvenienced by Lord Beaverbrook's veiled threats to support only those candidates who agree with his policy, for he is without question the greatest liability they possess, and it is generally agreed that his intervention in the 1945 election was contributory to the withdrawal of the electorate's confidence from them. The truth is that Lord Beaverbrook has never begun to understand the psychological mainsprings of the British people. He is adept at producing the crispest and most readable school of journalism in the country; but this appeals only to one side of the public's nature, and he has never known that the other side exists. For the majority of the British electorate, he exists through the eyes of his own cartoonists, and the nation is not yet sufficiently scared of the Kremlin to throw itself into the arms of the gremlin.

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TUC on Tenterhooks

The malaise among the leaders of the Trades Union Congress has increased rather than diminished in recent weeks. It is nearly a month since Sir Stafford Cripps announced the devaluation of the pound, but the General Council has given no lead to its member unions. All that has appeared so far is a statement by Mr Vincent Tewson, the general secretary, in the TUC's official publication *Labour*, calling for courage and patience and telling the unions that, in the meantime, the decisions taken at Bridlington in support of wage stabilisation stand.

Mr Arthur Deakin, secretary of the Transport and General Workers' Union, has shown his hand more clearly. His article in his union's monthly journal is the first public pronouncement on devaluation by any member of the General Council. He flatly rejects the idea of a national minimum wage, on the ground that it would upset the "differential" between skilled and unskilled workers, and lead on'y to "chaos and confusion." Any suspicion of statutory wage regulation or interference with free collective bargaining would be "a major disaster." Mr Deakin's only answer is continued restraint, increased output and greater efficiency.

All this may be sound common sense—it is certainly familiar—but it does not really carry the argument a stage further. A national minimum wage, to assist the lower-paid workers, is one of the only two concrete proposals that have so far emerged from the welter of discussion. Everybody is now agreed that it should not be entertained. But the only other proposal before the public—for a central wages board, to advise on the merits of different wage claims, would surely lend itself to the very same objections by Mr Deakin—that it meant interference with free collective bargaining.

The impasse would seem to be wellnigh complete. Devaluation is a *fait accompli*, and the only problem the unions can envisage is how to cushion its effects. The TUC leaders, it is reported, are waiting to see Mr Bevin before making up their minds. If this is true, it is surely rather a sorry reflection on the present level of industrial statesmanship. For all his experience, the Foreign Secretary has been out of active union affairs for over nine years and has other pressing problems on his mind. All he can be really expected to do is to pour oil on troubled waters, and persuade his former union colleagues to swallow the pill and get down to the work of formulating a policy to make the benefits of devaluation lasting and effective.

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New Coalition for France?

As *The Economist* goes to press the chances that M. Moch will get from the Assembly the majority he needs to form a new coalition government seem fair. It may seem strange that a Socialist may succeed where M. Queuille failed. The Radicals, who are essential to any coalition—the champions of a "liberal" economic and an austere financial policy—can hardly tolerate a Prime Minister far to the left of themselves; and the Socialists to whom M. Moch belongs—although he is much more of a Bevin than a Bevan—broke up the Queuille Government because they were afraid of what the trade unions would think of any policy which did not concede rises in wages to meet alleged rises in the cost of living.

A week's reflection seems to have brought home to the politicians two facts: first, that the credit and authority of the state are at stake, second that one abortive attempt after another to form a government can only lead to a general election for which no one is ready. All the parties that can put a coalition in power have therefore an interest in doing so as quickly and as firmly as possible.

What is most unfortunate, both for the French themselves and for their associates in the political and economic re-organisation of Europe, is the possibility that no government will have the strength to do for the French economic situation what Sir Stafford Cripps is hesitating to do for the British. M. Queuille's government shelved most of the real problems, and a mere reshuffle of posts within his combination would not give M. Moch real power. It looks at present as if the Communists will make things easier for the moderates by demonstrating to the people that organised trade unionism in the CGT is more interested in the class war and political opportunism than in finding remedies for the nation's financial plight.

Socialist Triumph in Norway

The Norwegian Socialists have won a victory as great as it was unexpected. There is no other reasonable interpretation of the result of last Monday's general election. The only question was whether or not the country supported the Socialists after four frustrating years and in the face of growing criticism. It has been decisively answered. The general estimate was that they would be lucky not to lose more than two or three of the 76 seats they held in a *Storting* of 150 members. Even such a slight change would have destroyed their precarious absolute majority and opened the way, if not to a coalition, at least to some working agreement which would have limited their freedom of action.

Now, after a record poll, the Socialists are confirmed in office with at least 84 seats and over 46 per cent of the votes compared with 42 per cent in 1945. Even so, the prophets were correct in that the right has gained from the left—but only one seat—and the consolidation of the Labour Party far outweighs this. As against a Labour gain of nine members of Parliament, the Communists lost ten of their eleven representatives and their votes fell from 174,000 to only 99,000. The Conservatives also have fewer seats, 23 compared with 25. The Liberals with 21 gained one, and the Agrarians increased their representation from ten to twelve.

With the prospect of an election before long in this country more may be read into the Norwegian results than is justified, in spite of the close similarity between the economic positions of the two countries and the policies of their governments. The outlook and traditions of the dominant parties are different. The Norwegian Labour Party is both more Marxist and more moderate than the British, more doctrinaire in theory and yet more empirical in practice. Nationalisation hardly figured in its election propaganda, although some schemes for forming state monopolies in the import of cattle fodder and medical supplies were discussed. And in his first statement after re-election the Prime Minister, Mr Gerhardsen, said that the long debated nationalisation of banks and insurance companies would merely be examined further during the life of the new *Storting* and put to the people as an issue in the 1953 elections.

Consolidation and continuity, then, are the orders of the day. The ambitious programme of capital investment will probably continue, together with limited dividends, cheap money, high taxation and strict rationing. Abroad, there will be the same active and sincerely interested participation in the OEEC and the Council of Europe, the same reliance on the Atlantic Pact to guarantee Norway's security.

* * *

Trade across Germany

Trade between eastern Germany and the Federal Republic of the west has at last been put on a regular basis in a nine-months trade agreement valued at about DM600 million signed last Saturday. Negotiations began over three months ago in accordance with the decisions of the Council of Foreign Ministers. It is a pity that celebration of their successful outcome was marred by the High Commissioners' sudden demand that signature of the agreement should be held up for forty-eight hours.

The length of the negotiations was mainly due to difficulties over payments and prices caused by the disparity in value between the east and west marks. The western Germans were determined not to accept payment in over-valued east marks, and were anxious that prices should be reckoned in west marks. They also wanted to prevent the undercutting in which some Soviet zone firms have been successfully indulging. As it stands the agreement leaves the question of prices to be settled by agreement between individual firms. No rate of exchange between the east and west marks is laid down and it is specifically stated that both parties

are entitled to refuse to receive or deliver goods if the prices agreed on are considered to run contrary to the economic interests of their zone. A more determined effort is made to solve the payments problem by setting up clearing accounts in each zone into which importers will pay their respective currencies and out of which exporters will be paid in their own currencies. It is hoped that the two accounts will balance, but each side is prepared to support a limited overdraft.

The economies of the two parts of Germany are naturally complementary and even during the blockade of the Soviet zone by the western allies a trickle of trade continued between them. Since the lifting of the blockade the lack of a trade agreement has not prevented a large number of individual deals from taking place. But the blockade did force the two parts of Germany to do what they could to make themselves independent of each other economically, and the western zones have gone some way towards emancipating themselves from their very close economic connections with the east. The eastern zone, on the whole, stands to gain more from an expansion of supplies from the rest of Germany. In particular it needs the iron and steel products of the Ruhr. To the industries in the west the prospect of disposing of unsold stocks will be most welcome.

It is the effect of the agreement on the very serious economic plight of the western sectors of Berlin which will be most anxiously watched in the west. Since the lifting of the blockade firms in the Soviet zone seem to have gone out of their way to avoid giving a helping hand to the industries of western Berlin. An appendix to the inter-zonal trade agreement contains a letter from the head of the Soviet zone delegation in which he undertakes that a western request that one-third of the Soviet zone's orders should go to western Berlin will be taken into consideration as far as possible.

It can only be hoped that this will turn out to be a firmer commitment than appears at first sight.

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Harder Work or Longer Hours?

Last week Mr Jack Jones, the Parliamentary Secretary to the Ministry of Supply, on a tour of northern factories, stated that a longer working week might be necessary in British industry. This has found little support either in industry or in Whitehall, since it is clear from further remarks of Mr Jones about the necessity of overtime working at all costs that he has little conception of the nature of the problem. If longer hours are merely imposed upon the basic framework of the five day week, it means that the marginal increase is paid for at the high rate of overtime. Since cost of production, rather than the quantity of production, is now the key to economic progress—even in the basic

AVERAGE HOURS PER WEEK, 1948

Country	Mining other than		
	Coal	Manufacturing	Building
Canada.....	44.1	41.8	38.9
Finland.....	...	46.25*	...
Netherlands.....	...	49.5†	50.0†
Switzerland.....	...	47.7	...
South Africa.....	48.0‡	...	40-44
United Kingdom..	46.3	44.9	46.7

* Fortnightly basis. † Adult males only. ‡ European adult males.

industries—a mere increase in the number of overtime hours worked is unlikely to contribute very much to production at an economic cost. In point of fact, the average number of hours worked per week in Britain has decreased very little since 1938, from 46.5 to 45.3, although the prewar figure undoubtedly contained less overtime. Figures recently published by the International Labour Office and abstracted in the accompanying table show that, by comparison with other countries, average hours of work in Britain stand midway between those of a highly productive country like Canada and those of a highly industrious one like the Netherlands.

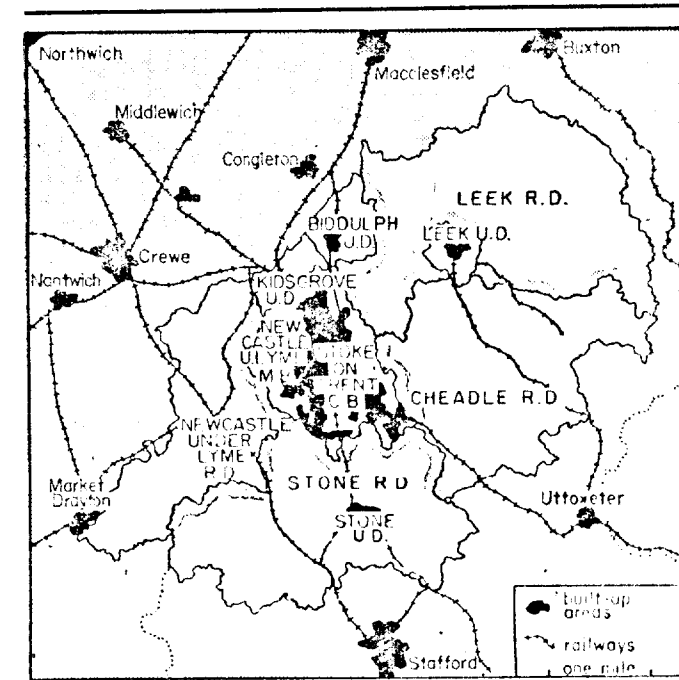
There is probably not very much to be said for contemplating a general return to a 5½ day week throughout the

whole of industry if it merely means Saturday morning working. Some basic processes such as steel have a continuous shift operation lasting throughout the week which is highly economic. But in fabricating industries it is not the extra half day which is required but greater production from the existing working week. The fact that leaps to the eye on visiting British—after American—factories is the number of breaks for tea, the hold ups in supply of components or raw materials and the amount of unnecessary handling operations. Higher productivity is not a trick and it does demand harder work in addition to more intelligent management, but the harder work can be better concentrated within the hour or the day than spread over a longer week.

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Grim Smile of the Potteries

The main trouble with North Staffordshire, the subject of a master plan prepared by Sir Patrick Abercrombie and Mr Herbert Jackson, is the poor quality of its urban life. The heart of the area is the industrial Potteries; and Arnold Bennett's five towns, now uneasily coalesced in the county borough of Stoke-on-Trent, still wear a grim smile. The expansion of industrial premises and the fouling of the air by noxious fumes have driven most who could afford it from the central areas. The employers and professional classes have gone—many to the nearby borough of Newcastle-under-Lyme, others farther afield; the workers have remained—often in congested and noxious conditions. The result is that Stoke itself, with a population of around 275,000 persons, is too poor to sustain the usual culture and amenities



of a large town—or rather, group of towns. Rarely has an official document been so class-conscious. It appears that the real trouble with the Potteries is that they lack a middle class.

The planners favour the bold solution of breathing back life into the urban heart of the Potteries. Industry, as is now fortunately possible, should be compelled to avoid atmospheric pollution. The overcrowded working families, instead of being sent afield to new towns, should be rehoused nearby in better conditions. A real effort should be made to lure the middle class back, by the provision of suitable houses, of parks, of theatres—even the idea of building a cathedral is looked on with approval. It is suggested that Hanley, one of the five towns, would be the best site for a proper regional capital having good all-round facilities. Can this attempt succeed? Given the amount of refurbishing which

the Potteries need and the precarious state of the national finances, the project is bound to move slowly.

It would be a shabby piece of neglect for an industrial nation to leave this important and wealth-producing region in perpetual shadow. But this, like every regional plan produced so far, underlines the fact that if it is to be fulfilled the nation has got to devote a great deal of its resources not to consumption but to capital development—and not to new capital either, but to the replacement of existing capital—for many generations to come. This is a decision that the nation does not show much sign of being willing to take.

* * *

Conservatives and Local Government

The Conservative conference on local government which preceded the main conference endorsed the party's aim of restoring greater vigour and independence to local government, and of freeing local councils from the excessive central controls under which they now labour. Mr Churchill himself deplored the removal of functions from local government, and condemned Mr Bevan for sacking the Local Government Boundary Commission. The Conservatives' general objective is salutary and desirable. But do they sufficiently appreciate what their policy entails? Services have not been transferred from the smaller to the larger local councils, and from local government itself to appointed regional boards, out of sheer Socialist malevolence. These transfers, undesirable as they are from a democratic standpoint, have been largely forced on the Government by the administrative weakness of the present local government system. Only a drastic reform can cure this weakness. But is Mr Churchill ready to provide the cure? Is he prepared, for instance, to stomach the proposals of the Boundary Commission, which proved too strong meat for Mr Bevan, or to introduce some equally effective plan of his own choosing? Unless he is, the Conservative aspirations will bear no fruit. It is of little use, indeed it may even be harmful, to give wider powers to local government without first making it more viable.

No political party—save, paradoxically, the Communists—has laid down a policy for local government that goes beyond pious aspirations. The Conservatives, for instance, have the merit of wishing to restore many powers to the smaller councils; but this is only administratively feasible given a drastic reorganisation of county districts and some such device as the union of urban and rural districts. Will they face this implication? All that the Conservatives will commit themselves to is consultations with the local authorities themselves about the overhaul of their boundaries, functions, and finance. This is a diplomatic move, but the last half century has shown it to be a sterile proceeding. The local authority associations, each with its own special interests to safeguard, will never agree together to put their house in order. Some Government must have the courage to do the task for them. On the other hand the Labour Party, following Mr Bevan's huffing of the Boundary Commission's plan, appear even more bankrupt of constructive ideas. The Conservatives still have the field open, if they enter it boldly.

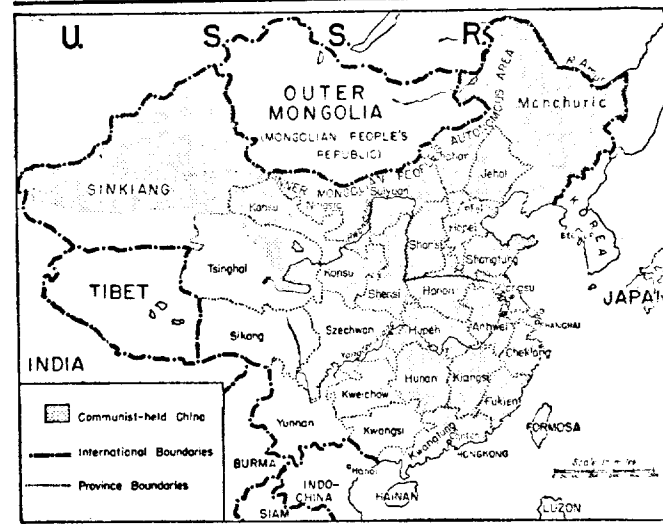
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Retreat from Canton

After a prolonged pause the Chinese Communist forces have resumed their advance on Canton and the Nationalist Government has been hurriedly evacuating the city which has been its capital since the fall of Nanking. The collapse of the defence line covering the capital has been the sequel to the decision of General Pai Chung-hsi, commanding the army in Hunan, to withdraw into his native province of Kwangsi, thus uncovering the approaches to Canton held only by the inferior troops of the Kwangtung provincial army. There does not seem to have been any defection of Pai to the Communists, but he was doubtless afraid of being

cut off in Hunan and considered that his best chance of resistance was to fall back, while there was still time, into his autonomy-loving home province, where his personal influence is at its strongest.

Whatever its motives, however, this move made it impossible to conduct a unified defence of the zone of South China which had remained under Nationalist control, and the fall of Canton will remove the geographical link between the Nationalist forces still holding out in the interior of China and Chiang Kai-shek's island stronghold of Formosa. The Nationalist capital has been officially shifted to Chungking, in the mountain-girt western province of Szechwan, where it was for seven years during the war against Japan,



and President Li Tsung-jen has gone there by air. The decision to move there, however, is reported to have been opposed by Chiang Kai-shek's faction, which wanted political authority and as many troops as possible to be concentrated in Formosa. Chiang, in any case, intends to remain in Formosa with the forces evacuated from Chekiang and Fukien as long as he can keep the loyalty of his soldiers and ward off invasion from the mainland.

The Nationalist holding in continental China now consists of five provinces—Szechwan, Sikang, Yunnan, Kweichow and Kwangsi. The mountainous terrain of south-west China favours defence, and on paper there are still considerable armies left to carry on the war. On the other hand, the Communists have now an overwhelming prestige of victory as well as the attractions of their social programme, and have many underground supporters in the Nationalist provinces, as was shown in the recent disturbances in Yunnan. Moreover, if the Nationalists are once driven from the coastline of China, they will be cut off from all possibility of obtaining overseas supplies—with the exception of the routes into Yunnan and Kwangsi from Tonking. Geographically there is also contact with Burma, but the civil war there and the disrepair of the old wartime "Burma Road" virtually isolate China on that side. It depends, therefore, on the French whether the Chinese Nationalist Government will now be completely encircled by Communists or whether it will still have an open line to the outer world.

* * *

China, Burma and India

The demand of the Chinese Communist Government for diplomatic recognition has proved embarrassing for the government of Burma, a country which borders on China and was once a vassal state of the Chinese empire. The Burmese Government has to take account of three facts: that Burma has a large Chinese immigrant population, including some Communists and many bandwagon-climbers; that a large part of Burma is in the hands of armed Burmese Communist rebels, who look forward to getting

help across the frontier when the Chinese side of it is in Communist hands; and that China has extensive territorial claims on northern Burma which were never settled up to the time of the British departure.

The territorial dispute has indeed been hanging over Burma's head from the beginning of Burmese independence, but the Kuomintang Government has been too preoccupied with other things to give it much attention. It is possible that the Chinese Communists also will let it lie dormant, but to revive it would be an effective way of putting pressure on Burma, if they wished to make trouble in that quarter after getting control of Yunnan—which is so far still in Nationalist hands. It will be interesting to see what attitude the Burmese Government now takes up towards the Peking regime—whether it will try to ingratiate itself by early recognition or wait to see how the principal western powers deal with the recognition question. In any case a Communist China is likely to be a difficult neighbour for a small nation which, even under the most favourable circumstances, cannot hope to recover stability for some time to come.

India is reported to be one of the nations most inclined to recognise Mao Tse-tung's government at an early date. India still strives to follow a policy independent of the western powers and in line with the concept of a solidarity of Asian nations. But the Chinese Communist victories certainly provide cause for apprehension in Delhi, not only by the impetus given to Communism within India, but also by the potential threat to Burma, and above all by the officially declared Chinese intention of "liberating" Tibet. Tibet has had *de facto* independence of China since its revolt in 1912, and as the Tibetans form a nationality quite distinct from the Chinese in language and culture, they are likely to make a fight for their national independence against Chinese reconquest in whatever guise it comes. Their only hope of success in the long run against China's superior power lies in Indian support. For India the continued inde-

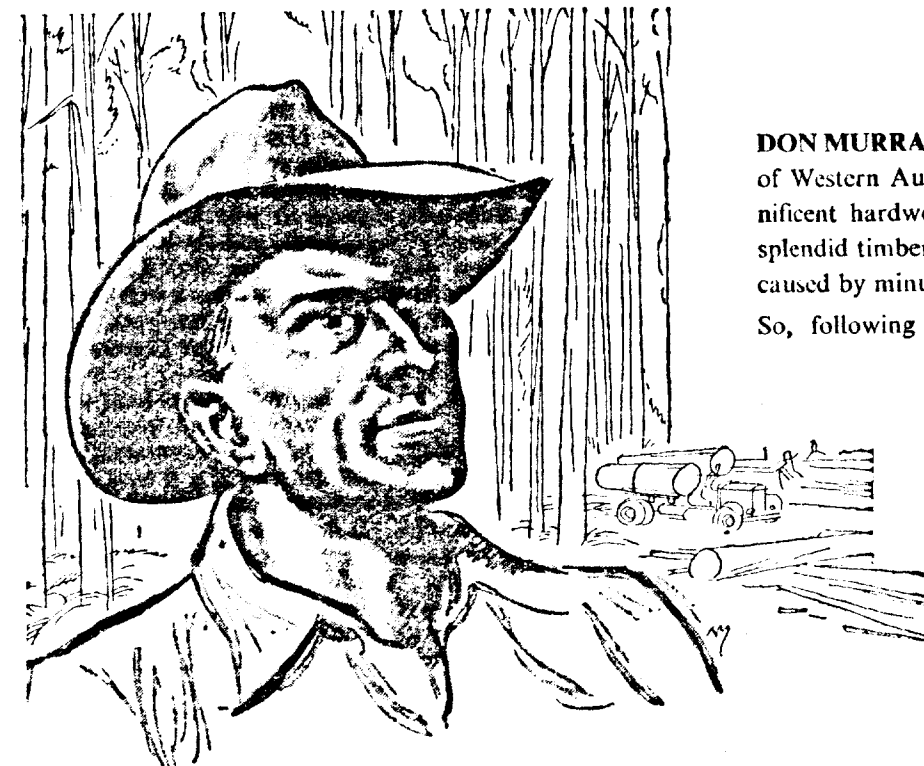
pendence of this inoffensive buffer state is a matter of considerable interest; there is no wish in Delhi to see Chinese outposts on the Himalayas. The encouragement which India has recently given to Tibet has already been sufficient to cause Mr Nehru to be denounced by the Chinese Communist radio as a "stooge of Anglo-American imperialism."

Economic Framework for Indonesia

During the past week the atmosphere of the round-table conference on Indonesia at The Hague has got tenser, as the financial and economic committee has got to grips with its problems. The main emphasis has been on future liability for outstanding public debt contracted in respect of Indonesia. The Dutch argue that the new Indonesian government should assume responsibility for all except that proportion of the debt which was floated to finance Dutch military action against the Republic. The Indonesians now argue that this, and certain other Dutch indebtedness to themselves out-balances by some 540 million guilders (£50,750,000) what they would owe to Holland; hence there is no debt for them to take over. In the course of the argument the two sides have appeared to move so far apart that the United Nations Conciliation Commission has chosen this as the moment to step in—for the first time at the Hague—and use its good offices.

It would be easy to deduce that a satisfactory economic settlement is as far away as ever, but it would probably be wrong to do so. The conference has already cleared its most difficult hurdle—agreement in principle about the Netherlands-Indonesian Union—and there are strong forces continually driving the two sides together. These are best understood by examining the Indonesian point of view—as for the Dutch, it is clear that their interest is to retain as much control and as many safeguards as possible over their economic stake in Indonesia.

The Indonesians do not want to throw out the foreigner.



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but they do want complete sovereignty. They are, therefore, determined not to bind themselves to any formal commitments like those originally proposed by the Dutch—that Holland should retain a right of veto on Indonesian banking policy until all debts were paid off, and so on. On the other hand, the present Indonesian leaders do intend to pursue a realistic and, so far as possible, magnanimous economic policy towards foreigners, particularly the Dutch. They do not mean to nationalise more than the railways, public utilities and probably inter-island shipping. They consider that to do more would be to run the risk of reproducing the chaos of Burma, while to do less would leave them at the mercy of Dutch monopolies. They do not mean to force a greater part of company capital into Indonesian hands; yet they do intend to secure much greater representation for Indonesians on the boards of foreign companies operating in their territory. In all this, they are guided by a desire to reach a settlement with the Dutch which will survive the test of political and economic life in the new Indonesia. It is these facts that are pushing the Dutch and Indonesians together in the economic negotiations.

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All This and Bevan Too

Mr Bevan was evidently on the defensive when he reviewed the first year's working of the health service at a press conference last week. That he should have given the press conference at all was significant. The gradual public awareness that, somewhere, somehow, Government expenditure must be curtailed has tended to focus on the health service, partly because its cost has so greatly exceeded the estimates, partly because it is often held up as a good example of extravagance in administration, and partly because in his Budget speech Sir Stafford Cripps specially mentioned it as a social service whose cost could not be allowed to increase indefinitely. Mr Bevan gave the impression that the object of his press conference was to strangle at birth any campaign for attenuating the general principle that the health service should be comprehensive and free.

He also, however, reiterated a very dangerous argument. He said that the health service was not an addition to the total expenditure of the nation but a gigantic transfer of expense from the private pocket to the public purse. This argument has been used in support of almost every social service scheme that has been put forward; but not only does it ignore the increase in demand that arises when the service is no longer paid for directly by the individual, more important, it ignores the total effect of all such transfers for all the social services on the national finances. "The possibilities of taxation," Mr Bevan said, "are infinite." It cannot be too often repeated that this is not true. The bounds of what it is possible to raise in taxation without dangerously straining the national economy were reached—and passed—some time ago.

* * *

Meeting the Cost

It is quite true that Mr Bevan made this statement on taxation in reply to a question whether the cost of the health service would be partly met by an increase in the weekly national insurance contribution. But the effect of such an increase would be just as harmful as an increase in taxation. Moreover, it would probably encourage people to make even greater demands on the health service than at present in order to get something for their money.

The most attractive suggestion that has been made for meeting its cost is that small payments should be made by the patient for each visit to the doctor or dentist, for each prescription that he has made up, and so on. If the administrative difficulties are not insuperable, small payments of this sort are probably the best way of reducing the burden of the health service. At the very least they would prevent much of the abuse that occurs at present and would

relieve the congestion in surgeries and at the optician's. There would, of course, have to be provision for remission in cases of real hardship, and this would involve a test of means; it may be for this reason that the Government, according to Mr Bevan, has set its face against them. (In this connection it is interesting that the Conservatives are now hinting, through Lord Woolton, that they are considering introducing a needs test for social service benefits—a proposal that is bound to get out of hand in the atmosphere of a general election but which is nevertheless worthy of serious study in the country's present circumstances.)

The only other way to reduce the burden of the health service is by a straightforward cut in the money voted by Parliament. Eventually this would lead to an extension of private practice and therefore have much the same effect as restricting the benefits of the public service to those who prove their need. Which, of all these suggestions, does the Government, Mr Bevan notwithstanding, really prefer?

* * *

No Axe to School building

Amid all the vague currents of speculation about a reduction of government expenditure, reports have been published in the press about cuts in the country's school-building programme as if these had been imposed unexpectedly by the Ministry of Education on local education authorities. The "cuts" are, however, nothing but the fruits of over-optimism on the part of the authorities themselves. The Ministry asserts positively that from its point of view the position remains unchanged and that the Cabinet's allocation of manpower for school building, which permits of a gradual increase in building year by year until 1952, has not been altered—though it is true that the allocation may well be heavily reduced when this or any future government decides on a domestic policy to fit the economic situation. In these circumstances how comes it that local authorities have put forward projects for 1950 which would cost three times as much as the projects they put forward for 1949? One local authority will always think it can claim a shade more than its share of national resources compared with another authority. But an optimism which leads to multiplying the possibilities by three is over-fanciful.

Nothing could be more precise than the letters and circulars addressed to authorities by the Ministry of Education on the possibilities before them. Not only were they told that the 1950 programme would be little if at all larger than that for 1949, but they were warned to take into account the arrears in their current programmes, and the bottlenecks in their own technical departments which would hamper a rapid expansion—bottlenecks which are often a more realistic brake on building work than any ministerial ceilings. Yet, in spite of all this advice, the programmes for England have trebled in size over last year.

The fault lies with the unwieldy machine of local education administration, and the remote control exercised by the county councils through their district executives. Both the political and administrative machine of a county council are ill-adapted to deciding between the competing claims of the smaller authorities. It is the line of least resistance to aggregate the claims and to send them up whole to the Ministry of Education. The Ministry can then be blamed for the consequential cuts that ensue. If local authorities aspire to be considered as responsible planning organisations such behaviour is not a good advertisement. Apart from being wildly unrealistic it undermines the case of those who argue for a greater measure of local government.

* * *

Rebuke from Count Sforza

If British relations with France have lately suffered devaluation, a similar process may be said to have started some time ago in those with Italy. It is unfortunately the fact that there is now more coolness between London and

Rome than at any time since the Italian Peace Treaty was signed. Just before sailing from New York this week Count Sforza, the Italian Foreign Minister, drew attention to the way in which this trend is running counter to all the movements lately made towards western European unity. This coolness developed, he said,

at the OEEC, it happened with the trade relations between the two countries when we signed a trade agreement, and in the period which followed. And it happened, above all, in relation to the problems of our former African colonies. . . . One cannot help raising the question why England does not change her spirit towards democratic Italy. It should be clear to anybody that western Europe cannot consolidate and develop as long as Italo-British relations remain hampered by mutual misunderstanding and mistrust.

Count Sforza might have added to the former Italian colonies, and the economic disputes, a third reason for misunderstanding—that is the way in which Italy has sought to play in the North Atlantic Pact a part greater than its resources warrant. The important question, however, is not only who is to blame, but what can be done to improve matters. The main source of friction has been the colonies, and if that can be removed by a settlement at the present session of the Uno General Assembly, there should be no reason why the two countries should not see the other's point of view better. It is Italy which has set the pace of the dispute; but it is only fair to Count Sforza and the Palazzo Chigi to record that the British have sometimes been over-optimistic in their estimates of what they could achieve in persuading the world to accept Italian colonial claims.

The present complaints from Italy that the lira has been left high and dry by devaluation of the pound—and that consequently the Italians will be unable to sell their fruit and vegetables—ring strangely after previous accusations that British goods were being priced out of the Italian reach. The fact is that, with European affairs in their present fluid state, there must be a good deal more give and take both by governments and individuals than has yet been apparent, if any greater degree of unity and prosperity is to be achieved. The Italians are not alone in their intensely national attitude, but they should be among the first to re-examine their consciences. The next to do so might well be those followers of Mr Churchill and others who speak generally of sacrifices for European economic union, without having the courage to tell their constituencies what that might mean to the earnings and profits of their supporters.

* * *

Two Years' Work on Tariffs

The results of the Annecy tariff negotiations were published this week. The documents published at Geneva include the new voluminous schedules of tariffs which now apply to the trade among the contracting parties. In London the Government has issued a White Paper (Cmd. 7792) which gives the text of the Annecy protocol and describes in general outline the results of the negotiations undertaken by the United Kingdom during the conference. It will be recalled that the Annecy negotiations were devoted mainly to the task of incorporating ten new countries into membership of the General Agreement on Tariffs and Trade. This agreement was signed by 23 countries at Geneva in 1947, and the ten additional countries which wished to accede to it were Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay. All 33 countries were represented at Annecy. But with the single exception that the United Kingdom and Norway took the opportunity to complete negotiations that had been opened at Geneva in 1947, negotiations were restricted to the tariffs between the 23 old members and the ten acceding countries. These acceding countries also negotiated between themselves. In total, 147 agreements were completed and their results appear in the 28 schedules of tariff rates which have been published this week. Although there were no direct negotiations between the existing participants, they

gained some benefit from the extension through the most-favoured-nation clause of concessions granted in the other negotiations.

It would, however, be straining the truth to claim that the prolonged negotiations at Annecy have carried the work of liberalising trade much further forward. The concessions are mainly undertakings by the contracting parties to "bind" duties at existing levels. Diligent search discloses few actual reductions in tariffs or preferences, and if the search is diligent enough it reveals some actual increases, as, for example, in the American import duties on earthenware and certain types of internal combustion engines.

Alterations in existing British rates will not be made before January 1, 1950. The United Kingdom has undertaken for the period of the agreement not to increase duties on goods of which imports from all the 33 countries involved were valued at £73,900,000 in 1938. The United Kingdom has also agreed to reductions of duties affecting goods the importation of which in 1938 was valued at £5,200,000. Guaranteed margins of preference have been reduced in the case of cod liver oil and blue veined cheese. These concessions were offered in agreement with the Commonwealth countries to which the margins had been guaranteed, but they in turn were able to claim credit for the reductions when negotiating with the foreign countries primarily interested in the export of these goods to the United Kingdom. The benefits to the United Kingdom, whether derived directly or indirectly from the new tariff schedules, affect export trade which in 1938 was valued at £22 million. Most of this benefit represents undertakings not to increase tariffs.

*

The United States carried on negotiations with all ten of the acceding countries at Annecy, but the sum total of its concessions other than the "binding" of existing duties was extremely modest. The US delegation was negotiating with the knowledge that the reciprocal Trade Agreement Act, under which the Administration has power to negotiate tariff reductions, had lapsed on June 30th and was not in fact renewed

The Threat of War

After a general peace of thirty-four years, all the nations of Europe have become so interlaced by their commerce one with another, that war must now be totally different from war at any antecedent period, and would be more like tearing asunder families and friends than the conflict of strangers and enemies. Every nation would bleed at innumerable pores not now thought of. The credit of every Government, for all are deeply in debt, would be endangered, and the disturbance caused by the revolution of 1848 would be slight compared to the disturbance of a general war in Europe in 1850. To Russia, as well as to England, a war would be disastrous. Nicholas might find it, as Paul found it, the grave of his popularity; and, awakening anew the revolutionary epidemic, it might overwhelm both the Czar and his throne.

At the same time, whatever may be the dangers and the cost of war to us, they would be less than the dangers and cost of allowing the Czar to give laws to Europe. It would be quietly subjecting Europe anew . . . to the empire of barbarians. Already Austria has become little better than a vassal of the Czar, and depends on him for national existence. . . . Should Turkey, too, become the vassal of Russia, or be compelled by the union of Austria and Russia, to submit, it would be nearly equivalent to placing all the three under the sceptre of Russia. This power, then, coming to the Mediterranean, and meeting in its progress a great number of its co-religionists, would interrupt our present route to India, and would threaten the whole of Western Europe. Against such a contingency, it would be our duty to take the field at whatever sacrifice; but we repeat, that we hope and believe the occasion will not arise.

The Economist

October 13, 1849

by Congress until well after the Annecy negotiations had ended. This fact undoubtedly made the American representatives at Annecy more hesitant than they might otherwise have been. Nonetheless, the further progress, small though it is, which has been made in reducing the level of customs barriers must not be despised. Plans are being made by the 33 countries for holding a third round of tariff negotiations next year. By that time the ratification of the Charter of the International Trade Organisation by the United States may have taken place. This is the signal for which all the other signatories of the proposed Charter are waiting. Without this lead from the United States, the ITO must remain stillborn.

* * *

Cheap Japanese Labour Again ?

Western industrialists who suffered from Japanese competition during the 'thirties have never forgotten the experience. Ever since the war ended they have sought at every stage in the resuscitation of Japanese industry to ensure that they will never again be exposed to "unfair competition" based on cheap labour. A recent survey, carried out in Japan by the International Labour Office (ILO),* outlines briefly the efforts the occupation authorities have made to bring about the major social and labour reforms needed to reassure the outside world.

The job, says the ILO report, has been enormously complicated by the fact that Japan's industrial revolution was not accompanied by the social ferment that took place in the west. The social basis for modern industrial relations did not exist in prewar Japan. When General MacArthur came on the scene in 1945 he found an almost total absence of protective labour legislation and an industrial system, part

* A Survey of Economic and Social Conditions in Japan, International Labour Review, July, 1949.

Letters to the Editor

Devaluation and Sterling Markets

SIR,—The effect of devaluation on our dollar-earning capacity is discussed mainly in terms of the North American markets (for example, in your article on "Trade and the New Pound" published on September 24th). Judged purely by that criterion the prospects are bleak. They are better, it is true, in Canada, where our manufacturers now have the opportunity of displacing United States products, than in the United States itself, where we are up against the firmly entrenched domestic producers. But Canada is by no means the only market in which dollars are to be gained by effecting a switch from United States to British products. In South Africa it is directly a matter of gold, and therefore of dollars, which we can earn only to the extent that our favourable balance of trade (together with that of the rest of the sterling area) with South Africa exceeds her capital influx from the sterling area (all too likely to increase again, with the restoration of South African prosperity, to a degree that we shall find very costly). As regards the sterling area proper, it is equally true that dollars are earned, in this case through the sterling-area dollar pool, by any additional exports from the United Kingdom to a country like India which replace dollar imports. In one sense our dollar troubles can be attributed to the enormous expansion, compared with the prewar position, of the dollar imports—largely in the form of machinery—of countries like South Africa and India.

It would, of course, help enormously if our Government were readier to use its bargaining power. The fact that we can now offer goods at competitive prices should make it easier to insist on proper concessions from sterling-area countries in return for the readiness with which we admit their

totalitarian, part paternalistic, in which the government sponsored all trade unions and the employers took part openly in their activities—carrying union officials on their payrolls, giving strike pay to workers, and, of course, controlling them.

In so far as anyone can "give" a new set of laws to a nation, SCAP has done so. The Japanese have a Ministry of Labour for the first time in their history. They have enacted a labour standards law which limits the hours of work to eight a day and forty-eight a week. A scheme for compulsory unemployment insurance has been started, and a system of free public employment offices is intended to eliminate such undemocratic figures as the "labour boss," a species of sub-contractor of labour. Japanese workers (with some exceptions) now have the right to bargain collectively. As a result, membership in trade unions has bounded up, from just over 5,000 in 1945 to over 6½ million in 1948.

However, the Japanese have not yet got the hang of the new laws and there have been wholesale evasions on the part of both capital and labour, especially in the small firms where the bulk of workers are employed. It is still more alarming that real wages, as a result of inflation, have sunk below even their prewar level. Wages in the textile industry are among the very lowest—3,000 yen (£3) a month as compared with an average of 7,000 yen in all the manufacturing trades.

For the worried industrialist in the west the authors of the ILO survey can hold out only a long-term and rather tenuous hope. They say that the consolidation of the new labour gains in Japan depends on three factors: the trade unions must develop independent and responsible organisations; employers must give their support to the evolution of a modern pattern of industrial relations; and, finally, the Japanese economy will have to be reintegrated with the world economy. Without an expansion of its export trade an impoverished Japan will have to depress labour standards even further.

products into the United Kingdom. But the prospects are that the effects of the 25 per cent cut on dollar imports (applied indiscriminately to just and unjust alike) will soon disappear in many parts of the overseas sterling area, like those of previous cuts introduced at periods (all too short) of momentary desperation. Restrictions on releases of sterling balances affect the total imports of the sterling-area countries rather than bring about a switch from American to British goods, and in any case they are ineffective in the case of countries to which we are sending large amounts of capital (as we are in danger of doing to an excessive degree). So a good deal turns on the effectiveness of our competition in these markets.

We are no doubt doomed to continue to carry a heavy burden of unrequited exports to the sterling area. It does not by any means follow that additional exports of the right things to sterling-area countries will not earn us dollars—provided that the increase is the result of our own more active competition in their markets and not of an expansion of their capacity to import brought about by releases of sterling balances or a movement of capital funds.—Yours faithfully,

King's College, Cambridge

R. F. KAHN

Cost of Production

SIR,—Your comments on Mr Worswick's letter, published on October 1st, and the further comments you made on my own letter published on October 8th, force me to ask for the hospitality of your columns once more.

(1) On page 717 of *The Economist* of October 1st, you wrote

The E.C.E. calculations have been disowned by the Central

Statistical Office on the ground that they do not reflect the course taken by the Interim Index of Industrial Production. It is obvious that if production indices, comparable in structure, and all using postwar weights, were available, the results of a comparison would be different.

I feel I must point out (a) that the calculations of the ECE Secretariat, quoted by Mr Worswick, were directly based on the Interim Index of Industrial Production of the Central Statistical Office, so they could hardly have been "disowned" by that body on the ground that they do not reflect the course of that index. The Central Statistical Office, in fact, have made no pronouncement whatever on the subject, but the Chancellor of the Exchequer quoted the calculations in question in Parliament (cf. Hansard, Sept. 27th, p. 15) which he certainly could not have done if the Government's own statistical department had "disowned" them as unsound. (b) The question of whether prewar or postwar weights are used is wholly irrelevant to comparisons between different postwar years (to which Mr Worswick's letter referred); this is only relevant to comparisons between prewar and postwar years. The sole reason for choosing an index of prewar weights for such comparisons in the case of the United Kingdom was that the alternative of using postwar weights (while the index numbers of the other countries are based on prewar weights) would clearly have introduced an unfavourable bias in comparisons between the United Kingdom and other countries. (c) Finally, as was explained in my letter published on October 8th, there is no reason to suppose that if production indices using postwar weights were available for all countries, the results would come out very differently. In fact, the general presumption is the contrary: indices based on postwar weights would tend to reinforce the general conclusions of the study.

(2) On page 775 of *The Economist* of October 8th, in dealing with this last point, you wrote:—

The foregoing argument can be summarised: If an industry increases its productivity, the result is to bring down the price of its product—and consequently its production or productivity as measured by value of output will tend to fall. Such calculations are self-defeating, and analyses based on them can only be fictitious.

I do not pretend to be able to follow this summary of my argument, but it clearly indicates, as your present view, that calculations based on index numbers using *postwar weights* are self-defeating and analyses based on them must be fictitious. If this view were correct (which I do not, of course, accept) it would clearly contradict your own criticism of the ECE calculations made on pages 639 and 717 of your paper on the ground that such calculations should have been based on index numbers with postwar weights, instead of prewar weights.—Yours faithfully,

NICHOLAS KALDOR

SIR,—Will you allow me to strike a blow for either side in the controversy about the Economic Commission for Europe's index of comparative labour costs?

Not all items in indices of production are based on value calculations, as you imply in your Note on page 775; physical measurements are used for the simpler products and account for most of the index. And the compilers of these indices naturally deflate what value calculations they do use. It is therefore not true that technical progress, by lowering prices, depresses production indices.

Mr Kaldor's point about the shift in weighting is correct, and your attempt to discredit his calculations on the ground that "the American industrial economy has changed more rapidly than any other" breaks down. For this argument supports him *a fortiori*, as he shows. Your objection, referred to in paragraph 1, would not refute him even if it were true: it would be a separate point.

The ECE figures are based on the official rates of exchange—rightly enough if we are considering competition in world markets rather than some academic comparison of efficiency. The fact that the £ has not been progressively and gradually

devalued in the past—and up to the date of the ECE calculations—has raised British labour costs relative to American. But there is now a 30 per cent relative fall to take into account, and your view that British labour costs have risen relatively to US since the war is certainly untenable after devaluation.

Statistically then, Sir, you have the worst of the argument. Nor is it contrary to common observation that US—and Belgian—labour costs have risen relatively to British. The contemplation of our own labour problems must not blind us to those of our neighbours. US labour has won many more spectacular wage victories than British, and the Belgian social services have expanded much faster than ours. But as a matter of policy it is surely right to complain of British labour costs. For the United States—and, *pace* Mr Worswick, Belgium—can afford high labour costs. We cannot. That ours should have risen more slowly than theirs is not enough. They should have risen more slowly still. Nor are there many other compressible items in the economy that have not already been fully compressed.—Yours faithfully,

New College, Oxford

P. J. D. WILES

The Health of the Book Trade

SIR,—May I offer the following comments on your article "The Health of the Book Trade"?

1. There were few publishers with "basic years" which left any margin for accumulating reserves. Most had the whole of their available profit, and many, part of their working capital, taken as EPT. If the entire stocks of slow-selling lines which have been consistently written down are suddenly sold and cannot be reprinted or replaced by others, an abnormal position arises. In many cases practically the entire proceeds of sales were handed over as EPT leaving the publisher with neither stock nor cash. The destruction of books by bombing accentuated the process. In one case where over the years 200,000 copies of slow-selling scholarly books had been written off, the entire proceeds of insurance were taken as EPT. The head of the Inland Revenue solemnly maintained that the publishers had lost nothing—though the eventual proceeds of the sale of some of these books represented the only possibility of profit from them and were in any case needed to finance further slow-selling titles.

2. New books have to compete with those produced at prewar prices or reprinted from prewar settings. In what other trade is the prewar commodity, *at the prewar price*, to be found alongside a similar commodity produced at two to three times the cost?

3. About 85 per cent of the total book trade turnover is represented by the sales of at most fifty firms.

4. Book publishing is a personal affair and whereas in the amalgamation of many businesses $1+1$ equals $2+x$, in book publishing $1+1$ would equal $2-x$.—Yours faithfully,

STANLEY UNWIN

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The English Landowner

SIR,—In the interesting articles on the present position of the agricultural landowner you have recently published, the author has stressed the state assistance landowners are now receiving in the form of rebates of taxation, and subsidies. The impression gained by your readers may be that the private landowner is being bolstered up to a very material extent by the Exchequer, both by subsidies and by tax reliefs, and I feel this point calls for further examination.

Although it is difficult to form a just estimate of the sum of grant-aid made available to landowners (as distinct from tenant farmers), I should hazard a guess that the total subsidies (for land drainage, farm water supplies, and hill farm improvement schemes) have not much exceeded £2,000,000 per annum over the past three years in England and Wales.

Generally speaking, these subsidies help the tenant as much as—if not more than—the owner, where farms are let. In the case of the housing subsidy, the benefit goes entirely to the occupier, to close the gap between the economic rent and the rent he can afford to pay. (This housing subsidy does not apply to service cottages, which form a fair percentage of the total of farm cottages.)

Against the amount of grant-aid paid out, expenditure by landowners on the capital re-equipment of farms in the past three years has been very appreciable. Estimates prepared this year by my Association, based largely on figures supplied by the Ministry of Agriculture, showed that while about £9,750,000 was spent by owners in England and Wales in 1946, this rose to £12 million in 1947 and to £16½ million in 1948. This expenditure relates to capital improvements and not to repairs or maintenance, much of it being incurred at a time when labour and materials were scarce. It is fair enough to assume that landowners would have done still more had the facilities been available, despite the penal effect of high taxation, death duties and the "Special Contribution" payable under the 1948 Finance Act.

But, it may be argued, much of this expenditure may be relieved from taxation. As far as relief for maintenance is concerned, this is simply an embodiment of the principle that only *net* income should be taxed, on the analogy of setting off operating costs against receipts in industry before tax is assessed on profits.

The state owes something to British agriculture, which over a period of half a century (apart from brief periods of war

prosperity) was allowed to fall into economic decay because it suited national policy at the time. The need for the rehabilitation of farm equipment and for the injection of capital into the industry is largely the result of political action; surely it is not unreasonable that some amends should now be made by the state in the form of subsidies and tax concessions to recreate a great national asset.—Yours faithfully,

FRANCIS F. TAYLOR, Secretary

The Central Landowners' Association,
24 St. James's Street, S.W.1

The Webbs

SIR,—Each week I get great pleasure and benefit from reading *The Economist*. It saddens me all the more when you allow the reviewer of "The Webbs and Their Work" to write "What a lamentably stunted, over-specialised, dehumanised, myopic, and unbeautiful existence was theirs." May I say that, as a result of over thirty years' close friendship with the Webbs, I regard this as spiteful, ridiculous, and caddish nonsense.—Yours faithfully,

SIMON OF WYTHENSHAW

116, Marsham Court, S.W.1

[Lord Simon is letting his affection run away with him. Our reviewer (who also knew the Webbs) takes a different view of them from his. But the review was certainly not spiteful, and none of the adjectives that Lord Simon quotes supports an accusation of caddishness.—EDITOR.]

Books and Publications

No Savoury Solution

"Documents on British Foreign Policy, 1919-1939." Third Series, Volume II. Edited by E. L. Woodward and Rohan Butler, assisted by Margaret Lambert. HMSO. 692 pages. 21s.

WHAT emerges most clearly from this latest volume of Foreign Office documents, more clearly than from the various recent commentaries on the Munich crisis, is the need to distinguish what the British Government was trying to do from the incompetent and sometimes despicable way in which it did it. The commentaries have usually been critical of British policy; it is undoubtedly the fashion today to take that stand; but present-day criticism, like the contemporary opposition to Munich, is based to no small extent on the failure to make this distinction. Shame and indignation at the methods adopted, at the unintelligence displayed, still distort, if they do not quite obliterate, the estimation of the ends. The importance of the present volume, which covers the period from the announcement of the Runciman Mission to the Munich agreement, is that it forces us at least to hesitate before pouring out the baby with the bath-water. It performs this useful function—or it will if it is properly read—as much by its omissions as by the mass of material it contains.

British shame and indignation, this material leaves no doubt, were more than justified. The behaviour of the nominally independent Runciman Mission, in practice more than biased; the constant, repetitive efforts of Sir Neville Henderson to ensure, from Berlin, that the Mission should reach conclusions acceptable to Berlin; the spinelessness in action, the vagueness in thought, which characterised Whitehall; the surrender of the British representatives during the visits to Hitler—these things, of which we already had evidence enough, rise up again on every page of this detailed, objective collective. No end, one feels, could justify these means, no policy could succeed which met with such shortcomings in its execution.

Yet the policy and its objects remain to be considered; it is far less obvious than at first appears that "appeasement"

was wrong and insane; or that it failed. However difficult it may be to distinguish ends from means, there are still two sides to the question; and Munich would cease to be a problem if there were not. It is here that the volume should introduce its note of warning. More effectively than any individual interpretation, this bald and bulky documentary tale forces it upon the attention that an assessment of the policy pursued by the British Government is not a matter for glib and easy conclusions; that it is a question of immense complexity. This volume, it is true, does little to resolve the complexity; on the conflicting issues it throws little light. Like its predecessors, because of the nature of the material to which this whole collection is confined, it is purely tactical in importance. Its evidence is almost entirely limited to telegrams into and out of the Foreign Office; it contains no minutes or memoranda; it has little to say about the main-springs, as opposed to the execution, of British policy. Yet, to an even greater extent than the earlier volumes, it reveals, by the limited nature and the very bulk of its evidence, the extent of the material which is not divulged.

At a time when the conduct of British policy, if it was odious, was odious because it was desperate, it has singularly little to say about the fundamentals of the situation. At a time when, more than ever before, the formation of policy was in the hands of the Prime Minister, there are no Cabinet papers, and the Prime Minister's material is represented only by the record of his meetings with Hitler and with the French Ministers and by occasional letters. Although the danger of war was imminent for months, no light is thrown on the views and proceedings of the Service Ministries or the Chiefs of Staff. The reports of our military attachés, on the other hand, are included simply because they were received through Foreign Office channels, a fact which illustrates the arbitrary and inadequate basis on which the selection of these documents has had to be made.

There are arguments in favour of releasing the information which is so obviously withheld, not the least of which is the fact that the publication of the German archives, which has

just begun, should in any case reveal a great deal. Equally, no doubt, there are arguments against it. But on the merits or otherwise of British policy the judgment of historians, at least, will be suspended until this other material becomes available; and even a temporary judgment, within the limits of what is now being published, should be delayed until more of these volumes have appeared. For Munich was the culmination of a policy pursued at least since 1931; it cannot be judged in isolation; and, in choosing to publish Series 3 before completing Series 2 of their volumes, the editors have left us for the present with nothing later than 1932 against which to assess their evidence for 1938.

When these other volumes appear some estimate of the British policy will become possible; and, though their evidence will still be incomplete, they will make these things, already obvious, doubly clear: that in politics there is no easy or sovereign remedy; that for the problems of Europe in Hitler's day there could be no quite savoury solution.

An Illuminating Historian

"The Elizabethan House of Commons." By J. E. Neale. Jonathan Cape. 455 pages with illustrations. 18s.

IN the century between Henry VIII and Charles I the English Parliament changed its form. From being an occasional gathering of delegates, reluctantly accepting a summons to vote taxes, it became a political institution with high, indeed sometimes shocking, pretensions. After the great Reformation Parliament there are no obvious landmarks in this process. It continued gradually, moving by precedent and procedural change rather than by signal gestures, and perhaps the greatest growth in the stature of the Commons was that which was achieved most silently: for the exquisite political virtuosity of Queen Elizabeth always prevented such dramatic clashes as enliven the reigns of her two successors. This silent development has been examined, brilliantly but briefly, by the American historian Professor Notestein in his Raleigh Lecture of 1924. Now the most distinguished Elizabethan scholar in England, Professor Neale, has illuminated the whole subject in a new work of fine scholarship and lucid exposition. *The Elizabethan House of Commons* is a book such as seldom appears in historical writing: the material new, the learning profound, the style clear and vivid, deceptively concealing the labour behind it.

The first part of the book is a social analysis. Everywhere the same conclusion emerges. The House of Commons, which was to become the most successful political institution in Europe, was—in the reign of Elizabeth—quite unpolitical. Social competition determined the choice of candidates. The gentry, eager to find seats for themselves and their sons, rallied their supporters, attached themselves as clients to great magnates, and overflowed, from the socially grander county constituencies, into the more numerous boroughs. In this

eager competition the claim for parliamentary wages, at least by county members, was gradually dropped; new boroughs were created to cope with the demand; and the elections in some counties—where the social pattern admitted it—were hotly contested and dubiously decided. Sheriffs were seldom impartial. Family or political alliance determined their conduct at the poll. They had many opportunities to cook the returns; and provided the favoured party would underwrite their liabilities if found out, they often did. This is a fortunate fact: for it is from the depositions of aggrieved candidates in such cases that Professor Neale has drawn much of the evidence for his excellent narrative of county elections.

The pattern of borough elections is more complex. Here too there is evidence of the growing pressure of the gentry (who elbow out the merchants) and the rise of great aristocratic "interests." One by one the boroughs sank under noble patronage—apart from London only five of them retained consistent independence—and on the ruins of the urban oligarchies arose the organised patronage of those disastrous politicians—Essex, Robert Cecil, and finally Buckingham—whose exploitation of social ambition and economic necessity brought a disastrous nemesis in the next century. Under Elizabeth, until the 1590s, there was no such organisation. The pattern was changing and miscellaneous, conditioned by random pressure from beneath and contained by political responsibility at the top. The shadows of party organisation are there, but not the reality.

How did such a body become the formidable political engine of the next century? Partly by indirect means: social competition raised the intellectual standard of admission, and we have convincing evidence of the improving quality of members. But largely the change was procedural. In three excellent chapters Professor Neale, drawing on the scattered manuscript diaries of members, is able to describe that silent development of rules and organisation to which political institutions ultimately owe their success—the method of seating (of great practical importance), the little economies of time and method, the increasing use of committees. "Between the days of Edward VI and Mary, when—a sure sign of immaturity—most bills were not committed, what a transformation." These quiet changes of detail are as significant in political development as the more spectacular manifestoes and the clash of parties by which, in the pages of less skilful and judicious historians, they are often drowned.

Full Employment on the Left

"The Problem of Full Employment." By Joan Robinson. Workers' Educational Association. 36 pages. 1s.

MRS ROBINSON remains one of the most skilful, as she was the first, of the interpreters of Keynesian theory. In this pamphlet the data of the full-employment problem are set out, the basic relations between them explained, so lucidly that one wonders

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This book is intended to be a logical outcome of the methods of economic analysis of the theory of monopolistic or imperfect competition propounded and developed by modern economists, particularly Chamberlin and Mrs. Robinson. It will be of interest not only to academic economists and those having a fair knowledge of economics, but also to the larger industrialists who are concerned with the formation of prices for the products of their industry.

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why the task of popularisation should ever have appeared difficult. It takes Mrs Robinson only nine pages of easily-flowing exposition to display the connections between consumption, investment and saving, the dynamics of instability and the relations between particular and general unemployment; half a dozen more to dismiss false remedies and outline the true; about the same to present her case for the planned economy and discuss its methods; while the remainder of the booklet glances at international problems, deals with a few fallacies (e.g. the "Treasury View") and concludes with a warning about the dangers of inflation. It is all, from a technical point of view, quite masterly.

From every other point of view it is unrealistic, sour and casuistical. It is really instructive to any reader interested in the technique of propaganda to identify the means by which Mrs Robinson gets her effect; the effect, of course, being that anyone denying the necessity of full-blooded Socialism must be a squalid combination of knave and imbecile. Note her use, to illustrate the inequality of incomes, of the figures of 1938—so much more telling than those of today. Admire the question-begging treatment of consumers' choice: "In a rational economic system, the productive resources of society would be used deliberately to meet the needs of the people," and "investment should be regulated on a system of priorities" (instead of by the profit motive). Which needs? What priorities? Has recent experience taught Mrs Robinson nothing about what happens when Mr Bevan's priorities, for instance, collide head-on with Sir Stafford Cripps's? Experience apart, all the serious literature of Socialist planning, from Dickinson and Durbin to Lange and Landauer, rejects this cavalier optimism. Then, watch the "mights," "woulds," "coulds" in the paragraph on "Planning and the Choice of Work": "When voluntary recruitment fell short, mere advertisement might be sufficient to set matters right," "many who had no strong preference . . . would take the right training," "slightly higher pay . . . could be used." One would never dream that present manpower objectives and the degree of their attainment could cast a light on these hopeful conditionals.

It is harder to ascribe any significant purpose to the hostility displayed by Mrs Robinson towards the business and professional classes—her own. The total effect is certainly unpleasant, a modulation into the Social-Democratic key of the typical cacophonies of Communism. Nothing could be less like Keynes; it is really time that that great man were rescued from his posthumous captivity.

Economics of the Long Weekend

"Economic Survey, 1919-1939." By W. Arthur Lewis. Allen and Unwin. 221 pages. 15s.

ANY history or analysis of the economic events of the inter-war years is likely to be either ponderously unreadable or inaccurately sketchy. Professor Lewis has contrived with great skill to provide something which is neither; which, without pretending to be more than a "starting point," a first approximation, gives the reader both a perspective against which to set special knowledge or to verify speculations, and a guide to further learning, and which introduces and relates to one another facts and theories, hitherto only available in specialist publications, in a style which any intelligent lay reader can appreciate.

He has adopted a somewhat odd but decidedly effective technique, covering the ground three times in three successive sections headed respectively "The Cycle," "National Policies," and "Trends." The first charts, as it were, the economic meteorology of the interwar years; the period of dislocation, demobilisation, revolution, monetary collapses and provisional stabilisation of 1918-25, the patchy but hopeful fair weather of 1925-29, and the catastrophic 'thirties. The second traces the fortunes and expedients, over that period, of the

United Kingdom, Germany, France, the United States, Japan and Russia. The third endeavours to establish valid generalisations, setting the interwar years in the longer perspective of secular economic development and isolating those factors (relating chiefly to international trade and the balance of economic activity between its primary, secondary and tertiary forms) which account for its distinctive features. He reaches the conclusion—on the whole a reassuring one—that the misfortunes of the interwar period had a specific, *ad hoc* explanation; "they were not linked," he says, "either with prewar trends or with permanent long-term trends which must be adverse to us in the future."

This explanation consists in the relative overproduction of primary commodities, "which, by keeping the terms of trade unfavourable to primary producers, kept the trade in manufactures so low . . . even in the 'twenties, and . . . pulled the world economy down in the early 'thirties." There were, of course, other contributory factors, especially in the financial and political fields; this was the chief. The lesson for the future is that the first essential for stability is, while encouraging both industrial and agricultural development, "to take care that the rates of growth do not diverge disastrously." It is, of course, true that the divergence to be guarded against may not be in future, as it was between the wars, on the side of excessive primary development. But the principle of harmony is important.

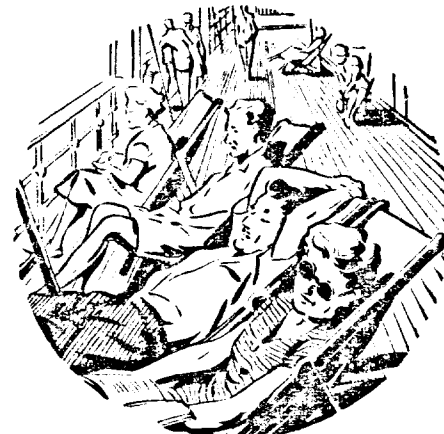
Professor Lewis's analysis makes the Marxist picture of capitalism in crisis look remarkably silly; it is disconcertingly hard to fit into the categories of Keynes. It is one of the puzzles of this excellent book that its author should take the trouble to investigate the "long wave" depression theory of Kondratieff and Schumpeter, only to condemn it, while leaving his readers without any clue to the bearing of his researches on the best known theoretical structure to emerge during his period. That one should thus feel tempted to ask for yet another approach to the subject is perhaps the most striking evidence of Professor Lewis's success. One remaining complaint is more reasonable: the index is hardly more than an airy gesture. What is the use of giving thirty-nine page references under the undifferentiated heading "United Kingdom"? Loathsome as is the job of index making, one may hope that in a later edition Professor Lewis will take pity on his otherwise appreciative readers.

Sense on Erosion

"Deserts on the March." By Paul B. Sears. Routledge and Kegan Paul. 178 pages. 10s. 6d.

THE theme of soil erosion of the "rape of the earth" has been, over the last dozen years, orchestrated with more than Wagnerian thunders. The effect on public opinion, while certainly not negligible, has been rather reduced than otherwise by the extreme vehemence with which the campaign has been conducted—not to speak of the equally extreme innocence, in matters of market economics, of the writers concerned. The response of the reader to a title like "Deserts on the March" is apt to be "Oh, another of these erosion merchants!"

Professor Sears' book has reached this country after a long delay; its first American edition appeared in 1935. It covers the familiar ground, glancing at the rest of the world but concentrating on the United States, in a refreshingly civilised style which one would call urbane but for its occasional unmistakable flavour of cracker-barrel. A postscript dating from 1947 strikes a note of cautious optimism. Professor Sears does not panic; he does not denounce, though he is not chary of blame; there is no shrillness about him; and there is not a dull page in his book. No "general reader" wanting to know what all this erosion business is about, no student seeking an introduction to serious study, could do better than begin with "Deserts on the March."



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Children's Reading

The issue of October 21st of *The Times Literary Supplement* will carry a special 12-page Children's Books Section. Articles will appear on the following subjects:

- ★ Children's reading, past and present.
- ★ Physical production—typography etc.—of current children's publications.
- ★ The remoteness from reality (i.e. parents, school holidays, etc.) of background treatment in contemporary children's books.
- ★ The bookseller's share in keeping up the standard of children's books.
- ★ A leading and constructive criticism of children's books generally.

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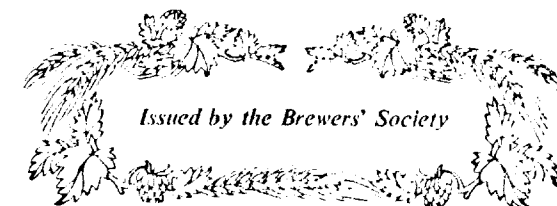
A stay at an English inn is one of the chief inducements to prospective tourists now being advertised by the Travel Association in the United States, a country not notably backward in the matter of hotels. There are still to be found in our inns the comfort and civility which prompted Dr. Johnson to say: "No sir, there is nothing which has yet been contrived by man by which so much happiness is produced as by a good tavern or inn." A tradition of good and hospitable service still lives on.

But for the brewing industry many of these inns would have vanished.

The industry has acquired them largely during the past fifty years, since the policy of public house improvement was inaugurated. It has renovated and enlarged them when necessary and let them at low rents to enterprising landlords. The industry could not

conserve all the old inns: many were condemned by the authorities as redundant and others had to be rebuilt. But in hundreds some link has been maintained with the days when hospitality to travellers was a duty resting on monasteries and great households, even if this link is nothing more than a name or a place or a tradition of service.

There is surely something here of credit to those, the owners, who are preserving this feature of our national life so much appreciated by our overseas visitors.



AMERICAN SURVEY

Testing Prosperity

(From Our American Staff)

FOR more than four years since the jubilant summer and autumn of 1945, American prosperity has been subjected to periodic—even persistent—testing by adversity. At least, many events during that period have been widely viewed, both here and abroad, as being adverse. To mention a few, there have been repeated economic and political crises abroad, strains between labour and management at home and government policies which most business interests felt to be incompatible with continued prosperity, coupled with frequent warnings that the back-log of demand piled up during the war years was at last exhausted. Moreover, there have been periods of definite business decline, notably in 1945-6, when the index of industrial production fell from 236 to 152, and in 1948-9, when it receded from 195 to a low of 162 in July, 1949. But on all occasions the tests have been withstood: not even a Marxian—if he were honest—could describe the troughs as anything but prosperity, accompanied by very high employment and a standard of living of unprecedented abundance.

How great the increase in welfare has been the accompanying table shows. Real income per head is now \$1,405 a year. This is almost double the level reached at the peak of the boom immediately following the first war and is 56 per cent above 1929, 108 per cent above 1933, and 41 per cent above 1940. And this level has not been achieved by drawing on pre-existing stocks of goods or on the resources of others or through any form of compulsion of labour or capital; indeed, it has been realised although nearly all segments of the community have been working somewhat less efficiently than they might have done with existing skills and equipment.

Now the economy is being subjected to another major test from events and developments which in themselves would be regarded as adverse and which, in combination, and when popular reactions are taken into account, are perhaps fully as severe, if not more so, than anything experienced since the end of hostilities. They include a very marked appreciation of the currency against most of the rest of the currencies of the world, simultaneous stoppages in the coal and steel industries and on one major railroad, the unnerving news that the Russians have produced an atomic explosion, and the early prospect of extensive tariff reductions. This chilling combination of threats is encountered at a time when taxes remain very high, and the already heavy direct burdens on production from labour and social insurance costs are likely to rise.

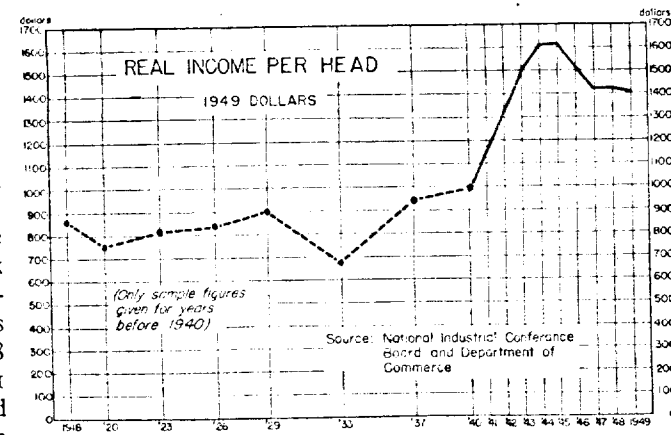
Yet the general state of expectations in early October,

with this latest test already begun, is one of real, if moderate, optimism. This view prevails among business men, civil servants, and among economists of various schools and connections. A level of production and employment within the range of the past 12 months is generally projected as far into next year as projections are made, with only the qualification that the current steel and coal strikes may cause October to be a "holiday," and thus discontinuous, month. The effects of dollar appreciation are belittled as affecting only a part of export business, with the export trade as a whole considered to be too small to be of much significance anyway. The production—and consumption—of steel and coal now being lost through strikes are looked on as being merely deferred. The Russian atomic achievement is expected to stimulate public, and some private, expenditure.

Aside from these interpretations of current events, the optimists use arguments that have become familiar during recent years. The technological revolution, given a competitive economy, the continuing consequences of underinvestment during the nineteen thirties, and the concentration on war production in the first half of the 'forties, give a buoyancy to investment which will not be lost for many years. Consumption is, and will be, maintained by the same factors, reinforced by financial reserves of individuals (which are still far higher than at any prewar

time, in spite of a small decline in recent years, and are protected by both social and private insurance and pensions). Large government expenditures serve to maintain both consumption and investment and easy money is a pervasive stimulant. No large area of over-extension or over-expansion exists to initiate a sizeable collapse, and the increase in the population, which is far greater and more persistent than any estimates suggested, is another broad expansionary force.

A minority dissents from this rosy view, both of current events and the basic position. It argues that the appreciation of the dollar against the currencies in which most of the world's trade is carried on is a deflationary force of great potency. It believes that the struggle for power between labour and management has reached, or is reaching, a significantly destructive stage. The international political tension will, with Russian progress in fission, increasingly discourage expansion. Recent "prosperity," according to this view, has rested essentially on unsound inflationary expenditure, the consequences of which, in the form of burdens on and dislocation of enterprise, cannot long be prevented from producing a downward spiral.



Both cases have considerable force, especially when stated in their fully developed form, instead of the highly summarised version used here. The experience of the past four years supports the optimists—but for a long time during the nineteen twenties the economy seemed depression-proof, and for many dismal years of the 'thirties it seemed recovery-proof.

The prudent business man of whatever persuasion—or confusion—has only one choice. It is to operate neither in the anticipation of nearby Marxian doom, nor in the happy belief that depression has been excised from economic behaviour. He attempts to keep his plant in condition to produce goods as attractive and meritorious as those of his competitors—or if possible, a little better—while at the same time maintaining a financial position sufficiently flexible to adjust to fluctuations in demand. He is, in short, cautious, but far from paralysed.

Taft's Tour

[FROM A CORRESPONDENT IN OHIO]

SENATOR TAFT'S 100-day tour of Ohio, now nearing its half-way point, is a political nine days' wonder. Rarely, if ever, has a candidate canvassed his entire state fourteen months in advance of a Congressional election. But the Senator from Ohio has compelling reasons for his unorthodox early start: back in 1944, when the war riveted Congress to its job, he barely won his first race for re-election, and Governor Dewey's debacle is a recent object lesson in over-confidence. If nearly one-third of Ohio's registered Republicans stay away from the polls in 1950, as they did last November, when the Democrats won the state, it will not be the fault of Mr Taft.

The Taft tour is defensive tactics. Organised labour is planning an all-out campaign against the hated author of the Taft-Hartley Act, President Truman's brace of speeches on Labour Day, to the workers in Pittsburgh and to the farmers in Des Moines, foreshadowed his strategy for 1950 and 1952—a farmer-labour partnership. Ohio, with its big urban and rural votes and its tradition of independent voting, should be an ideal proving-ground for the Truman strategy; it is regarded as the critical state in 1950.

Senator Taft calls his tour "A Report to the People." On a schedule that would kill many a man of half his sixty years, he is invading every one of Ohio's eighty-eight counties, speaking almost around the clock and flying back to Washington from time to time to vote on important issues. He is trying to counter the Roosevelt-Truman tradition of personality, coupled with large promises to large blocs of voters, by an uncompromising statement of his own hard-grained opinions, heavily larded with facts and figures. He also wants to find out the weaknesses of his position, not from Washington correspondents but from the men and women who will cast Ohio's ballots next year.

Apparently unconcerned by any threat of a farmer-worker coalition, Senator Taft regards organised labour as his real enemy. The two national labour organisations have decided to use Ohio in 1950 as an advance test of their political power in the presidential year of 1952. Though not unified, their attack follows parallel lines and they propose to raise a multi-million-dollar campaign fund from rank-and-file contributions. The Senator's views on many domestic issues are a far cry from the Republicanism of the nineteen-thirties. He has sponsored bills for Federal aid to public

housing, education and public health and has voted for the 75-cent minimum wage—all measures which must trouble the spirit of Calvin Coolidge. But this means nothing to the labour leaders. It is enough for them that he wrote the "slave-labour law." The Senator was encouraged by a recent Republican victory in a Pennsylvania by-election, in a district that includes industrial Johnstown—which labour had indiscreetly heralded as "a preview of the Ohio 1950 race." Nevertheless, Mr Taft must take the opposition of organised labour for granted. His major task is to win over the other half of the Truman coalition.

The defection of the normally Republican farm vote was mainly responsible for putting Ohio in the Democratic column in 1948. But Mr Taft speaks the language of Ohio farmers, as Mr Dewey did not. The farmers admire him "because he stood up to the labour unions." His warnings against the political and economic perils of the "welfare state," which he sees as the end-product of Mr Truman's fair deal, fall on willing ears wherever local politicians gather. The farmers are worried by the spread of Communism abroad, but no less by the mounting cost of stemming the red tide. They do not oppose the European recovery programme but they ask persistently: "Where will it all end?" And the return of deficit financing disturbs the rural taxpayer.

Of course, the farmer wants nothing to interfere with crop-price supports, which Mr Taft favours in a flexible form and which, in the 1949 fiscal year, cost the Treasury three billion dollars in loans and purchases. But even as he insists upon price supports, the farmer agrees with the Senator that he is paying too much in taxes for what he gets. Moreover, the farmers are suspicious of the Administration's farm plan—a favourite Taft target—which promises to lower prices to consumers and yet to maintain a high farm income out of the taxpayer's pocket. When Senator Taft asserts that this Brannan plan would end in complete government control of agricultural production, the farmers and their wives nod solemnly.

The Senator's views on foreign policy, which more and more hark back to isolationist days, are sharply attacked along the eastern seaboard but have thus far done him little harm in rural Ohio. He is not an isolationist of the *Chicago Tribune* school. If Russia attacks, he says, the United States should at once go to war in defence of western Europe. His isolationism is of a new midwestern type, which fears national bankruptcy no less than war and sees in the former the more immediate danger. These views are not shared by most Republicans in the Senate, who follow Senator Vandenberg's leadership, but they carry weight with the farmers of Ohio. They help to explain why Mr Taft is attracting bigger crowds now than he did last year when he tried to win the presidential nomination.

Senator Taft's chances may seem better than they actually are, thanks to the difficulty of finding a worthy opponent. So far, the labour leaders and Democratic party officials have been unable to agree on a Senatorial candidate in Ohio. The

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

best man in sight, Governor Frank J. Lausche, a Democrat, but not a Fair Dealer of the Truman stamp, has shown no inclination to contest the Taft seat, and indeed is one of the Senator's admirers. This attitude of the state's leading Democrat towards its leading Republican raises an interesting question—the influence of anti-Truman sentiment among Democrats on the state level in 1950. Any day in Washington one can hear Democratic members of Congress—not all of them from the south—voilunteer the opinion that a Taft defeat would be a political disaster for the country. But they always say it privately. While labour busily tries to dislodge the right-wing Democrats in the south, there is as yet no sign in Ohio, or elsewhere in the north, of an organised anti-Truman movement in the Democratic Party. Many Ohio Democratic newspapers will be on the Taft side next year. But however much individual Democrats may dislike aspects of the Fair Deal, it is not to them an incendiary issue, like racism is in the south. At the moment the only unsolicited gift the Republicans can hope for is a split in the Congress of Industrial Organisations. Should the left-wing labour unions break away from the anti-Communist majority in the CIO and put up fellow-travelling candidates for Congress, Mr Taft and other Republicans would naturally profit.

The influence of a Taft victory in 1950 would be felt primarily in domestic affairs. Nevertheless, his growing opposition to the bi-partisan foreign policy may alienate many voters who look upon 1950 as only a preparation for 1952. If illness should incapacitate Senator Vandenberg and if Senator Dulles, one of the originators of the bi-partisan approach, should lose his seat in the New York special election next month, Senator Taft would have the commanding voice in Republican foreign policy. On the other side, it must be remembered that the isolationism of the minority party in Congress has more to do with methods than aims. Then, too, the Senator may yet temper his assaults on the bi-partisan policy, in deference to the impact on public thinking of the atomic bomb explosion in Russia.

As the fear of war rises, the fear of "bankruptcy through Socialism" tends to decline. While a sudden change in the temperature of the cold war would not injure Mr Taft's standing with the regular Republicans, who regard him as a domestic life-saver, it could persuade many independent voters that his intelligence cannot be trusted beyond the twelve-mile limit. And the independent urban voter may hold the balance of power in this most critical state election in decades.

American Notes

Mutiny on the Quarter-Deck

The second birthday of the unification of the armed forces is being celebrated—if that is the right word—by a noisy civil war. Thanks to a captain who has wrecked his career to startle the House Armed Services Committee into resuming its hearings, the Navy now has a second chance to put before the country its conviction that unification is strangling sea power, and that the dominant strategic thinking of the Air Force is a positive threat to the nation's security. These are the important issues which never had a hearing in the earlier inquiry into the procurement of the B-36.

The Navy—never less a silent service—has put up virtually its whole higher command to denounce the official policy of Mr Johnson, the Secretary of Defence, of the Joint Chiefs of Staff, and of the Navy's own new, and not very impressive, civilian head, Mr Matthews. The Navy believes

it has had a raw deal from the air-minded Mr Johnson and the Chiefs of Staff, where it is persistently outvoted. It is convinced there is a plot, under the excuse of economy, to rob it of its aviation and hence of its offensive power, and whittle it down to a mere shadow of its former self. Still worse, according to Admiral Radford, an expert on naval aviation, the B-36, the Air Force's chosen instrument for delivering the atomic bomb, is little more than a "removing van," a billion-dollar blunder, vulnerable, when unescorted, to existing fighters and improved anti-aircraft defences, incapable of precision bombing from a safe height, and inferior, for example, to the Navy's *Neptune*. (The Navy is not impressed by the objection of the Air Force that the argument between the B-36 and the Navy's fighters could only be settled by a duel with live ammunition; to some naval airmen this seems to be a positive advantage).

The failings of the B-36, however, according to Admiral Radford, are less disastrous than the kind of war planning of which it is a symbol: reliance on the atomic blitz. This, the Navy is convinced, will win no wars, particularly if Russia can produce the bomb, but its use will certainly wreck any hopes of subsequent peace. In the meantime, the concept stimulates an indefensible public complacency. These broader contentions are shared by many more disinterested observers. The suggestion of Mr Vinson, chairman of the House Armed Services Committee, that a "fire" should be built under the weapon evaluations group to hasten a report on the B-36, and that the National Security Council and a special board should report on strategic air warfare, hold out hopes of some authoritative guidance.

The Navy appears to be more at sea in its complaints that it is being "scuttled." Economy has, it is true, been practised at the expense of the Navy, though Mr Johnson is also opposing the House in its desire to shower new appropriations on the Air Force. But Mr Johnson's defence has force; it is that the naval strength of the United States, Britain, and France is overwhelmingly greater than that of Russia, the only conceivable enemy at present. Some observers believe logic requires more, rather than less, severe pruning of the Navy. National security would hardly be served by erecting a Congressional bomb shelter into which the Navy could dive to escape from reality. Yet this is what Mr Vinson is proposing when he tries to protect naval appropriations from Mr Johnson's pruning hook.

Playing Politics with the Atom

When early last summer he charged Mr Lilienthal, chairman of the Atomic Energy Commission, with "incredible mismanagement," Senator Hickenlooper hoped to impress his name so favourably on the memories of his Iowa constituents that his re-election in November, 1950, would be assured. In fact, it is on the Washington vocabulary that the impression has been made: Hickenlooper is the current synonym for a fiasco, but it might also be used to signify negative stubbornness. Mr Hickenlooper entirely failed to substantiate his charges before the Joint Congressional Committee on Atomic Energy and its hearings ceased many weeks ago, since there were neither witnesses who wished to be heard nor members who wished to attend. Yet when the Democratic chairman of the committee, Senator McMahon, tried to get it to vote on a report, so that Mr Lilienthal might be formally cleared before Congress adjourned, the hearings were only closed over Mr Hickenlooper's protests and by a vote on strictly party lines.

Mr Hickenlooper's Republican colleagues then found a further means of postponing a report which will inevitably be favourable to the Administration and embarrassing to the Senator. Mr Knowland insisted that a secret investigation be undertaken. It apparently concerns the means by which atomic bombs, in the custody of the AEC, are made available

to the Air Force when it decides to drop them. The topicality of this question arose from the announcement of the atomic explosion in Russia, an explosion which Senator Hickenlooper takes to be proof of his charge that the AEC has been lax in its security policy. The explosion has focused attention on civilian defence, or rather on the lack of it, in the United States, and there is also fairly general agreement that the atomic bomb programme must be reviewed and probably accelerated. This may involve additional appropriations, although Mr Hickenlooper doubts if they will be necessary.

The Russian explosion also gave new significance to the discussions going on in Washington between the United States, Canada and Britain on questions of atomic co-operation. These discussions have been adjourned for a few weeks, but the Under Secretary of State gave an interim report on them, in which he referred to the possibility of an atomic partnership. This reference immediately called down a Hickenlooper on his head, because he had discussed such an idea without consulting Congress. If atomic partnership is to become more than an idea, Congress will certainly have to be consulted, and the provisions regarding exchange of information in the present Atomic Energy Act will have to be amended. However, it is not expected that such legislation will be requested before January and it is to be hoped that in the meantime, the Republicans may have been sufficiently mellowed by the Christmas spirit to put their country's co-operation with its allies before their political intransigence.

Labour Liaisons

At its verbose and leisurely convention last week, the American Federation of Labour made another of those proposals of marriage to the Congress of Industrial Organisations which never get as far as an agreement on the terms of the marriage contract. Mr William Green, beginning his second quarter of a century as president of the AFL, hardly helped this year's negotiations by his derogatory contrast between the single harmonious voice with which the AFL presses its cases and the cacophony from left and right which has recently characterised the CIO. With a further disparaging glance at the readiness of the CIO's Mr Murray to abandon his wage demands on the recommendation of the steel fact-finding board, Mr Green declared that the AFL would never surrender its right to fight for wage increases for its members. Indeed, he added unctuously, the AFL had recently been very successful in obtaining such increases—15 cents an hour for 20,000 teamsters in New York, for example.

The AFL's Executive Council, following the lead of Mr Lewis, has now set a five-day, thirty-five hour week, with no lowering of wages, as the peak to which labour may aspire, once it has scaled the heights of its present pension demands. Such a reduction in hours, the Council suggested, might be preferable to higher wages. It would not only give labour a share in the benefits of rising industrial productivity, but would also prevent the unemployment which would otherwise follow the approaching return of productivity to its normal rate of increase, about 2½ per cent a year.

While no wedding is likely to be solemnised as yet between the AFL and the CIO, two liaisons between them have now been firmly established. One of these is only for foreign travel: both organisations are playing an amicable and equal part in the formation of the new world labour federation. The other liaison, to which the AFL still refuses to give the official dignity of national recognition, is a local affair between branches of the CIO's Political Action Committee and the AFL's Labour's League for Political Education. They are co-operating closely in their efforts to secure repeal of the Taft-Hartley Act and it is to secure this that Mr William Hutcheson, the Republican leader of the Carpenters' Union, has contributed \$100,000 to the rapidly growing League.

This gives it a little of that non-partisan look without which Samuel Gompers would turn in his grave. But the father of labour's non-partisan policy is likely to haunt his centennial celebrations next year if, as is now planned, they are made the occasion not only for a drive to increase the AFL's present membership of 8,000,000 by another 1,000,000, but also to induce all those members to contribute voluntarily to the League. Even if it would like to be politically neutral, the League finds itself regularly working for Mr Truman and his Fair Deal.

The Farmer's Applecart

All hope must now be abandoned that Congress, despite its nominal attachment to economy and free enterprise, will permit a real reform of the agricultural subsidies to take place in 1950. Such an Act, written by Senator Aiken, was passed last year, to take effect in 1950. But the House has already repealed it, and substituted the Gore Bill, which would simply continue for one more year the present system of high and inflexible supports; and last week the Senate displayed its own unwillingness to upset the farmer's applecart. It is hard to imagine that the next session—at the end of which the whole House and one-third of the Senate must seek re-election—will find Congress more willing to risk losing the farmer's good will even for his own good.

The Anderson Bill, which the Senate is debating, is basically the Aiken Act sugar-coated. Like the latter, its aim is to lighten the burden of the farm programme on the taxpayer, and encourage farmers to conform to the changing pattern of demand, by lowering support prices somewhat from the high level adopted to increase production during the war, making support prices vary with supplies of each commodity, and modernising the basis on which they are calculated. To make the dose more palatable, the Anderson Bill includes the cost of farm labour in the calculations, raising support levels by about six per cent; and puts off the introduction of lower, and flexible, supports until 1951. How little enthusiasm for reform there is in the Senate—with its heavy representation of agricultural States—was shown last week when, for a day or two, before the vote was reversed, the Senate went on record as favouring the permanent extension of the present high levels of support. Spokesmen for the wheat and cotton farmers, who find it so hard to agree on the requirements of a modern farm programme, found it temptingly easy to sink their differences at the expense of taxpayers and consumers.

SUPPORT PRICES FOR BASIC COMMODITIES UNDER VARIOUS BILLS
(In Dollars)

	Gore	Aiken		Anderson	
		With Quotas or Allotments	Without Quotas or Allotments	With Quotas or Allotments	Without Quotas or Allotments
Wheat (Bu)	1.94	1.70	1.41	1.84	1.72
Corn (Bu)	1.41	1.07	0.89	1.35	1.12
Cotton (34)	0.27	0.22	0.18	0.25	0.31
Rice (Bu)	1.78	1.95	1.62	2.09	2.06
Peanuts (bu)	0.11	0.10	0.09	0.10	0.10
Tobacco (lb the cured) ..	0.42	0.43	0.34	0.45	0.45

From the Washington Post

If the Senate, as seems likely, approves the Anderson Bill, it will have to persuade the House to swallow its long-term provisions. The trump card of the Senate conferees is that, without agreement on a new Bill, the even more spartan fare of the Aiken Act will be forced down the farmer's throat in January. Last year it was the Democrats' desperate need for a long-range farm programme to display at their convention which induced the House to pass the Aiken Bill—though for future consumption only. This year Congressional advocates of a flexible and realistic farm programme have been deserted by the Administration. It was the Vice-President, supported implicitly by Mr Truman,

who at one point broke a tie and nearly committed the Senate to permanent high, rigid, price supports.

Mr Brannan's eagerness to stab the Anderson Bill in the back was more fitting to the author of a rival farm Bill, which he hopes to revive next year, than to the Secretary of Agriculture, who must be aware that the Commodity Credit Corporation lost \$600 million on farm price support operations last year and that the government already holds, directly or under loan, substantial proportions of last year's wheat, cotton, peanut, and flax-seed crops. Cynics may suspect that the Administration, unable to secure its own Bill this year, is not averse to a costly stop-gap which will keep the farm issue alive for 1950, and is willing to take the risk that heavy farm subsidies, coupled with high prices in the shops, may permanently prejudice the cause of farm security.

* * *

Polio's Peak

The Chicago insurance company which, last June, introduced a scheme for family insurance against polio (poliomyelitis, or infantile paralysis) chose an inauspicious year to launch the new idea, that has been received so enthusiastically by the public. It has sold more than 500,000 policies, covering expenses up to \$5,000 and costing \$10 for two years, and claims were said to be coming in at the rate of 45 a day by the end of August. The annual polio epidemic had then reached its peak, a month earlier than it ordinarily does, probably as a result of the very hot weather over most of the United States this summer, which may also explain why this year's epidemic has been the heaviest ever recorded. In August 9,016 cases were reported, compared with 4,839 for the same month in 1948; in the whole of last year 27,900 cases were reported, a very high figure, but from January to October this year there were 33,140, over three thousand more than in the previous record year of 1916.

But there is now very much greater awareness of, and knowledge about, the disease than there was then, so that cases are detected more often and more quickly. Consequently they are properly nursed and the mortality rate for children under 15 is only one-fifteenth of that in 1916. The incidence of infantile paralysis nowadays, however, seems to be increasingly on adolescents and young adults rather than on infants. Both the high number of recorded cases this year and their comparative mildness may be explained by a new virus recently discovered by three scientists at Yale University, which causes the same symptoms as polio, but apparently leaves patients without the harmful after-effects. It is difficult to assess the prevalence of this infection because complicated tests are needed to distinguish it from real polio.

*

To counteract the frightening newspaper reports on this year's epidemic, and such disquieting events as the cancellation of the first football match ever to be arranged between Yale and Fordham Universities because one of the Yale team and two other students had polio, the progress of recent research has been publicised by the National Foundation for Infantile Paralysis. Knowledge of how the virus is transmitted is growing, but so far no effective antidote or vaccine has been found. The Foundation not only encourages research but also assists its local branches, or chapters, to give hospital and after-care to the victims of the disease. It is estimated that while 25 per cent of this year's cases will recover completely, 75 per cent will need varying amounts of treatment to reduce their handicaps as much as possible. Both the National Foundation and its chapters depend for their funds partly on the famous March of Dimes, collections of money made on the anniversary of President Franklin D. Roosevelt's birth, in honour of a polio patient who overcame his handicaps magnificently. It is, however, not only the enemies of the late President who feel that the nation's health might be improved if some of the attention which has

been given to polio could be turned to the benefit of victims of other even more distressing diseases—rheumatic fever, for example.

* * *

Automobiles in Flood

The record flood of automobiles which poured off Detroit assembly lines in August and September, and brought the total output for the year to the 4,000,000 mark as early as the first week in October, was in part at least an attempt to forestall anticipated strikes in the industry itself and in the steel industry. Retail car dealers had a struggle to keep their heads above the flood and it drowned a number of used car firms which had been in difficulties for some time. The quantity of new cars in dealers' hands increased by over 60,000 during August, even though the record number of 480,000 were sold, and in September, when the seasonal demand was over, output continued at a high rate. The steel strike and the production shut-downs which several companies are planning between now and Christmas, while they retool for their new models, may restore the balance between output and sales. But there is no doubt that the sellers' market for automobiles is over, even if the buyers' market has not yet permanently returned. Furthermore, devaluation of foreign currencies is expected to reduce exports, a matter which seems to worry manufacturers more than does the increase in foreign competition in the United States arising from the same cause.

The spring tide of automobile output was one of the currents which kept the American economy from running aground in the shallows of the recent recession. Not only does the automobile industry provide very substantial employment itself, but it also creates a heavy demand both for raw materials and for the products of other industries. But if the recession is resumed, that tide will almost certainly have lost much of its force.

*

Since the beginning of the year manufacturers have been increasing both their advertising expenditure and the number of their dealers, some of them by as much as 50 per cent. There are already dealers who will accept anything from a diamond ring to a land contract in part exchange for a new car or who will pay the fare of any customer coming to collect his car, even from thousands of miles away. But when over 40 per cent of the 35 million cars on the roads are more than ten years old, there is a certain flatness in the traditional sales talk about the economy, as well as the social desirability, of having a new car every year.

Lower prices would be a much more inspiring argument, especially when the average outlay on a new car has risen from \$1,200 in 1941 to over \$2,000. But this increase has only kept in step with similar increases in costs and no substantial reductions on existing models seem likely. Manufacturers are, however, producing an increased proportion of the lower-priced cars in their range. The Kaiser-Frazer Corporation, continuing its youthful custom of disturbing the industry's peace, is proposing to enter the low-priced car field next spring, with the help of the \$34 million loan which it has just obtained from the Reconstruction Finance Corporation. But even this terrible child has had to confess that it sees no prospect as yet of achieving the \$1,000 car which is its goal—and that of other firms as well.

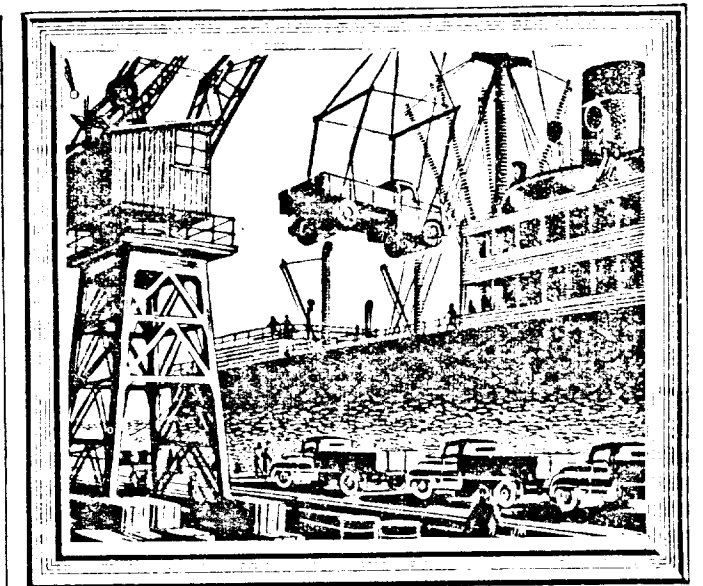
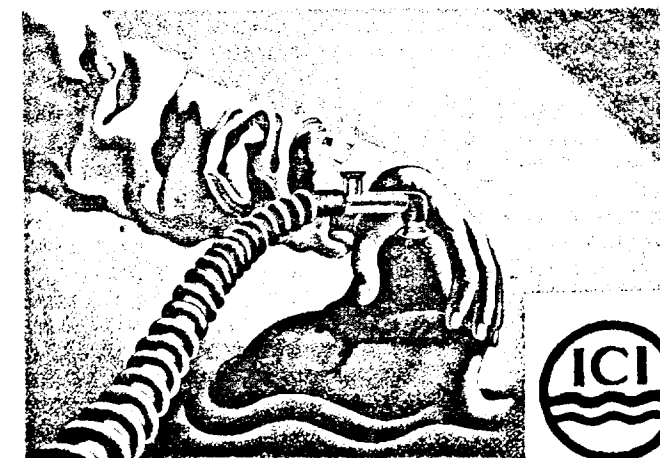
Shorter Note

The United States gave or granted over \$5 billion to foreign countries in the last fiscal year, nearly twice as much as in 1947-48. Over one-third went to three of the former enemy countries, and Germany, receiving nearly \$1 billion, was the chief beneficiary; the United Kingdom came next, receiving \$983 million.

Anaesthesia

The anaesthetic properties of ether were discovered by Michael Faraday in 1818. Nineteen years before that, another British chemist, Humphry Davy, anaesthetized himself with nitrous oxide, or "laughing gas," which has since become so important in dental surgery. Then in 1847 chloroform was introduced by James Young Simpson, an Edinburgh physician.

Though ether and chloroform are still used in surgery, the quest for improved anaesthetics has continued to this day; chemical research has produced even safer and more efficient materials. Procaine, a synthetic local anaesthetic widely used in dentistry, has developed from a study of the chemical structure of a natural substance, cocaine. Other milestones in anaesthesia have been the introduction of ethyl chloride, cyclopropane, vinyl ether, trichloroethylene, and also other anaesthetics which are administered not by inhalation but by injection into the veins or the spine. The achievements of British chemistry in the field of anaesthesia are two-fold. Firstly, its research has contributed greatly to the range of anaesthetics available to-day. Secondly, the British chemical industry is now producing these anaesthetics to the high standards of purity essential in the field of medicine.



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THE WORLD OVERSEAS

Allies on the Adriatic

(By a Correspondent Recently in Trieste)

THE Trieste traffic-policeman tilts his British-type helmet and performs his British drill with efficient if slightly operatic gestures. Through the stream of traffic runs a continuous glitter of American transport; each jeep, as well as each staff-car, is so highly burnished as to give the waterfront the appearance of a *concours d'elegance*. This is the Anglo-American Zone "A" where the Allied Military Government (the last of the "Eisenhower pattern") has created conditions which contrast so sharply and so favourably with those in the Yugoslav Zone "B" that the Italian population are inclined to discount the realities which will face them on its retirement.

These realities are not so discounted, however, by the Zone Commander, the greatly respected British soldier-diplomat, Major-General Terence Airey, who has seen Trieste through all its political, economic and even military crises since 1945. In his last report to the Security Council, General Airey expressed his conviction that:

Trieste's prosperity must be founded upon that political stability which springs from rational and tolerant democratic values, and it would be gravely menaced by any nostalgic backward trend towards the discredited doctrines of Fascism and Communism.

Both General Airey and his British and American advisers recognise that Italian nationalist feeling in the Zone needs to adjust itself after the inevitable sense of triumph which accompanied the results of the local elections in Zone "A" last June. These gave a 65 per cent vote to the Christian Democrats and those other Italian parties which stood for the return of the whole of the Free Territory to Italy in accordance with the Tripartite Declaration of March, 1948. The Communists who followed the Cominform line that Trieste should remain a Free Territory, in accordance with the original provisions of the Peace Treaty, recorded little more than half the number of votes gained by the Christian Democrats alone.

Relations with Tito

In spite of the Communist defeat, the resolution passed by the party's central committee after the elections developed a line of propaganda which has played with some success on the nerves of the nationalist-minded Italians. The Communist statement asserted that negotiations had taken place between Tito and the Anglo-Americans which aimed:

with the connivance of de Gasperi . . . at achieving agreement based upon a barter. Its terms are expected to be the annexation of Zone "B" to Yugoslavia and the maintenance of the Anglo-American occupation and military regime in Zone "A."

The Trieste Italians (82 per cent of the population of Zone "A") are now acutely sensitive of any evidence of better relations between Tito and the western Powers. They showed this in their reception of parts of Signor de Gasperi's speech on the eve of the local elections, when he warned (with Signor Saragat at his side):

Do not forget that we have always borne in mind that the port of Trieste is not for the use of Trieste alone nor even

for Italy alone, but it must serve the hinterland if it wishes to return to its former glory. . . . This can be achieved by means of agreement with other countries.

The inference of a *modus vivendi* with Yugoslavia is especially distasteful to the neo-Fascists who talk openly of a western "deal" with Tito over Zone "B" and do their best to spread alarm and despondency among the more moderate Italians. This is made easier by their deep-seated fear, which is a legacy of the Yugoslav administration of May, 1945, and the persecution which has continued against the Italians in Zone "B," believed to number some 30,000 out of a total zone population of 73,500. Apart from action against the Catholic church, and even against the person of the Bishop of Trieste and Capodistria, the Italians in Zone "B" whose work lies in Zone "A" have been very heavily penalised ever since Tito replaced the local lire by the dinar at the time of the elections. These Italians are, of course, paid in the lire currency of Zone "A" which, according to the Peace Treaty, was to be the currency of the whole Free Territory. An enforced contribution of 10,000 lire a month has now to be made from each worker's wage packet in return for a credit of 1,000 dinars of relatively worthless value. A high wage for skilled workers in Trieste is 60,000 lire a month, but the average wage is more likely to be in the region of 35,000 lire a month, perhaps less, and the 10,000 lire forfeit is all the more disastrous because of the goods it could buy in Zone "A" by comparison with the acute scarcity in Zone "B."

Nationalism of the Italians

The Italians generally have taken the attitude that the Tripartite Declaration of 1948 can be regarded as a *fait accompli*. In the city streets of Trieste, Zone "B" seems no more than a shadowy presence. It is inevitable, but unfortunate, that the presence of the British and American troops has provided a background of security against which the Italians sometimes give rein to an irresponsible and provocative nationalism. The excellent work done by the Allied Military Government in safeguarding the interests of the Slovene minority, in providing them with their own schools, their own radio programme and newspapers, has aimed at teaching the Italians that the repressions practised under Mussolini was the very way to exacerbate Slav nationalism against them.

The political picture in Zone "A" is an encouraging one save for the outcrop of Fascism already mentioned. The executive council or "Giunta" which is under the presidency of Signor Palutan and which was established by the elections reflects in miniature the composition of the Italian Government proper. The Cominform Communists, however, remain very active despite the loss of their daily paper which was forced, for financial reasons, to cease publication recently (they now have to seek guidance from a page inserted for their benefit in the *Unita* published in Milan). A sidelight on the local Communist split is provided by the lawsuit between the Cominform and pro-Tito factions as to the ownership of the printing press they formerly shared together.

Marshall Aid for the Port

At present 75 per cent of the port activity comes from the handling of deliveries of ERP material for Austria. But the construction programme of 94,000 tons of new ships, with ERP aid, is making steady progress, and on its completion rests the maritime future of the territory. Meanwhile the last figures for registered unemployment in Zone "A" showed a total of just over 17,500 persons out of a working population of 90,000 with the maritime and manual labour classes fairly high on the list. The highest class of unemployed, however, is the clerical worker, and the prospects for the young educated men and women are likely to remain very limited.

To quote again from General Airey's last report:

The future of the Free Territory of Trieste is not to be found in its perpetuation as a fragmentary and unnatural State, thrown up by the disintegration of war, but rather in early agreement among the Powers concerned on its return to Italy as the natural home of the majority of its people and the source of their prosperity when Allied Administration is withdrawn.

The original Peace Treaty's compromise was never workable, and events have overtaken it beyond the possibility of a return. In the first period of occupation the Allied policy was to hold the balance between the ally, Yugoslavia, and the ex-enemy, Italy. Now the ex-enemy has attained, if only through membership of the Atlantic Pact, the status of a western ally; the status of Yugoslavia, in its relations with the west, can still only be indicated by a large question mark.

It is difficult to avoid the conclusion that the solution of the riddle of Trieste rests on an Italo-Yugoslav *rapprochement* rather than on the agreement of the Powers. Trieste's natural role, to serve the central European hinterland, can never be fulfilled until the political antagonism between the Italians and the Slavs is resolved.

Political Crisis In Switzerland

[FROM OUR SPECIAL CORRESPONDENT]

SWITZERLAND, a neutral onlooker during two world wars, may be termed the most prosperous country in Europe. Since 1945 its factories have been working at top pressure to re-stock its exhausted neighbours with the machinery and chemicals of which they stood in sore need. Not only was there full employment, but entrepreneurs competed for the favours of skilled workmen and were even known to buy the promise of the later services of children still at school. Foreign labour was imported and the country people were drawn away from the land into the towns. All this time, however, the Federal Government has been searching

for a way in which to pay old debts and meet new expenses, and the search has led for the moment to a constitutional *impasse* which raises interesting constitutional issues.

It is popularly supposed that the Swiss constitution of 1874 forbids the Federal Government to levy direct taxes. This is not exactly the case. Article 42 of the constitution defines the sources of federal revenue; direct taxes are not among them and have therefore traditionally been considered the affair of the Cantons. During the first world war, however, the Federal Government levied a direct tax; in the slump years of the early thirties, when the Federal Government felt it necessary to relieve unemployment, it again levied direct taxes based on emergency decrees; on the eve of the second world war, the Federal Government was provided with special powers, which temporarily permitted an extension of taxation by the central authority to meet the costs of mobilization and wartime food supplies. These special powers have been prolonged to the end of 1949 pending a new fiscal order, the much-discussed *Finanzreform* which is to adjust taxation to the needs of the central and cantonal governments, but about which it has been found impossible to agree.

Opponents of Planning

As soon as the war was over public opinion became restive. Some people disliked the hangover of undoubtedly arbitrary power, others simply resented the taxation which they had hoped would end with the war. A good part of the increased expenses of the *Bund* was due to the increased costs incurred by the technical and social development of the century independently of war; for this reason the Social-Democrats wished this expenditure to continue while the enemies of *dirigisme* wished it to be cut. The most popular line of attack was, however, to complain that the Federal Government was encroaching upon the prerogatives of the Cantons, and this naturally appealed to the federalism of the French Swiss who are always on their guard against the German Swiss majority. In July, 1946, two Initiatives, drawn up in Lausanne, were duly tabled with the required number of signatures. The second of these two demanded the end of emergency rule by August, 1947, at the latest. This was, however, ignored by the Federal authorities, who, on July 22nd, 1949, capped their own clumsiness by claiming emergency powers for another five years.

Exasperation Against the Government

On May 22nd of this year two referenda were held. The Government and both Chambers recommended the people to confirm a decision they had taken in favour of compulsory medical examination for tuberculosis. This was rejected; at the same time the people voted against the continued use of paper money as legal tender, introduced as such at the time of the 1936 devaluation of the Swiss franc. In other words the public already showed signs of

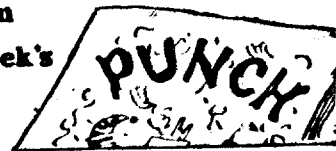
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exasperation which led to something of an outcry after the announcement of July 22nd. The Government had decided to put the first of the two Initiatives to the vote on September 11th. This asked for an amendment of Article 89 of the Constitution, so that if the Government should propose an emergency decree the latter must be submitted to a popular vote within twelve months; if rejected by the public the emergency decree would become inoperative at the end of one year from its coming into force, and it would not be possible to renew it. The Ministers and the Chambers and the political parties recommended against this proposal and worried very little more about it, thinking that the public was in the mood to say no to any proposal, and anyway that people were scarcely back from their holidays. But as it turned out, on a low 40 per cent poll, a few more voters said yes than said no.

The Chambers assembled in an uneasy Berne between September 19th and 29th and will meet again in the second half of October. The *Ständerat* approved a temporary financial plan according to which the direct federal tax called the *Wehrsteuer* will begin at a higher income level, while the indirect *Warenumsatzsteuer*, which has hitherto been paid on virtually everything one bought, will be taken off all non-luxury foods. This will reduce the federal income, but it is, of course, intended to recapture popular support. The *Nationalrat* will no doubt approve the provisional project this month and it is to be submitted to a referendum within the following twelve months; if it is accepted it is to last for two years, but if it is rejected it must now automatically be dropped at the end of one year, and the financial gap will still be unbridged.

Need for Drastic Measures

The federal authorities have shown themselves to be tactless and oligarchical; on the other hand, apart from the *drigisme* issue, the vast increase in the cost of government now as compared with its cost at the time when the Swiss constitution was drawn up points to a fairly drastic constitutional readjustment. Not only the *Bund*, but also the Cantons, are spending much more on administration. If the Confederation is no longer to levy the extra-constitutional taxes upon which it has come to depend to meet the rise in federal expenditure, what alternative is there? The federalists are only able to propose that each Canton shall pay a lump sum or quota (*Kontingent*) to the central Government. But the fiscal apparatus of the Cantons is already overburdened without this and the poorer ones are perplexed as to how to raise the funds they need locally. Further no one can explain satisfactorily how the cantonal contributions can be assessed.

Among the charges which weigh heavily upon the federal budget are the cost of a citizen army with up-to-date equipment and the protection of farming. The peasantry has now dwindled to scarcely 20 per cent of the whole population, but Swiss public opinion considers it essential that at least this proportion shall be maintained; the peasant element is valued as such, and the country does not wish to become more dependent than it already is upon food supplies from abroad. The consequences of this policy, however, are frequently distasteful for the urban population, and it is significant that in the voting on September 11th, not only did the French-speaking Cantons of Vaud and Neuchâtel show large majorities against the Government's methods which the Chambers had supported (and which make subsidies to the farmers possible) but nearly all the German-speaking towns did the same. This was particularly astonishing in Berne and Brugg, both towns in strongly peasant Cantons (Berne and Aargau) which gave pro-Government majorities against the Initiative. The peasant interest is well organised with a political party of its own and an organisation called the *Bauernbund* with its headquarters precisely at Brugg.

Out of Touch with the Public

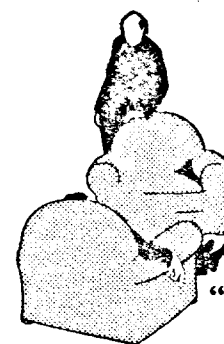
Since so few people voted—only 20 per cent in the Canton of Berne—it is of course difficult and even dangerous to attempt to draw hard and fast conclusions from the figures of September 11th. In a way it was an excellent thing that the Federal Government should be called to order even through a chance vote largely due to indignation in the towns over the high cost of living. What disturbs more serious observers, whether they incline towards the right or towards the left, is the irresponsibly subversive propaganda campaign conducted by the supporters of this Initiative. Although a Lausanne lawyer named Regamey may be regarded as its father, the fairy godmother to this child was Herr Duttweiler of Zürich. The latter is what has in the last decade or so become known as a dynamic personality. It may well be that he is nothing but the successful manager of his *Migros* chain stores and that his flair for publicity simply runs away with him. He seems prepared to finance any "stunt" with a popular appeal and his popularity in Zürich is becoming tremendous, even a little hysterical.

It is clear that fiscal necessity requires some modification of the Swiss federal structure, in itself an expensive governmental form. In spite of recent delays and friction there are many who consider that the necessary adjustments can be made as constitutional amendments have been made before. There are a few pessimists, however, who foresee the repeated popular rejection of the financial proposals brought forward by the Government; this would mean a constitutional breakdown. It is perhaps not merely self-righteous for the British critic to wonder whether the fault does not lie partly with the Swiss type of constitution which is almost a plebiscitary oligarchy rather than a parliamentary democracy. Where ministers are not responsible, do they not, as it is frankly admitted that they now have done in Switzerland, lose touch with the public? The Swiss form of constitution was, of course, chosen partly for federal reasons; the Cantons gave up their unrestricted sovereignty in 1848, but according to the 1874 constitution they preserve their independence when not otherwise stated. By now the technical developments of the twentieth century have modified the basis of Swiss federal union; it is perhaps only in educational affairs that cantonal autonomy can hope to remain unimpaired.

Communists and the Kailan Mines

[FROM OUR SPECIAL CORRESPONDENT IN HONGKONG]

PRODUCTION at the coal mines of the Kailan Mining Administration, the largest single industrial enterprise in North China in which British interests are involved, is currently running at 4,000,000 tons a year, compared with approximately 4,500,000 tons during the last year under the Nationalists and a rate of 6,000,000 tons a year in the 1940-41 period. Like all other large-scale employers of labour after the change-over, the management of the KMA has had its full shares of labour trouble and has at times been the target of violent abuse in the North China press. Recently, however, there have been signs that the Communist leaders themselves have decided that the sort of "workers' spree," during which the wildest demands received official encouragement, must now be brought to an end and the emphasis placed less on the rights of the workers than on the maintenance of production and increased efficiency. Committees comprising representatives of the management and of the workers are to be formed at different levels. Although it is intended that they will eventually take over much of the responsibility of direction, for the present they are remaining consultative and advisory only, and managers have been told that they must resist the demands of the workers if they

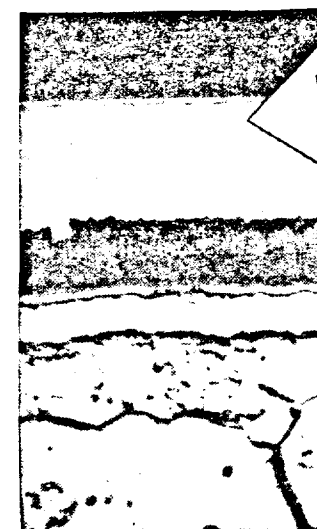


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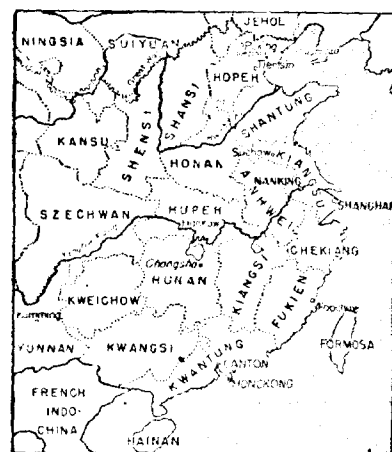
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are unreasonable and not in the interests of efficiency. The trained Communists who have been appointed to the organisation have not been put into the management, whose personnel remains virtually unchanged, but have been placed in charge of various workers' organisations. The entire scale of salaries and wages is being overhauled on the basis of the theory that the worker at the coal-face should be paid more than the white-collar worker above ground.

Exports to Japan

Earlier this year the stock position was acute, when more than 1,000,000 tons were piled up at the mines awaiting movement. Stocks are now slightly under 1,000,000 tons, but they are better distributed. All this coal belongs to the North China government which has been advancing cash, food, and supplies like pit-props, to the company in return for coal. The question of finding markets for the coal is at present the most serious question confronting the KMA. Kailan coal is one of China's most valuable potential exports and before the war about 2,000,000 tons annually was shipped to Japan. The Communist authorities and the KMA



want to resume these shipments to Japan, and Japanese industrialists, who know and like the special qualities of Kailan coal, would like to use it. Japan, under SCAP, has been importing coal from the east coast of America, paying for it in dollars. There are said to be considerable stocks of this American coal in Japan at the present time. In principle SCAP is not opposed to the import of Kailan coal but wishes to retain control of the use to which the proceeds of the sale are put. Therefore SCAP favours some sort of direct barter agreement rather than any arrangement through the Hongkong-SCAP two-way account. A high official of the company is leaving for Japan shortly for discussions with the American occupation authorities. The nationalist blockade has also temporarily suspended all shipments from Chingwantao to Shanghai.

Excluding the Foreigner

The number of foreign employees of the KMA (mainly British on the administrative side and Belgian on the technical side), which two years ago exceeded 100, is now less than 40, and by the end of the year is expected to be still further reduced to about 20. The Communists have underlined a trend which was becoming increasingly obvious in recent years, even under the Nationalists—namely, that in every large-scale industrial undertaking the Chinese today can (or at any rate wish to) dispense with foreigners in administrative and executive positions, although they will continue to need foreign technical specialists and advisers. The 20-year agreement which the KMA has with the Chinese Government is due to expire at the end of November next year. By the terms of that agreement, it can either be renewed for a further period or else the Chinese have the right to buy out the foreign interest, paying compensation at rates to be fixed by a neutral and impartial third party. So far the Communist authorities have given no indication of what their intentions are, although eventual nationalisation is, of course, in line with their political principles. They may still find it convenient for the time being to maintain a formal foreign connection to assist them in the provision of technical skill, the obtaining of supplies and equipment, and the marketing of their coal abroad.

Is Sweden a Model for Socialism?

[BY OUR SPECIAL CORRESPONDENT]

STATE excursions into industrial management and the rapid establishment of the welfare state by various European Governments in the last few years, not least by the British Labour Government, are now a familiar target of American critics. They feel that many of these measures are unwarranted doctrinaire excesses for which the American taxpayer is called upon to make an unduly large payment. The nationalisation of key industries and the detailed interference with trade in general are commonly singled out for attack as examples of faults inherent in Socialism. It is surprising, therefore, that Sweden has attracted comparatively little attention from these critics, even though the Socialists, with a brief interruption of three months in 1936, have controlled the Government in Stockholm since 1932.

Examination reveals that Socialism in Sweden has little to do with state interference in industry. This fact lies behind the paradoxical remark of Professor Myrdal—who was Socialist Minister of Commerce before becoming executive secretary of the Economic Commission for Europe—that “when the Socialists came to power in Sweden socialisation stopped.” The reasons why the Socialists felt no need to rush through measures to nationalise this and that industry are instructive. In the first place, they came to power during the slump, at a time when such experiments were at a discount. This mood was reinforced by the cautious and non-doctrinaire approach of the Socialist leaders. They were the better able to maintain this position, because most of the giants of monopoly had already been slain and the oppressors of the common man disciplined. The task of the Swedish Socialists on coming to power, therefore, unlike that of other radical parties in a similar situation, was to extend and intensify a well-established process for which there was a large measure of support and with which there was comparatively little disagreement, rather than to initiate root and branch reforms of a highly controversial nature.

Efficiency and Enterprise

For state intervention in Swedish industry has a long history going back to the Middle Ages. The old tradition of economic regulation and control; the ancient and comprehensive rights of the state to the ownership of a large part of many basic resources such as forests and waterfalls; the concept embodied in the Common Law rule that Sweden's resources should be exploited only for the benefit of Swedes—all these combined to produce an outlook which judged the desirability of state intervention by its efficiency, and measured efficiency in terms of the material benefits accruing to the community. The emphasis is not on public enterprise or private enterprise, but on efficient enterprise—efficient in the sense that the best use is made of the national resources concerned. An arbitrary doctrine of state ownership *per se* is a recent and rather sickly growth.

The practical basis and limited range of state intervention in Swedish industry have had several important results. One is that when the state has entered a particular field of enterprise it has done so—except for the state monopolies which are industrially unimportant—on an equal footing with its competitors in that field. The measure to establish a state Business Bank, however, which was passed in June, may herald a departure from this salutary principle. Similarly, if the proposal to establish a state monopoly in the import and distribution of oil and petrol had been accepted in 1947, the state monopolies would have assumed a much more important role in the country's economy.

Another result of this empirical approach is that the extent and form of state participation in a particular industry are dictated by severely practical considerations. This leads to some curiously hybrid forms of enterprise. The supply of electric power, for example, illustrates the effective collaboration of public and private interests. The state first entered this field in 1906, largely because it already owned certain well-sited waterfalls, and not for any theoretical reasons. The same is true of the deliberations of the Riksdag which, in 1854, decreed that the main railway network should be the responsibility of the state, since this was the only safe way of ensuring that the new means of transport should be developed according to some nation-wide plan. Practical considerations of efficiency were the prime consideration; and it is to the credit of the Swedish Socialists that, by and large, they have observed this rule.

Efficiency First

They have also respected another well-tryed Swedish custom in these matters continuing to refer to an expert and reasonably impartial committee the whole question of the best organisation of the particular industry the committee is charged to investigate. The committee is instructed, not to work out plans of nationalisation, but to present its views on the most efficient organisation of the industry in question. Thus when it reported in 1947, the Committee of Investigation into the Importation and Distribution of Oil and Petrol remarked:

The nationalisation of an industry, a trading concern or some other branch of economic activity must never be merely doctrine. A decision for or against nationalisation must in every individual case be taken only after an objective appraisal of the practical economic issues.

No Hurry to Nationalise

It could be argued, it is true, that this particular committee failed to stand by the principles it thus enunciated. But when so much turns on definitions, some credit is at any rate due for the mere acceptance of the principle; and it is not surprising that committees appointed by a Socialist Government are more inclined to consider nationalisation as the most efficient form of organising a particular branch of economic activity than committees appointed by a right-wing régime would be.

Even so, Socialist nominees have not always recommended nationalisation with the ingenuous persistence that has marked the industrial deliberations of the British Labour Party. And on these occasions, as on others when further measures of state intervention have been advocated, the committee's findings have invariably been accepted. For circumstances have made it possible for the Swedes to move in a leisurely way in these matters. Late industrialisation, with the widespread use of electricity in civilised surroundings, the absence of the economic and psychological stresses of two great wars and the unique rôle played by the Co-opera-

tive Union (*Ko-operativa Förbundet*) have combined with the old traditions to produce an atmosphere in which, given suitable circumstances, state intervention in industry has long been considered natural and even desirable.

Even the fiscal policy of the Social Democrats expresses this attitude, sometimes not without prodding from the trade unions, which are enlightened enough to see how the encouragement of a high rate of capital investment in industry can benefit their members. As a result, joint stock companies—although they must pay local and national income tax and real property tax on the same principles and at the same rates as private individuals—have nevertheless, in the words of a recent report of the Swedish Taxpayers' Association,

a right to practically unlimited depreciation of equipment, machinery and inventories, and in this way the taxation of profits may partly be postponed to a subsequent year.

Monopolies for Revenue

What lessons then has Sweden for a Socialist Government in a country taking its first doses of nationalisation? Very few. Swedish experience has little relevance to the situation facing other Socialist parties on their accession to office. The Swedish State, for example, has never been faced with the problem of taking over a large and highly developed industry as a going concern. Indeed, it has control of very little of the country's industry. The degree of socialisation of industry—by which is meant the actual direction of business by the state, rather than that increasing state control of general economic policy which is a feature of all modern governments—is very much less than commonly supposed. State industries comprise only about 2.5 per cent of Sweden's manufacturing industries. Its most important ramifications are in electricity generating (but not retail distribution), where 40 per cent of total production comes from state-controlled stations, and in railway transport. The State Railway Administration controls over 70 per cent of the total railway mileage and carries 85 per cent of the total traffic. It also has various monopolies, created as the need arose for increased revenues. The tobacco monopoly, for instance, was formed by a Conservative Government in 1914 to finance the old-age pension scheme. Posts and telegraphs, broadcasting and airlines are examples of other state monopolies not unfamiliar in other countries.

Similarly, the Swedish Government, on grounds of public policy common to most modern states, has financed new ironworks in a depressed area or has established general control over the export of strategic materials—iron-ore, for example, which in any case it owns under very ancient rights. Thus, in general, this paragon of successful Socialism is in industrial matters rather at the stage of British Liberal policy in 1911 than of the Bridlington Conference of 1949. But the chief lesson that Sweden has to offer other countries beginning to nationalise their industries is a most important one—that each case should be treated on its merits.

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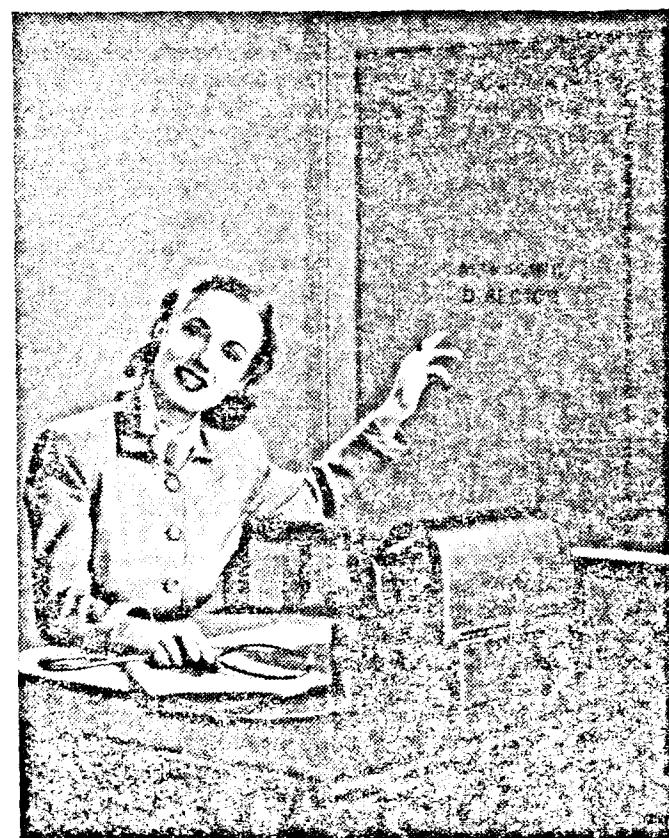
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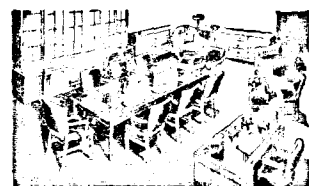
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THE BUSINESS WORLD

More Coal or Cheaper Coal?

AN autumn campaign for higher output in the coal mines is becoming a British tradition. This year's exercises, which appear to be following accustomed lines, opened with a meeting of the National Consultative Council on September 12th; it was agreed then to make an appeal for higher output in the last three months of the year. Lord Hyndley, in transmitting the message to every colliery manager in the country, has stated that if the present rate of production continues, output for the year is unlikely to exceed 202 million tons:

This is far short of the amount the country needs to meet home demands and to take full advantage of the opportunities to sell coal abroad.

Divisional consultative councils have been asked to meet to consider what can be done. The executive of the National Union of Mineworkers has written to its area secretaries. The colliery managers are urged to consider steps to get extra tonnage between now and the end of the year.

There can be no question that a campaign for higher output is necessary between now and midwinter. But if the attention of the industry has to be concentrated on quantitative output, it is to that extent distracted from questions of efficiency and cost. Lord Hyndley's message was concerned exclusively with quantities; so, no doubt, will be the exhortations in the divisions, areas, and pits of the National Coal Board which must follow.

It is reasonable to hope that the Minister of Fuel and Power, who was meeting the representatives of the Coal Board, the managers' and overmen's associations, and the mineworkers as this issue went to press, will try to take a wider view. The similar series of meetings in London a year ago laid what emphasis they could on efficiency, but their efforts were dissipated in their journey from London to the pits. The pressure for more coal is hardly less immediate now than it was a year ago, and the unresolved questions which inhibited any clear line of policy then are still unanswered today.

★

The difficulties of output in 1949 can be simply stated. The *Economic Survey for 1949*, discarding earlier and larger estimates, put deep-mined output for the year between 202 and 207 million tons and opencast output at about 13 million tons. The total—between 215 and 220 million tons—was to provide 198-200 million tons for home consumption, and 17-20 million tons for export and bunkers. As things have turned out, these figures allowed some room for error, because home consumption was to have been 5,000,000 to 7,000,000 tons higher than last year; in the event home consumption has been lower than was expected, and in the first 40 weeks of the year was only 2,100,000 tons higher than in the same period of last year. It is this unexpectedly favourable factor which has enabled exports and bunkers to be maintained at something approaching the intended rate; exports in the first 40 weeks were 9,700,000 tons

and bunkers 3,800,000—a total of 13.5 million tons. This is not satisfactory, because the chance of expanding exports more rapidly, which was offered by unexpectedly low consumption at home has been missed.

This is one reason for the Government's concern about coal output. The other reason is that the slow response of output to all the efforts that have been made does not promise well for the future. Some impression has at last been made on output per man-shift; OMS for all workers is now running at 1.17 tons, or 4½ per cent above last year's figure, while OMS at the face is 3 tons—3 per cent above last year. These are small increases, but it is true that—as Sir Stafford Cripps said on Wednesday—

With an increase in productivity of this magnitude, one would have expected total output of coal to be higher than it is, but unfortunately this increase in output per man-shift has been offset to some extent by the failure to increase the number of face workers as rapidly as had been expected, and because attendance has also failed to improve compared with last year.

The Chancellor's explanation is significant in that he avoided—and, no doubt, deliberately—placing the blame on the failure of recruitment. In fact there has been in the last few months a rapid decline in the manpower employed in the mines. The total of 712,600 workers on colliery books on October 1st is 12,200 less than a year ago. There was a net loss of 4,000 men in September, and no sign has appeared of a reversal of this trend. Last year's man-power target for the mines was 750,000 workers, and even this year's reduced target of 736,000 workers has already become absurd.

Yet the Chancellor did not blame the shrinkage of the labour force; he blamed, instead, absenteeism and the failure to deploy more workers at the coal face. It is true that absenteeism is intolerably high; for the first 39 weeks of 1949 the average has been 12.59 per cent, and this compares with an average of 11.45 per cent in the first 39 weeks of 1948. Schemes for increasing the proportion of face-workers in the pits, on which such hopes were placed at the beginning of this year, have largely failed. The number of face workers, which was to be increased from 296,000 to 310,000 during the year, had instead fallen to 294,500 by the end of September.

Attempts to divert more labour into the mining industry, at a time when the attendance and use of the existing labour force are so unsatisfactory, would be wasteful and ill-judged. If, therefore, the Government is refusing to accept arguments about the declining labour force as an excuse for unsatisfactory output, it is right to do so. Clearly, the phase in which the mining industry had first call on the national manpower and resources—the phase of high output at almost any cost—has come to an end. What is not apparent is the alternative policy on which the mining industry is to be run.

British coal may soon have to face serious commercial difficulties. Spokesmen of the National Union of Mine-

workers expressed this fear at the conference of the Trades Union Congress in September—though, it is true, the conclusions they drew were of a reactionary and restrictionist kind. The NUM spokesmen took the old-fashioned line that the British export trade, and therefore the employment of British miners, were threatened by ill-paid, low-cost foreign producers. They therefore urged "international understanding to avoid cut-throat competition," and a resolution was passed demanding an inter-Governmental conference. The same note was heard in the international miners' congress at Amsterdam last week, when a resolution was passed calling for a tripartite conference of Governments, employers and workers from the coal-producing countries, to regulate output, prices, exports, and imports. A demand for the 40-hour week for all miners was incorporated in the resolution. Mr. Arthur Horner pointed out that, so far as Britain was concerned, there was already evidence that the "honeymoon" was over. He doubted whether the National Coal Board would be able to go on for long charging higher prices for export coal than for its sales to home consumers. By the time Britain had regained its prewar output of 50 million tons of coal for export, the problem would be to dispose of the surplus.

It is not necessary to accept Mr Horner's conclusions to recognise that (as so often) his observations about the industry were accurate and penetrating. Delegates from Belgium, where honeymoons do not last so long, told the conference that they already had six weeks' stocks on hand, pits closing down, and miners becoming unemployed. References were made to the growing competition of Ruhr coal and Polish coal. The recovery of Ruhr coal output in the past 18 months has indeed been formidable. Ruhr output of hard coal averaged 8,250,000 tons a month in the first five months of 1949, compared with about 6,500,000 tons a month in the same period of 1948; and it has since risen again. The growth of German and Polish exports is

shown in the following table, which also shows how slowly British coal exports have been resumed since the war:

	Great Britain	Germany British Zone	Poland
1937	3,680	3,125	...
1945	299	...	465
1946	420	972	1,349
1947	96	880	1,922
1948	965	1,465	2,495
1949 (Jan. to June)	1,144	1,815	2,809

Source: Coal Committee, Economic Commission for Europe.

No doubt the miners' representatives were over-stating their case. Export coal still commands unreasonably high prices in Europe. Welsh steam coal last year was 334 per cent dearer than in 1938. The European coal-exporting countries are still keeping their export prices well above their inland prices. American coal exports to Europe are still substantial, in spite of the heavy transatlantic freights. High prices may, and do, produce sales resistance, but it would be absurd in the circumstances to claim that a surplus already exists in Europe. But it can be predicted with reasonable confidence that, unless prices are severely cut, a surplus will soon arise, and that coal will become difficult to sell overseas.

"Bunker and export demand," said Professor A. Beacham in a recent paper to the British Association, "will be much affected by future prices and the availability of supplies abroad. Future world supplies are likely to be more than adequate to demand." These simple and incontrovertible statements point to the necessity of adjustments in the British coal mining industry, which will not be easy or pleasant to make. They require that coal production policy should no longer be based on the assumption of an insatiable demand. It is to be regretted that Britain could not, or did not, get back into the coal export business on a

larger scale while the opportunity was open; but the opportunity is passing, and the plodding progress of British coal output will not now overtake it.

The need now is for a reassessment of production policy in which costs will play the prime role. If it is assumed, as it should be, that the Coal Board must pay its way and that the home price will not be called upon to subsidise the coal export price, then the level of British coal exports that can be achieved will depend not on the rate at which the British mines can increase their output, but on the rate at which they can reduce their costs.

How quickly can costs be reduced? So long as Britain clings to inflation and a soft economic policy it is quite possible that they will not be reduced at all. Sir Charles and Dr William Reid, in their Cadman lecture to the Royal Society of Arts earlier this year, estimated a reduction of 5s. a ton by 1965—assuming a capital expenditure of £300 million (pre-devaluation), an increase of output per man-shift to 30 cwt., a modest increase in earnings and an unchanged level of wages. Two competent critics—Professor Beacham and the chairman of the East Midlands Divisional Coal Board,

Kaffir Calculations

THIS week, for the first time since devaluation four weeks ago, there has been a check to the rise in gold shares. On the famous Monday of "obscene plundering" (the Minister of Health's term for the market's inevitable response to devaluation) the *Financial Times* index of gold shares jumped from 109.52 to 129.63. By the middle of last week, it had put on another nine points to 138.46, but on Wednesday this week it had fallen again to 132.64. In a volatile market such as the gold share market, one must always be on guard against the danger of accepting the movements of a few days or even of a few weeks as a reliable indication of a longer trend. Yet it is clear that part of the speculative impetus to the gold share market has now been exhausted. It is time for more sober calculations of the effect of devaluation now that the initial impact of the unexpectedly low rate of \$2.80 to the £ has produced its effect.

Some of the factors in a long-term assessment of gold share values after devaluation were set out in *The Economist* of September 24th. There was emphasis on the market impact of devaluation on the fortunes of the low-grade mines. Rising costs and taxation had to be measured. And, most complicated of all, the mines were faced with a re-calculation of mining policy—whether to aim at prolonging the life of their properties and thus to limit, at least to some degree, the expectation of higher immediate profits which would otherwise accompany a rise in the sterling price of gold from 172s. to 248s.

The September Rand gold mining returns make it clear that the gold mining companies have indulged in some intelligent anticipation of devaluation in two respects—one lasting, the other transient. First, they show that a steady reduction has been made in the grade of ore reaching the crushing plants. Secondly, a large part of the September gold output was withheld from sale until after devaluation to take advantage of the higher gold price. The scope for lowering the grade of ore varies from mine to mine. Where the ore reserves approach 100 per cent payability, as in the case of the

Sir Hubert Houldsworth—have found that estimate to be on the optimistic side, at least without a revolution in production policy. Sir Hubert Houldsworth suggested a "revolution of technique" as the alternative, and a reduction of costs by 10s. to 20s. a ton "in a very much shorter time than 15 years" as the objective. Professor Beacham suggested a revolution of a different kind:

The Board should press the Government for lower output targets, be more active in eliminating uneconomic mines, and should set about reducing its labour force.

This would mean sacrifices, hardship, and social dislocation, but the eventual readjustment would in that way, he suggested, be made less severe: "The Board will be well advised to trim its sails before the approaching storm."

In fact, both a technical revolution and a revolution in economic policy will no doubt be needed. Without them, the mining industry—with its costs inelastic, its manpower wastefully used, and its prices high—will be faced with unsaleable surpluses and with depression; and the appearances of the moment should not be allowed to distract attention from that danger.

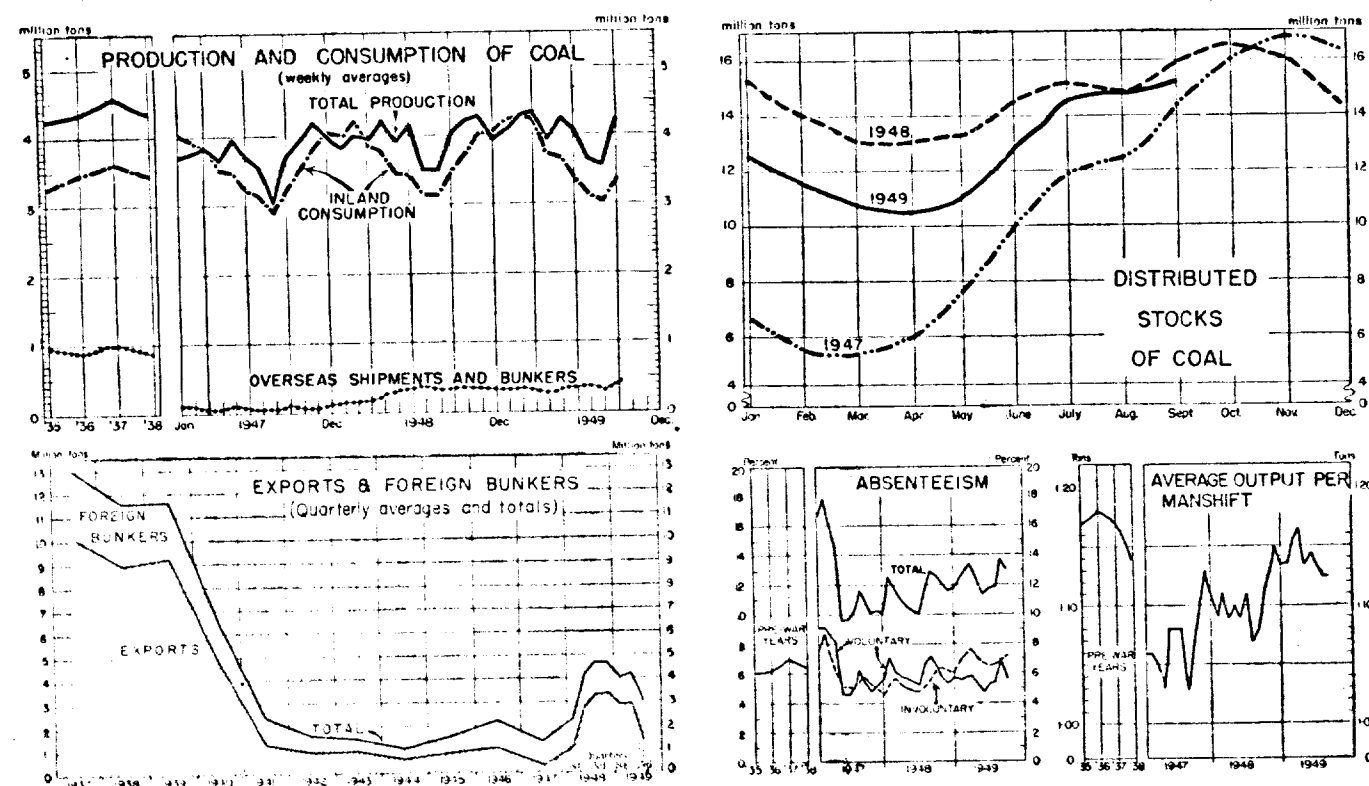
rich Blyvooruitzicht mine, the possibilities of reducing the average grade taken from the mine are very limited. But in the older mines of the Central Rand the case is very different. These mines contain much low grade ore which was formerly unpayable at the old gold price. In others, such as Randfontein on the fringe of the Central Rand where the whole ore body is of low grade, extensive reserves have immediately entered the range of payability as a result of devaluation. The desire to prolong the life of dying or low grade mines is readily understandable. And even mines with a long life ahead of them are anxious to extend their life as far into the future as possible; in doing so, they are in line with the Union Government's policy.

Mining taxation provides the main spur in milling policy. The scale is geared to favour low grade producers. The revised taxation formula introduced in the 1948 Budget did indeed lower the burden of taxation on the high grade producers and retained the favourable treatment of the low grade mines. The present formula is

$Y = 60 - \frac{360}{X}$ where Y is the percentage rate of taxation on profit and X is the percentage ratio of working profit to working revenue. Under this formula—as in the 1946 version—no taxation is payable when X has a value of 6 per cent or less. The percentage of profit absorbed by taxation increases as the value of X rises above 6 per cent. For example where X=9, taxation takes 20 per cent of profits and where X=18, 40 per cent is paid.

There are modifications of this basic formula which *inter alia* allow mines to offset amortisation of capital expenditure against taxation at an annual rate of 27½ per cent of the unredeemed balance of the total expenditure incurred either before or after reaching the production stage. This and other complications (including the Union Government's participation in leased mines) render any precise estimate of future taxation for a particular mine difficult, if not impossible. None the less, it is

TRENDS IN THE BRITISH COAL INDUSTRY



strikingly evident that, even assuming that the existing formula remains unchanged—though this is by no means certain—a large part, possibly not less than 50 per cent for the whole industry, of the increase in revenue at the new gold price will ultimately find its way into the South African Treasury.

The indeterminate extent of future taxation is the first of several imponderables which prevent a precise measurement of gold mining share values under the new conditions. Another unresolved question is the extent to which costs will rise. That they will rise admits of no doubt. The question is: by how much? The outcome of recent meetings between the Gold Producers' Committee of the Transvaal Chamber of Mines and the South African Mineworkers' Union has at least provided a starting point for a calculation of the minimum addi-

TABLE I.—SOUTH AFRICAN GOLD MINING STATISTICS
WITWATERSRAND AND EXTENSIONS

	1946	1947	1948	1948 Increase (+) Decrease (—) over 1947
Ore milled, tons	56,927,500	53,792,990	55,354,600	+ 1,561,610
Gold produced, fine ounces	11,462,280	10,713,122	11,099,402	+ 386,280
Gold produced, t.	98,862,200	92,400,700	95,732,300	+ 3,331,600
Yield per ton milled, dwt.	4.027	3.983	4.010	+ 0.027
Costs per ton milled, s. d.	25 7	26 6	26 2	— 4
Profit per ton milled, s. d.	9 4	8 —	8 7	— 7
Working profit, £	26,473,902	21,523,100	23,854,375	+ 2,331,275
Development, £	1,649,722	1,824,952	1,916,735	+ 77,843
White employees, Dec. average	39,613	38,760	37,296	— 1,464
Coloured employees, Dec. average	287,919	288,525	259,161	— 29,364

tion to labour costs which must now be expected. After its recent discussions with the Mineworkers' Union, the Gold Producers' Committee offered to implement the recommendations in respect of pay made by the Van Eck Committee in a report on the conditions of employment in the Rand gold mining industry published shortly before devaluation. The offer makes no mention of previous demands for a 40-hour week and seems only to cover European daily paid workers.

The total cost of the seven concessions offered—the most important is the increase in the basic wage rate of 12½ per cent—is estimated at about £2,000,000. Higher payments to the staff and native workers on the same basis would raise the cost perhaps to £4,500,000. This figure appears modest in comparison with the prospective increase in mining revenue. At first glance it seems quite inadequate to meet the workers' demands. Prior to devaluation they were asking for a 30 per cent increase in wages. In fact the offer of the Gold Producers' Committee goes no further than satisfying the demands made by the unions in June, 1947, and it is

not surprising that it has been rejected out of hand. Under the glare of the big profit increases revealed in the first mining returns after devaluation it looks puny. If the figure of £4,500,000 has any significance at all it is as an indication of the lowest amount by which labour costs may be expected to increase.

The basic wage element represents the bare minimum received by the mineworkers on the Rand, and it accounts possibly for a third of total mining costs, exclusive of capital expenditure. On top of this are several thick layers of allowances. Increases in some of these allowances, in particular for medical benefit, savings funds, holidays with pay, and payment for overtime, Sunday and holiday work have been included in the offer. But actual wages paid to mineworkers on the Rand are also adjusted according to a sliding cost of living scale. It is possible that in framing its offer the Gold Producers' Committee had in mind the probability of heavy future commitments under this head.

It would indeed be surprising if devaluation did not lead to further inflation in South Africa and the offer of the gold producers may be no more than they could afford if inflation were to take control. The ceiling to gold mining revenue has admittedly been raised substantially, but it is unlikely to be pushed as high as the new theoretical limit of payability. Changes in mining policy towards lower grade extraction may in the coming months cause a reversal of some of the sharp increases in profit shown in the latest mining returns. But a rise in the cost of living seems certain and its extent may be considerable. Moreover it would be reflected not only in the cost of living bonus, but also in the cost of supplies purchased locally.

Nor is this the only direction from which increases in costs may be expected. All supplies, stores, plant and equipment bought overseas are likely to cost more. This effect of devaluation is automatic in the case of purchases from countries whose currencies either have not been devalued at all or have not been devalued to the same extent as the South African pound. But higher prices of imports from the sterling area, particularly from the United Kingdom, are almost as certain, even if the cost of sterling imports does not rise to the same extent as imports from hard currency countries when the latter are converted in terms of the South African pound. The heavier burden of increased import costs will fall on the developing mines whose capital equipment must be largely furnished from overseas. But the producing

mines will not escape, for many items directly consumed in their operations will be affected.

Future developments in wage negotiations on the Rand may show that labour is ultimately prepared to accept the gold producers' view that wage increases—warranted though they are—must be tempered by consideration of the heavy additional outlays for other items which the industry will have to meet from the increase in its revenue. In no sense is devaluation a cure all for the troubles of the industry. It goes some way to rectify the long-existing disparity between the price of gold and the prices of other commodities which are still broadly subject to the play of demand and supply in the world's markets. But if the mineworkers stand firm on their demands for a 30 per cent wage increase and a 40-hour week, the new opportunity which devaluation provides to put the gold mining industry on a more economic and more stable basis would be seriously prejudiced.

It is a hardy statistician who attempts at this stage to assess the fair values of the shares of the producing gold mines, so numerous are the indeterminates which enter into the calculations. That point is well illustrated by estimates published by several firms of brokers, which show wide variations in the values attributed to particular shares.

Estimates of share values for the main Rand producers prepared by two different brokers are set out in Table II together with other statistics relating to the mines. They are shown, not to make invidious comparisons, but rather to indicate the wide range of estimation which enters into the exercise. Broker A has calculated the probable profit to recovery ratio with gold at 248s. per oz. on the basis of the present taxation formula, allowing for a 30 per cent increase in costs and after making "reasonable" assumptions in respect of ore reserves and future milling policy. For mines with a life of over 15 years the "proper market price" has been arrived at by applying the estimated percentage increase in

earnings to pre-devaluation prices calculated on a 6 per cent dividend yield basis net Johannesburg (equal to roughly 7 per cent to British holders after allowing for Dominion Income Tax Relief). In the case of mines with a life of 10 to 15 years the post-devaluation price has been calculated on a 10 per cent basis, for a life of 5 to 10 years on a 15 per cent basis and for the deep level mines on an 8 per cent basis. This method allows for adequate amortisation in the price, though on an admittedly rough scale. Broker B has estimated the half-yearly dividends which would be justified by earnings in June, 1950 (the detailed assumptions are not stated), and his estimates are based on the argument that gold shares should now be valued on an 8 to 10 per cent basis.

The differences in the two sets of results are not in themselves important. It is more significant that both series suggest that, with one or two exceptions, the rise in share prices of producing mines since devaluation has already gone a long way towards discounting the benefits which are likely to accrue from the new gold price. For the past nine months the Kaffir market has, in fact, been in a buoyant mood—interrupted only for brief periods when the prospects for a higher gold price seemed to be flagging. The *Financial Times* index of gold share prices has left its postwar low level of 86.22 established on January 19th this year far behind, but it is also several points lower than the post-devaluation peak. The outlook for the industry, owing to the rapidly deteriorating economic conditions of the Union in the past year, has seemed most unpropitious, especially for the low grade and short life producers. It has now been relieved by an increase in the price of gold, and share prices of some mines have advanced by 50 to 75 per cent. Gold fever is not easily cured by a dose of statistics, especially when no statistician can be very certain of his figures. It has been excited, and will not disappear. But if the Kaffir chart over the next few months is likely to rise further, its course can hardly be so febrile as in the past four weeks.

TABLE II.—RAND GOLD PRODUCERS

Mines	Grade of Ore Milled		Costs Per Ton Milled		Working Profit		Estimates of Broker A		Estimates of Broker B			Market Price	
	Aug., 1949	Sept., 1949	Aug., 1949	Sept., 1949	Aug., 1949	Sept., 1949	Future Profit to Recovery Ratio	Proper Market Price	Actual Half Yearly Dividend, June, 1949	Estimated Half Yearly Dividend, June, 1950	Assessed Fair Value	Sept. 15, 1949	Oct. 12, 1949
	dwt.	dwt.			£000's	£000's	per cent		per share	per share			
5—10 Years Life:—													
Middelton in East....	2.71	2.70	18/4	18/10	31	50	25.3	60/-	2/6	4/6	50/-	38/6	£2/6
10—15 Years Life:—													
Government Areas....	3.00	3.05	24/6	25/3	25	80	7.0	23/-	51d.	1/8	20/-	14/-	22/3
Consolidated Main Reef	2.88	2.89	22/10	23/9	20	96	7.9	75/-	1/9	4/-	68/-	40/-	71/3
East Daggafontein....	4.23	4.22	25/7	25/5	4	98	30.5	34/-	9d.	1/6	30/-	24/6	25/-
Over 15 Years Life:—													
Randfontein.....	2.42	2.18	20/8	21/5	9	80	1.4	25/-	Nil	1/3	20/-	17/6	28/9
Simmer & Jack.....	3.55	3.48	25/6	29/9	7	86	6.5	16/6	Nil	6d.	9/-	8/3	14/3
Brakpan.....	3.90	3.87	30/7	31/4	17	88	8.8	25/-	31d.	1/-	17/6	15/6	22/9
Springs.....	2.91	2.82	30/1	24/2	31	89	9.4	15/6	Nil	41d.	6/3	8/6	13/6
Rand Leases.....	3.33	3.22	26/-	26/2	32	143	11.4	60/-	101d.	1/9	30/-	40/-	50/9
Venterspost.....	4.40	4.30	29/8	30/2	48	128	23.0	40/-	8d.	1/5	33/-	27/3	34/3
Vogelstruysfontein.....	5.07	4.98	32/1	34/1	46	103	25.6	30/-	5d.	1/-	21/6	19/3	28/-
East Rand Props.....	4.33	4.33	27/9	28/-	112	237	28.2	106/-	2/-	3/6	75/-	76/6	85/3
Grootvlei.....	5.08	5.05	22/-	22/-	195	370	49.6	52/-	10d.	1/6	40/-	39/-	43/3
Daggafontein.....	5.13	5.11	15/7	15/5	283	374	53.3	108/6	1/11	3/-	75/-	70/-	80/6
Blyvooruitzicht.....	15.00	14.86	44/8	43/7	299	530	69.2	69/-	9d.	11d.	45/-	46/3	52/-
Deep Level Mines:—													
Crown Mines.....	3.74	3.75	29/1	30/-	44	227	9.1	103/-	2/-	5/6	90/-	73/6	115/-
City Deep.....	4.63	4.60	35/-	34/10	40	147	11.3	75/-	1/6	3/9	52/-	76/3	76/3
East Geduld.....	6.03	6.05	20/2	20/1	244	314	60.9	111/-	7/-	12/-	12	94	114

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Business Notes

Speech Without Policy

Impulses to speak plainly—to clarify for the sake of clarification—are too strong in the character of Sir Stafford Cripps to be always suppressed. The purpose of the Chancellor's press conference on Wednesday was to discuss production, exports, and costs; it was not to announce a policy, and there is evidently no policy to announce yet. Higher output, more exports to the dollar markets, restraint by everybody—these notions are familiar; but it is plain that no decisions have been taken on methods of causing them to be realised. But, while he brought no policy, the Chancellor had some bleak things to say, and said them directly.

"The fall in the standard of living" was one such bleak phrase, introduced (with deliberation, no doubt) into the Chancellor's prepared statement:

It is by our increase in productivity and production that we shall be able to make good the fall in our standard of living, which is the immediate price we have to pay for the improved opportunity of dollar earning provided by devaluation.

The Chancellor seized the opportunity of a later question to make it quite clear that he did not mean "prevent" the fall in the standard of living. He conveyed firmly that the fall is an accomplished fact—expressed, for the moment, in the higher price of bread—which can no longer be prevented, though it can be "made good." Here is an advance in clarity.

Sir Stafford drew attention to the "pockets" of unemployment which have appeared in ship-repairing, and went out of his way to say that the future level of employment in shipbuilding will depend on success in dealing with certain questions: high prices, long delivery dates, and the earning power of new ships. This illustrates a general point (he said) of great importance:

Full employment does not and can never mean that every individual job is guaranteed for as long as the present occupant wishes to stay in it. That would be industrial stagnation.

As if to deprive the lesson of any mere academic flavour, he went on to say that the business of getting into the dollar markets "will undoubtedly entail some change in the pattern of employment."

Sir Stafford made it clear that the idea of a statutory national minimum wage, if it ever lived, is dead. The Government had no views on whether a national minimum was desirable, but the whole matter was one for the voluntary agreement of employers and employees, and the Government had no idea of using statutory means for such a purpose.

★

The future of oil prices (as of many other prices) has still to be settled. The Chancellor repeated his injunction to manufacturers in general to put off raising their prices, "wherever possible," until their stocks which were paid for before devaluation have been used up. Pressed to explain the relationship between this exhortation and the actual price policies of the Government trading departments since devaluation, he said quite cheerfully that the departments "are responsible to Parliament for conserving their assets." Were not industrial managements responsible for conserving their assets also? Not to Parliament, said the Chancellor; they enjoyed some freedom of action, and might consider it "wise" to maintain their present prices as long as possible.

The doctrine that Ministries are immune from those considerations of the public interest which ought to actuate

commercial firms is fantastic enough, but more fantastic still was Sir Stafford's bland and uninhibited exposition of it. Can he have intended the doctrine to be swallowed? It seems unlikely.

★ ★ ★

Sir Stafford's Arithmetic

Sir Stafford was at pains to substantiate his initial claim that devaluation would only cause the cost of living index figure to rise "by nearly one point." His first argument was that the effect of increased import prices on the manufacturing costs of British exports need not be "anything like as great as has been suggested in some quarters." He admitted that any exact calculation was difficult and then went on to show that, in 1938, prices of imported materials represented only about one-seventh or one-eighth of the f.o.b. prices of total British exports. At this point the argument about the effect of devaluation was dropped, and his audience departed to do their own calculations. In *The Economist* of September 24th (page 685), it was shown that the direct effect of devaluation might raise the cost of imported raw materials by 10 per cent (apart from any increases in the prices of sterling imports). Presumably, therefore, Sir Stafford would argue that prices of total exports should not rise by more than one-eighth or one-seventh of that amount—that is by 1¼ or 1½ per cent. This, indeed, seems an insignificant amount. But it is worth while examining the Chancellor's calculation.

In the first place, he related the increased price of imported raw materials to prices of total British exports. That is fair enough if it is intended to show what effect devaluation will have on the terms of trade. But the Chancellor had previously mentioned "the effect of increased import prices on the manufacturing costs of our exports," so that the more relevant calculation would have referred to the export prices of British manufactures. In 1938, 12 per cent of total exports consisted of raw materials.

Secondly, between 1938 and 1948 the terms of trade deteriorated by about 20 per cent—that is, import prices rose by 20 per cent more than export prices. Hence even if the Chancellor's calculation can be accepted for 1938, it is less applicable to the present time. On the cost of living, Sir Stafford was on the defensive. He justified his statement that the index would rise by one point on the ground that the price of bread rose to 5½d., and added that "there is no reason for any other immediate increases in retail prices of food on account of devaluation." That may be true, for the question turns on the meaning of the word "immediate." Apparently, Sir Stafford means between September and the end of the year. If the average industrial gestation period is taken as six months, the effects of dearer raw materials may not be reflected in retail prices until March. At least the Chancellor was courageous enough to admit that next year retail prices would tend to rise, and that "some further rises in food prices may, during next year, add another few per cent to household bills." Can this be taken to mean that Sir Stafford agrees with the estimate made in *The Economist* three weeks ago that, as a direct result of devaluation, the cost of living would rise by between 5 and 7½ per cent?

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The Sterling Balances

The "further study" of the complicated question of the sterling balances is not to be conducted in any haste. At any rate, that appears to be the inference properly to be drawn from the Chancellor's observations on Wednesday.

He admitted the need for some diversion of unrequited exports now being shipped to sterling area countries into the dollar markets, where they would earn dollar income. But the drawing agreements recently made between Britain and countries such as India and Egypt have nine months to run. It seems, therefore, that the "further study" cannot, even on the best assumption, produce any practical results before the middle of next year. In the meantime the sterling area itself will be increasing its magnetic pull to attract British exports. That is one of the consequences of devaluation, in so far as it raises the sterling prices of raw materials produced in the sterling area.

In a review published this week, the Economic Commission for Europe comes out quite bluntly on unrequited exports:

To reap the benefits of devaluation, it may be necessary for the United Kingdom to impose more rigid limits on the level of unrequited exports, financed through reducing sterling balances or other capital transfers.

Again, Sir Jeremy Raisman, speaking with a background of experience as Finance Member of the Government of India during the war years, has this week emphasised that "further study" must aim at a constructive solution. Sir Jeremy suggested that some sharing of the burden (with the United States) would provide "enormous relief" for this country, and give American producers access to markets which were at present largely closed for lack of dollars. This line of thought has in fact been suggested by a number of American commentators. It provides a principle of action, but there is a long way to go before it can be translated into terms of practical policy. It would involve political as well as economic changes of great consequence. But it may well present the only way, acceptable alike to Britain, its creditors, and the United States, of sharing—and reducing—the burden of the balances.

If the Government are thinking on these lines, they have given no sign. They may be forgiven for walking delicately on a matter which would affect the future of the whole sterling area, where feelings in certain directions are already tender. The tone of last week's debate on devaluation in the Indian Parliament was critical of the need, the extent and the timing of devaluation. The Finance Minister, Dr Matthai, declared that the British representatives at Washington "exceeded the brief" which the Commonwealth Finance Ministers gave the Chancellor in July. This may be no more than a dialectical point, but it is not lightly to be dismissed solely for that reason. As for any reduction in the sterling balances (which Mr Churchill had suggested in the debate on devaluation) Dr Matthai declared forthrightly that "we in India will resist it by every means in our power." Attitudes such as these may be an inevitable consequence of Indian political conditions and of the failure to tackle the problem of the balances three years ago. A solution now will present incomparably greater difficulties, even with American assistance.

Finance and Investments

Reverse for Gilt-edged

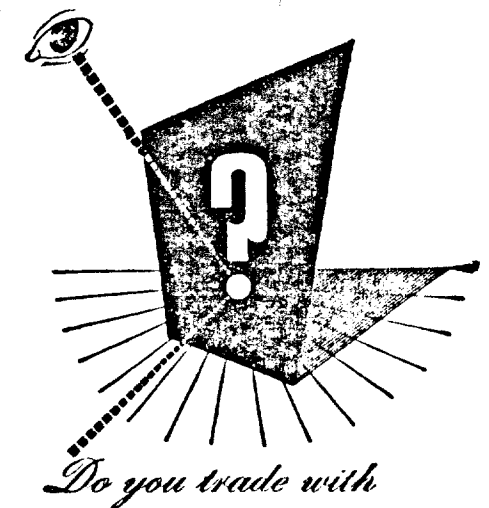
The post-devaluation honeymoon in the gilt-edged market seems to have ended rather abruptly. It appeared impermanent from the very beginning, and this week prices have fallen so sharply that for all stocks with a life of fifteen years or more, yields today are higher than they were before devaluation. Undoubtedly the spreading discussion on the likelihood of a November election has played a big part in bringing the market into a less romantic frame of mind. That contingency is now disposed of. But the possibility of a rise in bank rate and a general leveraging up of



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the whole structure of interest rates has also been at work and is likely to remain so. In truth, the two factors were scarcely compatible one with the other. If an early election was on the cards, so much smaller, surely, must have been the chances of any immediate action to raise interest rates. The psychological moment for such action was at the moment of devaluation.

But there is good ground for the market's scepticism about the maintenance of gilt-edged prices, even if the bank rate

GROSS REDEMPTION YIELDS AND PRICES
(Per Cent)

Stock and Redemption	Cheap Money Peak, Nov. 14, 1945 (a)	Gas Stock Issued, May 2, 1949 (b)	Price		Yield (c)		Price		Yield (c)	
	£ s. d.	£ s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Shorts										
11% Exch. Bds., 1950.....	1 5 6	1 6 8	100½	1 2 3	100½	0 19 9				
2½% Nat. War Bds., 49/51..	1 7 9	1 8 1	100½	2 3 0	100½	2 0 7				
Middles										
3% Nat. Det., 54/55.....	1 18 8	2 8 1	102½	2 14 8	103½	2 13 6				
3½% War Loan, 55/59.....	1 19 7	2 8 11	101½	2 15 6	102½	2 14 0				
Medium Longs										
3½% Conv. Loan, from 1961..	2 5 8	2 14 0	96½	3 12 8½	94½	3 14 4½				
3½% Savings Bds., 55/65.....	2 5 11	2 14 9	99½	3 0 10	98½	3 3 7				
Longs										
2½% Savings Bds., 54/57....	2 3 8	2 10 8	95½	3 1 9	92½	3 1 9				
3% Savings Bds., 55/75.....	2 5 11	2 17 7	95½	3 7 5	93½	3 8 6				
3% Trans. Stk., 78/88.....	...	2 18 11	91½	3 2 7	90	3 10 4				
3% Gas Stk., 20/25.....	...	3 0 0	91½	3 8 9	88½	3 9 9				
3½% War Loan, from 1952..	2 1 0½	2 10 5½	95½	3 13 10½	94	3 15 6½				
Undated										
2½% Consol(d).....	2 10 6½	3 1 5½	72½	3 9 1	69½	3 11 9				
2½% Treas. Stk., from 75/4.)	2 10 0	3 1 9½	70½	3 10 9	68½	3 12 10				

(a) To earliest date throughout. (b) Shorts to earliest date; longs to latest date. (c) To latest date throughout. (d) Flat yield. (e) To 1952. * Ex dividend.

remains untouched. There has been for several months a solid foundation for the argument that the pull of economic forces was in the direction of higher rates. Thursday's announcement disposes of the immediate possibility of a new government less wedded to the notions of cheap money which have done so much to feed the postwar inflation. But the tendency towards higher rates is likely to continue, even if it is not reinforced by direct action to secure them. If the British economy is to be eased of the rigidities which at present bind it, if a spontaneous supply of savings is to be encouraged, and if the future rate of capital investment is to be governed more directly by economic considerations than by ideas of what the Government or the public would like, a rise in interest rates is inevitable.

South Africa Borrows

After an unsuccessful attempt by South Africa earlier this year to borrow £50 million in the London market, Mr Havenga has now been able to announce a more modest programme. The announcement was coupled with a fairly stiff increase in treasury bill rates in the Union. As this issue was going to press, the Reserve Bank announced an immediate increase in the bank rate from 3 per cent to 3½ per cent, thus restoring the rate to its 1941 level.

Two loans of £10 million each are to be raised by South Africa, the first this year and the second in 1950. These operations are not likely to have been conceded with some *quid pro quo* from South Africa designed to benefit the sterling area gold and dollar reserves. What exactly has been extracted from Mr Havenga remains to be seen; but as a result of devaluation it should certainly be more attractive for South Africa—to resume the sale of gold to London. It is, indeed, a forceful illustration of South Africa's sterling plight that within a few years of repatriating its £80 million of sterling debt the Union Government should need to borrow again.

At the same time, South Africa has succeeded in borrowing from the United States and Switzerland. While the two

London loans will be offered to the public, the two hard currency loans are to be handled by banking syndicates. In New York Messrs. Dillon Read and Co. will be heading a syndicate granting a \$10 million medium-term loan. The Swiss loan of SF30 million will be subscribed by most of the leading Swiss banks. The rate at present discussed is slightly below 4 per cent, though the loan will have a currency of no more than two or three years. By comparison, Belgium was recently able to issue a 4 per cent loan at 99 per cent in Switzerland, repayable in 15 years.

* * *

Free Sterling Since Devaluation

Free sterling rates, which in the first flush of a 30 per cent devaluation were firmly at or above parity, have been settling down in the past fortnight at a modest discount. The pound note in Switzerland, which soon after devaluation stood at a 3 per cent premium, is currently quoted at a 5 per cent discount. The discount on transferable account sterling (a much more significant quotation since it can be used to pay in sterling for exports that ought to be paid for in dollars) has fallen to a discount of 5 to 7 per cent. It is difficult to see how foreign importers availing themselves of this roundabout method of payment can at the moment be making a profit, since payment with transferable account sterling generally involves trans-shipment via a third port, at increased cost. Given the commissions payable to dealers in transferable account sterling (which is doubtless high) it would be surprising if there is much extra incentive for foreign importers to use transferable sterling. So long as the discount remains within such narrow confines it is unlikely that many dollars will be lost to this country by such dealings. By way of contrast there was, for about 10 days after devaluation, substantial buying of forward sterling at a premium by foreign importers covering the risk of

BANK NOTE RATES
(In Swiss Francs)

Currency	Last Pre-Devaluation Quotations			Post-Devaluation			
	Official Rate	Bank Note Rate	Discount	New Official Rate		Bank Note Rate	Discount
				Sept. 25	Oct. 10		
£ Sterling.....	17.35	11.40	35	12.12	12.50	11.50	5
US dollar.....	4.31	3.38	8	4.31	4.31	4.31	Par
French franc (100 francs)...	1.20	1.09	9	1.22	1.16	1.11	9
D. Mark (100 marks).....	n.a.	62.00	...	104.00	67.00	69.00	34
Belgian franc (100 francs)...	9.88	8.75	11	8.65	8.65	8.59	1
Dutch guilder (100 guilders)...	152.00	103.00	36	114.00	106.00	106.00	Par
Italian lira (100 lire).....	0.71	0.64	10	0.71	0.64	0.63	11
Swedish krona (100 kronor)...	119.50	72.00	40	83.70	85.00	70.00	16
Danish kroner (100 kroner)...	90.00	55.00	41	62.66	55.00	50.00	21

OTHER FREE STERLING RATES
(In US Dollars)

	Official Rate	Free Rate	Discount	New Official Rate	Free Rate	Discount	Free Rate	Discount
Transferable A/c Sterling:								
Dutch account.....	4.05	2.70	33	2.80	2.75	2	2.60	7
French account.....	4.05	2.70	33	2.80	2.75	2	2.65	5
Security Sterling:								
Govt. securities.....	4.05	1.75	56	2.80	1.85	34	1.80	36
Industrial shares.....	4.05	1.85	55	2.80	2.05	27	2.00	29
Gold Price (dollars per ounce)	35	41	34*	35	...	...	44	26*

(a) In the Swiss free market. * Premium.

revaluation. But this movement was short lived, and forward sterling has again fallen to a small discount.

The discount on sterling securities quoted in New York remains more significant, and devaluation has hardly affected its extent. This discount has always been of psychological rather than practical significance, and it is well recognised that



FOREIGN TRADE AND ITS PROBLEMS

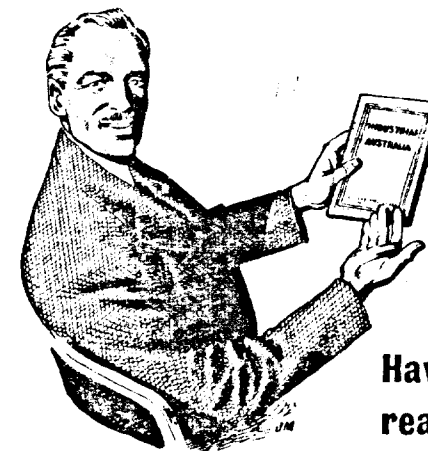
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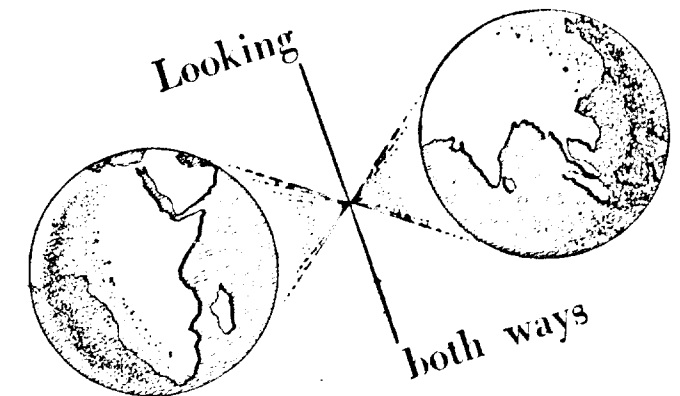
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some relaxation of the existing switching regulations for non-residents in sterling securities would go some way towards eliminating it. On the other hand, as a result of devaluation, interest and dividends in sterling remitted to the United States buy 30 per cent fewer dollars, and the yield on British government securities, at one time over 9 per cent, is now only 6 per cent. The American investor, who can obtain a yield approaching 9 per cent on many good dollar securities, may consider a 6 per cent yield on a foreign government security as being no more than adequate. The premium on dollar stocks in London, which before devaluation was 37 per cent, is (perhaps rather surprisingly) still as high as 15 per cent. The explanation seems to be not that British investors are willing to pay a continued premium to get out of sterling securities because they distrust sterling, but that, even with the premium, first-class American industrials can still be bought in London to yield close on 5 per cent, and this without the curb of dividend limitation.

* * *

Air Corporations' Results

The three airline corporations are entitled to credit for a material improvement in their operating results for the year to March 31st. Their aggregate loss (before crediting Exchequer grants) was £9,740,000 compared with £11,090,000 for 1947-48. More important, it is evident that operating efficiency was greatly improved, and the bloated staffs effectively reduced. The three corporations together flew 132 million "capacity ton-miles" (a capacity ton-mile is the usable capacity on each flight, multiplied by the distance flown) compared with 100 million capacity ton-miles. Thus the total carrying service provided by them increased by 32 per cent. The "passenger miles" flown (which measure the extent to which the service provided was actually utilised) increased by 20 per cent, from 471 million to 566 million.

The deficits remain, and they are still important. British Overseas Airways last year lost 16.2d. per capacity ton-mile and British European Airways 25.2d. These figures show a reduction compared with the previous year of the order of 40 per cent; although capacity ton-miles increased by one-third in total, the cost of operation was reduced by 14 per cent from 68.5d. per capacity ton-mile to 58.9d. in 1948-49. This is creditable, but the full advantage of reduced costs was not realised, since the load factor was lower—in other words, although a greater volume of service was provided more cheaply, it was less fully utilised than in 1947-48. On the BOAC services, the load factor fell from 66.3 per cent to 61.9 per cent and on BEA services from 74.6 to 66.2 per cent.

This problem of adequate payload will not be solved until the Corporations are able to fly modern aircraft. The new types which are about to come into service should materially improve the commercial and competitive standing of the two corporations (as they will eventually become when British South American Airways is merged with BOAC). British European Airways should this year greatly reduce its deficit, while BOAC, affected by the withdrawal of the Tudor aircraft, by delays in the introduction of new aircraft, and by the continued lack of centralised maintenance facilities, must be expected to make less rapid progress. But at least the initial results of reorganisation are visible. They bear witness to the efforts of the corporations in the past year, and to the effectiveness of public criticism of past mistakes of policy.

* * *

Mr Snyder Kills a Rumour

Mr Snyder's blunt statement last week that the United States Treasury is opposed to drawings from the International Monetary Fund for purposes "other than those outlined in the Fund's articles of agreement" seems to dispose of recent

rumours that recipients of Marshall aid will soon be allowed to purchase dollars from the Fund again. It was never intended that the Fund's pool of member currencies should be used for patching up fundamental—as distinct from temporary—disequilibria in the exchanges; in particular its holding of dollars was not designed to meet the chronic dollar famine of the postwar years. That was to be satisfied, in the first instance, by the American and Canadian loans. Then, after the European Recovery Programme was safely launched in April, 1948, the Fund—acting in accordance with the principles of Article 14 of its charter, which states that the immediate postwar demands of members must not be allowed to impair the Fund's ability to give assistance after the transitional period—announced that it would put up its shutters until 1953 against further purchases of dollars by countries receiving American aid. Even although the Marshall countries are out of the hunt, the Fund's holding of American dollars has already fallen by \$704 million from its original level of \$2,062 million.

Although the British Government have given consideration to many schemes to conjure up dollars from the bottom of the barrel in recent months, there is no reason to suppose either that Sir Stafford Cripps made any approach to the Americans on this matter at the recent Washington talks, or that he was disposed to make an approach before Mr Snyder spoke last week. The rumour that such an approach might be under consideration seems to have originated in Australia, where it was linked with the suggestion that, following the devaluation of sterling, the state of the British economy had been raised to one of temporary, instead of fundamental, disequilibrium. How satisfactory that would be—if it were true. But Mr Snyder is not the only observer who would question its truth.

* * *

Bond and Price—

It is entirely proper that shareholders should be asked for their approval of a provisional agreement which has been made between Standard Motor and its managing director, Sir John Black. It provides for the allotment to Sir John of £25,000 in ordinary stock of the company; for his part, he binds himself, in the event of severing his connection with the company, not to engage during the remainder of his life in the manufacture of motor cars or agricultural tractors in what are described as "widely defined areas."

At this week's price of 20s. for the 5s. stock units of Standard Motor, the value of the contract to Sir John is £100,000. By a recent decision in the House of Lords, this would be tax free in Sir John's hands. The question arises whether Sir John's capitalised value to the company over, say, twenty years (he is now 56) can be rated as high as £100,000—apart from his annual emoluments as managing director. (The total emoluments of the seven directors were £66,826 last year. It is necessary to be quite clear about the circumstances in which the contract is proposed. No person can claim a greater share in the growth of Standard Motor to its present impressive strength than Sir John Black himself. But the proposed arrangement does not purport to be a payment for past services. If it were, it would attract income tax. It is offered as a consideration for restraining him from taking his services elsewhere in the motor industry at some future time. There have been such changes in the industry before, and they can make an important difference to a company's fortune.

But two questions then arise. Is Sir John's manifest capacity for organisation in motor manufacturing so unique that in the hands of a competitor it could have a serious effect on Standard Motor? And if so, is the risk that he might transfer his services a matter which could not be covered by an ordinary service contract, rather than by special arrangements such as those proposed? Shareholders will certainly require better information on these points before they approve the agreement.

It is difficult to see the special merits of the proposal so far as the company is concerned. No doubt it wants to keep its managing director as long as possible. That is a question of a competitive price for his great services. It is easier to see the attractions of the proposal from Sir John Black's side—the opportunity of a tax-free payment which must be far beyond anything he is likely to be able to set aside from his taxed income towards retirement. But as a consideration for an undertaking not to transfer his services elsewhere in the industry, the price appears altogether too high.

* * *

Furness Withy Points

In the view of Sir Ernest Murrant, chairman of Furness Withy, devaluation is likely to prove a mixed blessing for British shipping. At the annual meeting of the company last week, Sir Ernest declared that increases of 31s. to 112s. a ton in bunker oil and from 123s. to 172s. a ton in diesel oil in Northern European ports were "horrifying" and "superficially appear to be extravagantly high." His estimate of the increased cost on a typical voyage of one of Furness Withy's modern ships was around £2,250 or the equivalent to an increase of 5s. per ton in the current freight on grain. So far, it must be remarked, higher prices do not apply to bunkering in United Kingdom ports but some increase is inevitable, and probably of the same proportion as in foreign bunker prices. On the other hand, the company expects to gain from the higher sterling return from freights fixed in dollars, at least if these rates are maintained at their level before devaluation. But increased competition may be expected for dollar freights, and there are in fact signs that this is happening already. Moreover, the company's substantial dollar expenditure will cost it more in terms of sterling. Sir Ernest is by no means confident that the net results of trading under the new conditions will be advantageous.

The chairman referred to an anomalous effect of the Income Tax Act, 1945, in connection with the loss of one of the company's vessels by marine peril. During the life of this vessel, the total taxation relief arising from depreciation allowances, totalling £206,000, at the varying rates current from year to year amounted to £69,000—an average rate of taxation of approximately 6s. 10d. in the £. After the loss of the vessel, the company is now called upon to account for tax on the total allowances of £206,000 at 9s. in the £—in other words to pay to the Inland Revenue £92,000, some £23,000 more than the total benefit received. This anomaly arises because the balancing charge provisions of the Act make no allowance for changes in the standard rate of income tax during the life of the ship. But this does not end the matter. If the company wants to replace the ship, it will not be liable for the balancing charge; but it will not be

entitled to take credit for the £206,000 of depreciation allowances which had accrued on the lost ship for the purpose of calculating depreciation allowances on the new vessel which replaced it. The net effect is that normal depreciation allowances on the new ship would expire after 12 years, and after that period its total net earnings would be subject to taxation. Since the cost of replacing the lost vessel is likely to exceed the net amount recovered from insurance by some £650,000, it is obvious that the replacement would entail a heavy drain on the company's resources and also place a heavy burden of taxation on future earnings.

Industry and Trade

Steel Supplies and Consumption

British output of steel ingots and castings recovered in September, as the holiday season approached its end, to a weekly average of 305,900 tons; this is equivalent to an annual rate of 15.9 million tons. The Iron and Steel Federation is confident that the upper limit of the estimate contained in the *Economic Survey*, 15½ million tons for the year,

INDICES OF STEEL DELIVERIES
AND OF THE OUTPUT OF STEEL-USING INDUSTRIES
(1946=100)

Quarter	Index of Home Deliveries of Finished Steel*	Index of Output of Steel-using Industries			
		Engineering, Shipbuilding, Elec. Goods	Vehicles	Other Metal Goods	Total†
1946 I	94.1	86	86	92	93
II	97.4	97	99	98	97
III	98.6	99	97	103	100
IV	109.9	109	119	109	111
1947 I	109.4	103	93	94	98
II	124.9	112	122	103	111
III	117.0	115	114	104	112
IV	127.5	133	115	117	124
1948 I	133.2	138	114	115	126
II	134.9	139	124	117	127
III	121.2	130	118	103	120
IV	134.7	139	129	117	129
1949 I	143.7	139	142	117	133
II	144.0	142	151	110†	134

* Excludes rails and colliery material. † Weighted by estimated relative steel consumption in 1946-48. ‡ Fairly estimated.
Source: British Iron & Steel Federation.

will be reached. The Chancellor of the Exchequer, when he discussed industrial output on Wednesday, was slightly more cautious; he pointed out that shortages of certain steel products—and particularly sheet, tinplate, and wire rod—were still serious, and that until new capacity was ready, not all demands could be met. But the Chancellor seems to take a brighter view than the steelmakers would take of the capacity of manufacturing industry to use more steel.

I heard it from a Novelist
(A nice chap, but neurotic),
Who heard it from a Cricketer,
Who heard it from a Critic,
Who got it from a Person
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Who said it was in

this week's



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An article in the *Statistical Bulletin* for September of the British Iron and Steel Federation brings up to date the assessment of supply and demand which was made in April. The decline of exports in the summer had some effects on the steel programme; and no doubt devaluation will have other effects. The opinion that "all foreseeable home market demands" can be met is not, however, changed. Crude steel output is running true to form. Imports in the first six months of 1949 were at the expected level of 1.2 million tons, but there was "some increase" in July and August. More than half of these imports are from the United States, Belgium, and Luxemburg, and the higher sterling prices of these may reverse the increase which took place before devaluation. Stocks have been built up further this year, against expectation. Direct exports of steel have been higher than was expected, and the estimate is raised from 2.2 to 2.5 million tons.

As a result, steel supplies for the year are estimated at 17.3 million tons less 500,000 tons for additions to stocks. This gives a figure of 16.8 million tons (in ingot equivalent) for "usage," which is distributed as follows:—

	Million tons	
	1948	1949
Direct exports	2.1	2.5
"Indirect" exports	2.7	3.0
Home investment and consumption	10.4	11.3
	15.2	16.8

Thus the quantity of steel sold abroad, whether as steel or as manufactures, will rise from 4.8 million tons last year to 5.5 million tons in 1949 if these estimates are realised. But the *Bulletin* adds a caution about the capacity of the engineering and other steel-using industries to absorb more steel:—

In conditions of full employment a larger home consumption of steel must pre-suppose an improvement in output per head in at least some of the using industries.

But higher productivity does not happen automatically. And, as the accompanying table shows, it cannot be assumed that steel deliveries and the activity of the steel-using industries will always keep in step.

Film Policy and the Finance Corporation

The National Film Finance Corporation has completed its first year's work—in effect, though not in form; during the first six months of its life it existed as a company, not as a state corporation. It is still early to attempt any general review of its work, or any judgment on the success or failure of the experiment. Mr. J. H. Lawrie, the managing director, said on Tuesday that 26 loans had been made so far for the production of 44 films. The four distributing companies account for the bulk of the loans and of the product. The biggest of them, British Lion, uses the Corporation's loans as a revolving credit which has made possible some expansion of feature output by what are sometimes called "independent" producers.

A tendency has also been noticeable for the producers to carry out some of their work on location in Continental countries; and this has caused some ill-feeling. Mr. Lawrie, when he met the trade press on Tuesday, was pressed to condemn the practice. He refused, quite rightly, to do so. Complaints against the use of state money to provide employment for foreigners raise the question of what the Corporation is for. It has interpreted its duty as being to finance the production of British films and help to revive the British film producing industry. While the discharge of this duty has the result of providing employment for British workmen in British studios, the overriding purpose is distinct and different.

A good recent example is *The Third Man*, which was

made with money partly from the Korda group, partly from the National Film Finance Corporation through its loan to British Lion, and partly from Mr. David Selznick, who acquired the rights for the western hemisphere. Some of the film was taken on location in Vienna, the remainder in England with actors from Britain, Austria and Hollywood. The result is a first-class film which cannot fail to be a commercial success; it owes much to British talent but not a little, also, to American commercial sense and Viennese atmosphere. Granted that a film was to be made on this particular subject, it could have been made in British studios with exclusively British actors and a plywood reproduction of the Spanische Reitschule. But would the result have had the same world-wide appeal? In this case, it would not.

If the purpose of putting state money into film production is anything more than to fill the quota and keep the studio electricians and carpenters busy, the Corporation cannot afford a parochial approach. The producing companies can afford such an approach even less. Some of their hopes of revived activity depend on attracting more investment from the American film earnings in Britain. Some of them also have blocked earnings of their own in Continental countries, which may be more profitably used for location work than in any other way.

Tin Complications

The Ministry of Supply has still to announce its new buying price for Malayan tin, though, at the time of going to press, an announcement was said to be imminent. Since devaluation, the Ministry has continued to buy at £553 10s. a ton although it has increased its selling price to £750 a ton. But in any case both buying and selling prices will hold only for the period until the London tin market is reopened. The complications which still have to be solved before the market can be reopened suggest, nevertheless, that these interim arrangements may be in force for some months. There is little or no news about the American "bilateral" agreements for tin, or what quantities they will take off the market. At least it is believed that the price under any such agreements will be fixed for a period. The second complication is the proposed international tin marketing scheme. The British Government still appears to favour a scheme which will restrict output as being the only one which could be worked if market prices are to be free to move. Since American acceptance of such a proposal seems very unlikely, the scheme may be doomed from the outset.

The third complication is whether international allocation will continue. If it ends, and if the United States imposes no bar on the sale of tin to certain countries, then Russian buying might be an important factor in the reopened tin market. Even if Russian buying appears, it is generally thought that the sterling price will be below the Ministry of Supply's current selling price. This raises the fourth complication. If the price of Straits tin falls to, say, 90 cents a lb. in New York, how will the American contract with Bolivia be affected? Although American manufacturers want large quantities of tin at a cheap price, the American administration is interested in the political situation in Bolivia. Hitherto, the British buying price for Straits tin and Bolivian ore and the American buying price for Bolivian ore were related to one another. The London market will not deal in tin ore, but there must still be a direct relationship between the price of tin and the price of ore.

Each of these complications can be solved. But each must be solved before the London tin market reopens. The narrow view taken by the Ministry of Supply that because tin is a sterling area product and a dollar earner the market for it can be freed, while for other base metals (which do not fulfil these conditions) it must remain closed is clearly wrong. Tin is subject to more international factors than any of the other metals, and by no means all of these factors are economic.

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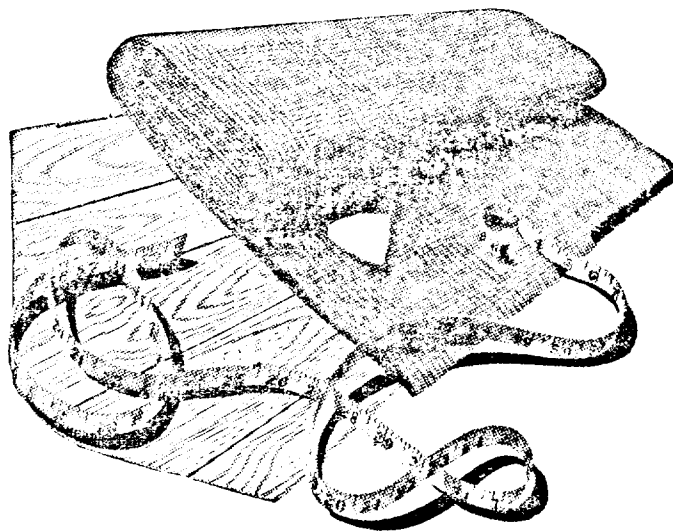
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Fall in Base Metals

Six months ago a cut in the price for lead in the United States began a major slide in base metal prices. During the past three weeks, lead in the New York market has fallen from 15 cents to 13½ cents a lb. (equivalent to £110 a ton), and the Ministry of Supply has faithfully followed this downward trend by reducing its selling price on Wednesday to £111 a ton against £122 on September 22nd. Zinc is also cheaper. In the New York market the price has fallen from 10 cents to 9½ cents a lb. (equivalent to £74 a ton) while the British price was reduced from £87 10s. a ton (to which it was raised after devaluation) to £81 10s. a ton. Copper is still unchanged at 17½ cents a lb. (£141 a ton) but recently the price for scrap has fallen. In the past changes in scrap have preceded changes in the price of copper. Certainly the margin of 4 cents a lb. between scrap and electrolytic copper should enable smelters to reduce their price if demand should slacken.

The weakness in the American metal market has occurred since devaluation, and it is generally attributed to increased offering of foreign lead in the United States. But the quantities involved are not very large and the fact that their re-appearance was sufficient to reduce the New York price shows that American demand is far from buoyant. Buying has on the whole been cautious, though galvanisers are still active in the zinc market and battery manufacturers in the lead market. In Britain stocks of non-ferrous metals are more than adequate and consumption is, on the average, about 10 per cent below last year's level.

Deliveries of copper from Nchanga and Rhokana mines are being bought by the Ministry at prices based on the old dollar exchange rate, and these prices will remain in force until the end of November. Mr S. S. Taylor, at this week's meeting of Nchanga Consolidated Copper Mines, showed that if the price payable for future deliveries is calculated at \$2.80 to £, it would amount to £145 14s. 6d. a ton. This means that the current sterling price paid to producers is £101 5s. a ton. Mr Taylor added that the Ministry had invited copper producers to consider the adoption of a new method of price fixing; at present it is based on the New York export price. As the Ministry of Supply is also buying tin from Malayan producers at the sterling price ruling before devaluation, it must be well on the way to recouping any losses it made between July and September. It is certainly quite unreasonable that the Ministry should recoup the entire devaluation profit, as it is now doing.

September Trade

The provisional trade figures for September show a welcome improvement in the adverse balance which at £35.8 million was the lowest since March. Exports during the month increased by £4,700,000 to £141.8 million. This figure was a fraction higher than in July but nearly £11 million higher than in September, 1948. The daily rate of exports increased by 3½ per cent, thus restoring the daily rate for July, but it was 10 per cent greater than twelve months ago. Shipments to the two main dollar markets again showed contrary trends. In September, however, exports to the United States increased to £4,100,000 compared with £3,300,000 in August and £3,800,000 in July, while exports to Canada declined to £5,300,000 from £5,700,000 in August and £6,700,000 in July. This improvement in the export trade was mainly seasonal, following on the end of the holiday period. The time-lag between goods leaving a factory and being recorded as exports by the customs authorities is such that any increase in exports caused by the devaluation of sterling could not have been reflected in the September figures. It is doubtful whether even the October figures will show any major effects.

The improvement in the balance of visible trade last

month arose from a reduction in imports. The provisional September figure is given as £181.2 million or nearly £19 million less than in August; apart from February, when imports totalled £162 million, this is the lowest monthly figure of the year. Re-exports totalled £3,600,000, so the visible trade balance in September fell to £35.8 million or £23 million less than in August, when the deficit was exceptionally large.

Coal for Lancashire Miners

There are now hopes that a renewed strike of Lancashire and Cumberland miners will be avoided, if the latest proposals for settling the dispute over concessionary coal can be finally agreed between the National Coal Board and the National Union of Mineworkers. The outlines of the new scheme were formulated after a special executive meeting of the NUM in Amsterdam last week, and they have now been agreed by the Board. All that now remains is to determine some of the details.

Under the new scheme, Lancashire and Cumberland miners will each receive six tons of coal a year at the price of 24s. a ton plus a contribution of 1s. 6d. a week. This works out at less than half the Lancashire pithead price. The concession will be made without adding to the national total of 5,000,000 tons now distributed annually in cheap or free coal, since the other districts will contribute altogether about 250,000 tons, in amounts varying with the quantities of concessionary coal they are now receiving. The Board will make some financial contribution, but the exact amount has not yet been fixed.

The settlement of this dispute would remove a dangerous trouble-spot which arises from a real grievance of the Lancashire and Cumberland miners, who have been alone in receiving no concessionary coal. By removing an anomaly (though only one of many) between districts it may serve as a minor but necessary step towards the general reform of the mining wage structure. Its main significance is in the fact that it is an agreement between districts made in a co-operative spirit, and a gain for national thinking against sectional interests among the miners themselves.

Redundancy on Tyneside

The contraction of work in the ship-repairing industry has come into the open in the last two or three weeks, and, as Sir Stafford Cripps said on Wednesday, "some pockets of unemployment have been developing." On the north-east coast, about 1,800 workers have been dismissed from the ship-repairing yards since the middle of September. This is in no way unexpected, and the Government does not seem inclined to treat it as alarming. The northern regional office of the Ministry of Labour has announced that out of the first 1,500 workers dismissed, 800 have already been placed in other jobs within reasonable reach of their homes. The labour force of the shipyards in the region has been reduced from its wartime peak of 57,000 in 1943 to less than 40,000; opportunities of other employment have been ample, and the reduction has been gradual and painless, as such processes go.

It would still be useful to form an estimate of the prospects of employment over the next few years, not only in the ship-repairing yards—which have been hit first as the series of postwar refits and reconversions begin to come to an end—but in the shipbuilding yards themselves. The rush of shipbuilding activity after the first world war ended by 1922. In the following years, activity varied between 30 per cent and 60 per cent of the 1919 average until business collapsed in the slump of 1931. Since the second world war, the demand for new ships has lasted longer. The yards on the north-east coast had 823,000 tons of shipping under

construction in the second quarter of this year; and this, though it was only three-quarters of the level in 1919 (for the industry in this region underwent a permanent contraction between the wars) was only slightly less than the average of tonnage under construction in 1948. Most of the building yards have enough work on their order books to carry them through next year, though there are exceptions. But new orders have fallen off heavily this year, and unless the relation between shipbuilding costs and shipping earnings can be sharply improved there seems no reason to question the opinion which is held in the north-east that another 10,000 workers will have to find other employment within two years or so.

Shorter Notes

The Commercial Minister of the British Embassy in Buenos Aires has given a blunt warning to the Argentine Government about its failure to implement its side of the trade agreement. Unless import permits are granted for British goods within the next few weeks, he said, Britain may be obliged to reduce its purchases of Argentine foodstuffs. About Argentina's attempt to force higher prices on Britain, the Minister added that meat prices for the first year were fixed in the agreement and "the amount Britain was prepared to pay was not calculated in terms of pesos." It depended on what Britain could afford and on the price ruling in other markets. This was even more true of grain, hides, oils and fats.

The negotiations which opened in Copenhagen last Tuesday for a new Anglo-Danish trade pact have not been running too smoothly. Denmark would like to see what effect devaluation would have on British prices before committing itself to a rigid framework of trade. If British prices rise

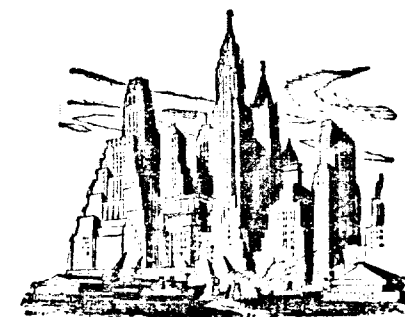
Denmark would seek to revise its prices for butter, eggs and other agricultural produce. But it could only do that by forgoing the security of the seven-year contract which it signed with the Ministry of Food earlier this year.

Draft proposals made by the Board of Trade for a development council for the pottery industry were discussed in London this week between the Board and representatives of the pottery manufacturers. The manufacturers are opposed to the idea of a statutory development council.

The scheme of reconstruction of Cable and Wireless (Holding) is now ready. Unless unforeseen difficulties arise details will be posted to stockholders on November 1st and meetings will be held on November 25th to consider and, if thought fit, to approve the scheme. The necessary court formalities are proceeding.

Allen, Harvey and Ross in a preliminary statement this week disclose a net profit of £64,357. This is some £10,000 lower than the profits disclosed in the previous year, but the latest figure has been struck after making an allocation for amortisation of premiums on investments; in the previous year there was no such provision.

A commission of seven members has been appointed by the House of Deputies in Brazil to examine the take-over proceedings of Great Western of Brazil, Leopoldina and Bahia South Western Railways. This move follows a motion tabled last week and has been prompted by reports that certain persons were to receive payments amounting to £90,750 in consideration of services rendered in arranging the sale of the Bahia South Western Railway.



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*Abridged Particulars***JOHN EDWARD CROWTHER (HOLDINGS) LIMITED***(Incorporated under the Companies Act, 1948)*
WOOLLEN MANUFACTURERS**CAPITAL**

<i>Authorised:</i>	<i>Issued and fully paid:</i>
£500,000 in 500,000 5½ per cent. Cumulative Preference Shares of £1 each ...	£500,000
£500,000 in 500,000 Ordinary Shares of £1 each	£500,000
£1,000,000	£1,000,000

Neither the Company nor its subsidiaries has any Mortgages, Debentures or Loan Capital outstanding.

The List of Applications will open and close on Thursday, the 20th day of October, 1949

for an
OFFER FOR SALE*by*
THE CHARTERHOUSE FINANCE CORPORATION LIMITED*of***500,000 5½ per cent. Cumulative Preference Shares of £1 each at 22s. per Share***The following extracts are from a letter from Mr. P. D. Crowther, Chairman and Managing Director of the Company, which is printed in full in the offer for sale:—*

1. The Company was incorporated on 10th October, 1949, and has acquired the whole of the issued Share Capitals of John Edward Crowther Limited and Crowther, Bruce & Co. Limited. For four generations, my family has been engaged in the wool textile industry in the Colne Valley, near Huddersfield. The very high rates of Estate Duty now prevailing compel me to provide funds against the ultimate incidence of this form of taxation which might otherwise affect the financial stability and continuity of the Group. It is the present intention that all the Ordinary Shares of the Company shall be retained in the family.
2. The Operating Companies undertake every process from the preparation of raw wool to the production of all types of finished woollen cloth. An analysis of turnover for the year ended 31st March, 1949, shows that in terms of linear yardage sold, over 33.42 per cent. went in direct and over 18.84 per cent. in indirect exports.
3. The combined profits of the Operating Companies for the past thirty years ended 31st March, 1949, show that, after providing for all outgoings except taxation, profits were earned in all but one of those years despite the difficulties which beset industry in this country—and the textile trade in particular—at various times during that period. The average of the combined trading results is £122,215 per annum, an amount sufficient, after providing for Profits Tax at the proposed new rates, to cover the dividend of £27,500 (gross) on the Preference Shares over three times. In my opinion, this average rate of profits should, in the absence of unforeseen conditions, at least be maintained in the future.
4. The Operating Companies' net assets, exclusive of Goodwill, at 31st March, 1949, of £1,028,756 are equivalent to 41s. 1.803d. for each Preference Share. In the Directors' opinion the fixed assets which stand in the books at a written down value of £244,543 are at present worth several times this amount. The value of the stock which stands in the books of the Operating Companies at £894,077 is well below current market value.
5. Combined turnover of the Operating Companies for the first six months of the current year is equal to that for the corresponding period last year and I am satisfied that the profit for the year ending 31st March, 1950, will be substantially in excess of the thirty year average of £122,215. The Operating Companies' long record of successful trading and their high reputation in the wool textile industry for efficient production at economic prices are proof that they should be well able to withstand the effects of any future trade recessions and to meet the severest competition. I am, therefore, confident that future profits will continue to provide substantial cover for the dividend on the Preference Shares which you are now offering for sale.

Copies of the full Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application will be obtainable on Monday from:

BANKERS: MIDLAND BANK LIMITED, Poultry, London, E.C.2 and Branches
BROKERS: J. & A. SCRIMGEOUR, 3, Lothbury, London, E.C.2, and The Stock Exchange, London
AUDITORS: ARMITAGE & NORTON, Station Street Buildings, Huddersfield, Yorkshire*and from***THE CHARTERHOUSE FINANCE CORPORATION LIMITED**

15, ST. SWITHIN'S LANE, LONDON, E.C.4

COMPANY MEETING**ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED****CONSIDERABLE EXPANSION PROGRAMME****DEMAND MAINTAINED****NEED FOR FURTHER CAPITAL****SIR ALEXANDER ROGER'S SPEECH**

The sixty-second annual general meeting of the Anglo-Portuguese Telephone Company, Limited, was held on October 11th at Strower House, Arundel Street, London, W.C.

Sir Alexander Roger, K.C.I.E., chairman and managing director, said: Gentlemen, since 1940 the sterling/escudo rate of exchange remained stable at Escs. 100 to the £ and consequently the currency accounts for the year 1948 have been converted at that rate.

On September 21st last it was announced in Lisbon that the Portuguese Government had decided to fix the new exchange rate for the dollar at 28 escudos and 75 centavos instead of 25 escudos, and for the pound sterling at 80 escudos 50 centavos instead of 100 escudos 25 centavos.

This will mean some adjustment of the company's accounts for the year 1949, but the accounts under review remain unaffected. Total revenue for the year was £846,664 as compared with £758,675 for 1947.

The consulting engineers have carried out their annual investigation into the depreciation position of the telephone plant, and have recommended that over and above the normal allocation a further contribution should be made out of revenue to cover the exceptional wear and tear suffered by the plant during the war years. An additional contribution for this purpose has been made and, in fact, this has been done since 1944. After providing for depreciation and provision for renewals, and including interest on loan, interest on the 5 per cent. and 5½ per cent. debenture stock and the appropriate sinking fund instalments, expenses totalled £786,191 against a 1947 total of £700,863.

RESULT OF YEAR'S OPERATIONS

Net profit for the year is £60,473, as compared with £57,812. The usual dividends of 8 per cent., less tax, on the ordinary stock and "A" ordinary shares absorb £57,172, leaving to be carried forward £46,033 as against £42,732 brought forward. The cost price of telephone plant installed and in operation amounted to almost £3,700,000 at the date of the balance sheet.

The sum under the heading of provision for renewals, after writing off losses on plant withdrawn from service during the year, amounts to £1,144,351, or 31 per cent. of the cost price of the telephone plant. This provision, and the company's other reserves, which are relatively small, are invested in the business, which is economically and financially advantageous to the Portuguese telephone community and to the company.

Experiment and research for improvements in all fields of telecommunication is continuous, and only the most modern and up-to-date equipment is sent to Portugal.

During the three years—1946, 1947, and 1948—telephone material of British manufacture to the value of approximately £1,000,000 has been shipped to our company in Portugal, and the company has purchased in Portugal itself further material costing over £330,000.

EXPANSION AND DEVELOPMENT

To carry out our heavy expansion programmes necessitates a regular flow of new capital. The extent of new capital required

is reduced by the amount of reserves which we are able to plough back into the business each year, but by far the greater proportion of capital must be provided from outside the business.

For the past three years all new capital has been advanced on loan account by Telephone and General Trust Limited, and at December 31, 1948, our loan from the trust amounted to £787,612. At this date it is about £738,000.

The trust and its associated companies have a staff of experts in all branches of the telephone business, financial, manufacturing, engineering, operating and research, and your company's close connection with these interests have brought substantial benefits to it over the past 20 years and more.

The day to day loan arrangements which your company has with the trust are on a mutually satisfactory basis, but the development and expansion of your company requires that these temporary advances be converted into a more permanent form of capital, and it is the present intention of your directors to take steps to do this as soon as plans can be completed following a settlement of our negotiations in Portugal to which I refer in a moment.

In 1948, 7,913 stations were added to the system, bringing the total at December 31st to 88,459. During the war years development was necessarily curtailed, but since expansion became possible three years ago, 23,254 stations have been brought into service. We regard this expansion as a considerable achievement, and we have gone ahead with the supply of plant and equipment to carry this out clearly on the understanding, and in the full belief, that the company's tariff structure would be satisfactorily adjusted.

In spite of our efforts the demand for telephones shows no abatement, and at December 31st last the waiting list was 23,000 and today is 25,000.

TARIFF NEGOTIATIONS

At the last annual general meeting on September 9, 1948, I informed you that the necessity for an adjustment of the company's telephone rates, owing to our great expansion programme and the continual rising cost of labour, materials and all expenses, had become increasingly urgent, since the company had first broached the subject to the Government in 1945.

I told you then that during my visits to Portugal in connection with this matter, I had found a ready understanding of the company's difficulties and the nature of our problems, that our case was being examined in detail by the Government representatives in co-operation with the representatives of your company, and that we were hopeful of a satisfactory outcome at an early date.

The present contract between the Portuguese Government and the company was entered into on January 25, 1928, and is for a period of forty years. At the end of that time the Government has the right to acquire the company's property on payment of a sum to be fixed by the arbitrators.

The conditions governing the payment are incorporated in two separate clauses, the first in the contract itself and the second in an

addendum to it which is an integral part of the contract.

The Government and the company have always considered that the clause in the addendum had annulled the first version and, in fact, throughout the years this has never been questioned.

HOPE OF SATISFACTORY SETTLEMENT

Owing to some ambiguity regarding these clauses, however, both the Prime Minister, H.E. Dr Salazar, and I considered that this position should be clarified at the same time as the settlement of the new tariffs.

Unfortunately the negotiations have been protracted as various Government entities are concerned, and I have been twice, personally, to Portugal, covering a period of nearly four months since we last met, to press the matter on, and on each occasion have been cordially received by Dr Salazar and his representatives.

We have been repeatedly informed by the authorities that they are no less anxious than the company to settle these matters in harmony. The negotiations are active, and your directors are hopeful of a settlement which will be mutually satisfactory to the company and to the Government.

I was fully expecting to be able to tell you that the negotiations had been concluded, but I am unable to do this today, which I am sure is as disappointing to you as it is to your board.

We will advise shareholders further as soon as it is possible to make a specific statement.

PORTUGAL

Marshal Carmona, who has been President of Portugal for over 21 years, was re-elected in March, 1949, by an overwhelming majority for a further period of 7 years.

Trade and financial discussions between the United Kingdom and Portugal in the early part of 1949 resulted in an extension of the principal existing Anglo-Portuguese Monetary Agreement for a period of one year, namely to April 15, 1950.

In August last the National Assembly of the Government of Portugal ratified the signing in Washington of the Atlantic Pact by its country's representative. This, in fact, was a logical continuation of the policy which has been pursued by H.E. Dr Oliveira Salazar, the country's Prime Minister, since the regime of the Corporative State was set up under his influence and guidance over 21 years ago.

The Government recognises that greater industrialisation is required to increase the standard of life, and to forward this end large schemes of public works have been undertaken, particularly hydro-electricity projects connected with the rivers Zézere and Cavado.

Progress is being made in all these works but, as in other countries, the rate of progress is dependent upon the financial resources available.

INTERCHANGE OF VISITS

Personal contacts between representatives of your London and Portugal boards have been maintained in both countries.

We are especially happy to welcome any member of our Portugal board and anyone of our advisers from Portugal, and the chairman of our board in Portugal, Senhor Branco Cabral, together with Dr Bustorff Silva, the company's lawyer, have been in London on several occasions during the past year for consultation with us.

We are greatly indebted to these two Portuguese gentlemen for their untiring and unsparing efforts over a long period on behalf of the company in its business relationships with the Portuguese Government Departments, and particularly in connection with the present negotiations. Their endeavours are constantly devoted to a settlement of all problems on a basis satisfactory to the interests of the country, the public and the company.

In this they are at all times ably assisted and supported by Mr R. S. Thorp, our general manager, who accompanied our Portuguese advisers on their London visits. As already mentioned, I have been to Portugal twice since we last met. Mr Hollier accompanying me on those visits. In addition, Mr Rye and Mr A. F. Roger have made valuable visits. Exchange of visits between the engineers and accountants have also been continued. All these visits are essential to enable the administrations at both ends to understand the problems pertaining to each.

TRIBUTE TO MR RYE

Mr A. N. Rye, who has been a director since 1936 and joint managing director since 1940, decided in 1948 to relinquish the latter position. During his tenure of this office he has unhesitatingly given his time and experience to the betterment of the company. His resignation as joint managing director was received with great regret by his colleagues.

STAFF AND WORKPEOPLE

We do our best to secure the contentment of the staff by providing pensions, sickness, accident and medical benefits, family allowances and other welfare services.

The board in Portugal and Mr Thorp and his executive and departmental chiefs, have a willing band of workers. On your behalf I should like to thank our administration in Portugal and all the workpeople numbering about 3,000, over 99 per cent. of whom are Portuguese, for their keenness and loyalty, and particularly for the patience of our workpeople in Lisbon and Oporto in the delay in settling their wage conditions through circumstances beyond the company's control. The report and accounts were unanimously adopted.

Resolutions were passed converting the issued "A" Ordinary shares into stock and adopting new articles of association.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION LIMITED

MR J. N. BUCHANAN'S STATEMENT

The twenty-fourth annual general meeting of this company will be held on November 4th in London.

The following is an extract from the statement of the chairman (Mr J. N. Buchanan, D.S.O., M.C.), circulated with the report and accounts.

Last year I warned you that the large increase in the profits of the last two years was not likely to be maintained and that we expected a fall in our revenue for the year ending June 30, 1949. Gross revenue received by the company was £198,000 against £254,000 in the year before. Thanks, however, to the tax provision being substantially lower, the balance carried to appropriation account shows a considerable increase, being £150,000, against £103,000 last year.

The value of the company's investments has fallen in accordance with the general experience. It was to meet such fluctuations in values that we have built up the investment fluctuation reserve. This year we have used £45,000 of that reserve to write our investments down to the market value current at June 30th last. We recommend the same dividend, and £50,000 is added to our carry-forward.

With regard to the current year, there has so far been little, if any, falling off in the number of propositions which reach us for provision of finance for developing businesses. How many of these may come to a fruitful issue depends to a large extent on conditions and regulations outside our control. With regard to our investment income, suffice it to say that there is at present no material sign of a decrease.

RANSOME AND MARLES BEARING COMPANY LIMITED

NEW PROFIT RECORD

The thirty-third annual general meeting of this company was held on October 13 at Newark, Notts.

Mr F. W. Baker, the chairman, who presided, in the course of his speech said:

The net profit creates a new high record at £300,487, and as our financial year covered what might be regarded as a transitional period in industry, this is, in the opinion of the board, highly satisfactory. For the first six months to December 31, 1948, sales were still rising steadily, but the general decline in ordering, due partly to some small recession in trade and probably more to liquidation of unduly high stocks held by users, was reflected in the sales for the second half of the year. The rescheduling of delivery dates and suspending of orders have brought out a more realistic and healthy programme, and much "dead wood" has been cut out. In spite of this the sales for the 12 months were again a high record.

One or two industries experienced something of a boom period after the war, and the easing of their demands will now enable us to replenish our badly depleted stock and allow us to give better service both at home and overseas; this is most essential, particularly in the latter case.

DIVIDEND AND BONUS

The proposed allocation of the profit and loss balance provides for the full final dividend and bonus on the increased capital, and after the transfer of £150,000 to general reserve and other small allocations, the carry-forward is increased to £116,253, which represents more than the yearly distribution at the present rate.

Turning to the balance sheet, you will, I am sure, agree as to the great strength shown by the figures. The liquid position has, of course, been greatly strengthened by the recent new issue.

In recent months bonus issues have been very much to the fore, and it might be thought that with its reserve position this company should make such an issue. The board have seriously considered the question, but are of the opinion that in existing circumstances no good purpose would be served by adopting this course.

FUTURE PROSPECTS

You are naturally interested in future prospects, and in these difficult times more so than ever. Although our industry has wide interests, and is therefore less vulnerable than some to sudden changes, we are still subject to the general ebb and flow of trade. So far, while there is a slowing down in the demand from certain industries, others are still increasing and express considerable optimism, and the demand at the present time is still several times the pre-war level. I feel sure, however, that you will understand my reluctance to indulge in anything in the nature of prophecy while the international and national situations are so grave and unpredictable. Currency difficulties, import licence restrictions, and labour troubles in far quarters of the world affect not only our own trade but our customers' as well, and we must hope that the present efforts being made to solve the international problems in Europe and America will meet with success. If the present level of consumption continues amongst the main industrial users, and no further international obstacles are created to restrict both our direct and indirect exports, we should be able to keep production at a level sufficient to earn a reasonable profit.

The report was adopted.

OLDHAM AND SON LIMITED

ACTIVE AND SUCCESSFUL YEAR

MR JOHN OLDHAM'S REVIEW

At the thirtieth annual general meeting of Oldham and Son Limited, held on October 13th at the company's head office, Denton, Manchester, the chairman, Mr John Oldham, O.B.E., J.P., reported a year of great activity and continued progress. Trading profit at £283,450 showed an increase of £23,509 on the previous year. Part of the company's reserves would be distributed in the form of a bonus share issue to ordinary shareholders of one shilling ordinary share for each ordinary share held.

Total volume and value of production and sales had increased substantially, and exports had risen by 50 per cent. over last year's figure. Comprehensive developments had been carried out in all fields to increase the scope of the company's sales force, to create new sales outlets, and, by close study of the markets served, to add to the range of the company's products.

A programme of re-organisation and re-equipment had gone steadily forward; new plant had been installed and certain new processes of manufacture established. Technical and market research had been stimulated and expanded as a result of extensive journeys made overseas, covering a number of countries.

IMPORTANT DEVELOPMENTS OVERSEAS

The chairman said that an important technical association had been formed with the Gould Storage Battery Corporation of New Jersey, a subsidiary of the National Battery Corporation of America, providing for the exchange of complete technical and development information concerned with design and production of power batteries.

An associated company under the title of Oldham and Son Africa Ltd., in which the English company held 50 per cent. interest, had commenced operations as from January 31st last. Oldham and Son had been engaged in South Africa since 1938 in the supply of their portable mine lighting equipment, and many thousands of Oldham lamps were in use in the gold, coal, and copper mines of South Africa and Northern Rhodesia.

A French subsidiary, Société Française des Procédés Oldham had been formed in conjunction with S. A. d'Éclairage et d'Applications Électriques, manufacturers and distributors of Oldham mine lighting and general electrical equipment in France. Oldham and Son held 75 per cent. of share capital of the new company, which had now commenced complete manufacture of Oldham mine lighting accumulators. Oldham self-service lamps were used to a greater degree than any other in the French mining industry, and the French manufacturing facilities now provided should prove an important factor in the firm's continued development on the Continent.

In conclusion, the chairman said that, from the broad outline he had given of the results of the company's operations during the period under review, and having regard to the fact that its activities were so widely spread over the fields of mine lighting equipment, storage batteries for automobile, traction, and general electrical use, together with its activities in the mechanical engineering field, shareholders should, subject to conditions beyond control, be able to look forward to the future with confidence.

The report and accounts were unanimously adopted, and a final dividend of 30 per cent. approved, making a total of 60 per cent. for the year.

NCHANGA CONSOLIDATED COPPER MINES

DEVALUATION PROBLEMS

The twelfth annual ordinary general meeting of Nchanga Consolidated Copper Mines, Limited, was held on October 11th in London, Mr S. S. Taylor, C.M.G., D.S.O. (deputy chairman), presiding.

The chairman, in the course of his speech, said: You will note that the profit for the year, before providing for taxation, is £1,609,924, which compares with last year's figure of £814,975. The increase is due to greater production and a higher average price. Taxation on the profit for the year amounts to £822,615, out of which £811,129 is transferred to the reserve for future income-tax.

Production for the year was 9,255 long tons greater than the previous year. This permitted us to appropriate substantial tonnages towards our stocks and our proportion of the refinery extension requirements.

REVALUATION OF STERLING

The revaluation of the pound sterling at a lower level in relation to the dollar or in common parlance its devaluation has, of course, a profound effect on the prices payable in sterling for copper. The basis of the price paid by the Ministry of Supply to the Northern Rhodesian producers has been the world price as ascertained from the quotations in the New York Engineering and Mining Journal in cents per pound for copper (f.a.s. New York, converted at the rate of \$4.03 to the pound sterling).

When devaluation was announced, the Ministry suspended all sales by it of copper to consumers in Great Britain pending the publication of new selling prices. On September 23rd, the Ministry announced that its selling price for electrolytic copper thereafter would be raised from £107 10s. to £140 per long ton. The price payable to this company and also to Rhokana Corporation, Limited, had already been fixed for deliveries up to and including the month of November.

NOTICES

THE Civil Service Commissioners invite applications for permanent appointments as Assistant Experimental Officer to be filled by competitive interview during 1949. Interviews will be held shortly after the receipt of the completed application form and successful candidates may expect early appointments.

The posts are in various Government Departments and cover a wide variety of scientific (including engineering) qualifications. Places of work are spread throughout Great Britain.

Candidates must be at least 17 years and under 26 years of age on 1st August, 1949; time spent on a regular engagement in H.M. Forces may be deducted from actual age. Candidates must have obtained the Higher School Certificate with mathematics or a science subject as a principal subject, or an equivalent qualification. Higher qualifications will be regarded as an advantage to candidates over the age of 20.

The inclusive London salary scale (men) is £230-£490. Salaries for women and for posts in the provinces are somewhat lower. Superannuation provision is made under the Superannuation Act.

Further particulars and forms of application from the Secretary, Civil Service Commission, Scientific Branch, 27, Grosvenor Square, London, W.1, quoting No. 2522. Complete application forms should be returned as soon as possible.

EX Lieut.-Colonel, Senior Temporary Civil Servant and Schoolmaster aged 38 with 15 years' experience in welfare, personnel work, staff selection and training, catering, office management, building maintenance and stores organisation, requires post in large organisation in executive or administrative capacity. Capital available for investment, will serve in any country. Available for interview week commencing October 24.—Box 235.

EXPORT SALES MANAGER—Responsibility for organisation and administration of Export Sales Department; and to share visits overseas markets regularly in turn with Assistants. High-grade Painters' Brushes and other brushware. Adequate remuneration and assistance. Reply letter only stating age, career and any linguistic capabilities, etc., in confidence to The Secretary, Christopher Leng & Son, Ltd., Hazelwell Brush Works, Birmingham, 30.

FOR SALE: Volumes of *Economist*, unbound, 1946 (except 5368, 5370, 5372, 5384/5, 5387); 1947 (except 5436); 1948 (complete); 1949 (to June 4).—Box 212.

1949. That is to say, for such deliveries payment would be made at a price calculated at the exchange rate of \$4.03 to the pound sterling. If the price payable in sterling for future deliveries were calculated as heretofore—save that the rate of exchange were taken at \$2.80 instead of \$4.03 to the pound sterling—it would amount to £145 14s. 6d.

PROGRESS OF EXTENSION

Our programme for the extension of production to a figure of 64,000 long tons of copper per annum has proceeded satisfactorily during the year. I think we can confidently expect that the extension will be completed by the end of 1950 as I forecast last year. I then informed you that we had found it necessary to provide for additional items of plant and machinery and for further housing.

Our consulting engineers' most recent estimate indicates that the total cost of this programme will be £4,087,000. The increase in our production will, of course, make it necessary to carry larger stocks of copper and stores and to have a larger working capital.

For all these purposes we shall require not only the amount that was raised by the issue of shares in September, 1946, but also a substantial amount of the profits which the company has made. Your directors, therefore, in spite of the most satisfactory results of the year's working and of the increased profit arising therefrom, do not recommend to you the payment of a dividend for the year.

COAL SUPPLY PROBLEMS

Dealing with the coal supply difficulties, Mr Taylor referred to a statement issued in September by the Minister of Mines and Transport of Southern Rhodesia to the effect that the Central African Territories were facing a coal crisis likely to persist for at least another twelve months. The statement laid stress on the importance of the maintenance of copper production in Northern Rhodesia in relation to the dollar position of the Commonwealth and formulated the aim of the Ministry that the copper mines in Northern Rhodesia should be supplied with 46,000 tons of coal per month by next December or January. Mr Taylor expressed

the view that if these supplies could be delivered at the time forecast, and if some further increase in deliveries could be effected, in subsequent months, full production from all mines could be maintained until the end of the period of the coal crisis.

The report was adopted.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

ADVERSE CLIMATIC CONDITIONS

The fifty-second annual ordinary general meeting of this company was held on October 11th in London, Mr J. Gilroy Annan (chairman and managing director), presiding.

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

Tea crop shows a reduction of some 120,000 lbs. but it must be remembered that climatic conditions in 1948 were adverse. Rubber crop is only 7,000 lbs. below 1947. Due to the increased prices obtained for Tea and Cardamoms net sale proceeds are higher by £5,260 despite the lower price obtained for rubber. Estates working costs, however, have increased by £11,000.

The chief cause of the decrease in profit is the exceptional figure of £12,835 for capital expenditure written off. The heaviest individual items of capital expenditure during the year were the building of additional lines to the latest official specification on Gonamotava Estate and a new engine of higher horse-power on Veralupitiya Estate.

The available profit is £16,064. The board recommend a dividend at the rate of 5 per cent. after provision for which the amount recommended to be carried forward remains at almost the same figure as in the previous year. Provision for current taxation remains a grievous burden amounting to no less than £33,450 out of a profit of £56,729 before providing for capital expenditure.

Latest reports indicate that conditions have improved, and this gives hope that the results for 1949 may not compare unfavourably with the year 1948 now under review.

The report was adopted.

BRITISH born ex-Intelligence Officer, fluent French/German, now employed import/export firm in Germany, with 4 years' thorough working knowledge of Ruhr industry, seeks position with responsible British firm.—Write Box 226.

ASSISTANT Export Advertising Manager required by well-known Pharmaceutical and Toilet Manufacturers in London. Sound knowledge of advertising and media particularly in continental and colonial markets. Fluent French and German. Under 35. Excellent prospects for right man. Full details to Personnel Manager, Box 227.

INTELLIGENT, alert girl, 21, B.Com. (Including Statistics), fluent French, seeks interesting post.—Box 230.

RETIRED Regular R.E. Officer aged 50, seeks employment such as Secretary-Accountant or Assistant Works Manager, economic and accountancy qualifications.—Write Box 229.

EXPORT Executive, Graduate B.Com. London (first-class honours) and M.B.A. (Marketing) Chicago, age 33, now consular trade officer in Middle West. Experience marketing, market research and advertising practice in U.S.A. Open to offers, but prefers appointment in U.K. or U.S.A. developing U.K. exports. Interview U.K. October/November.—Box 214.

BRITISHER, 32, permanent resident U.S.A., wide knowledge American market conditions, good contacts Washington D.C., prepared to undertake research analyses or reports on commission basis on behalf exporter to U.S.A.—Write Box 228.

WIDELY travelled English gentleman aged 33, and his wife aged 27, shortly returning to the States, wish to help Export Drive in any possible way. Considerable selling experience; excellent contacts available.—Box 220.

SECRETARY required for large group of companies in Midlands. Previous industrial experience not essential; young chartered accountant of high mental ability with final examination honours or very good University degree preferred. Reply in confidence stating age, education, qualifications and experience.—Box 219.

YORKSHIRE—Good speakers on economics, industry and international trade required for occasional engagements; please indicate in first letter experience, qualifications and general attitude to nationalisation.—Box 218.

Statistical Summary

BANK OF ENGLAND

EXCHEQUER RETURNS

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

CHANGES IN DEBT (₹ thousand)			
Receipts		Payments	
Treasury Bills	62,965	Nat. Savings Certs.	35
Tax Reserve Certs.	6,615	2½% Def. Bonds	4
Other Debt :-		5% Def. Bonds	43
External	3,247	Other Debt :-	
		Internal	1,29
		Ways & Means Advances	17,12
		Treasury Deposit Receipts	40,500
			59,74
	74,887		

FLOATING DEBT

In millions						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Gap	Public Deptts.	Bank of England		
1948						
Oct. 5	2220.0	2415.3	274.7	8.0	1452.0	6370.0
1949						
July 15	2210.0	2288.7	343.8	2.0	1255.0	6099.4
" 23	2210.0	2381.3	338.8	...	1238.5	6088.6
" 30	2210.0	2266.2	335.5	...	1246.5	6058.2
Aug. 6	2250.0	2247.7	331.1	...	1224.0	6032.8
" 13	2260.0	2228.1	312.6	...	1199.0	5969.7
" 20	2500.0	2237.3	326.3	1.25	1189.0	6055.8
" 27	2350.0	2251.2	310.8	...	1169.0	6040.9
Sept. 2	2380.0	2231.7	357.6	1.25	1122.0	6092.6
" 10	2430.0	2238.5	357.8	0.75	1078.0	6105.1
" 17	2490.0	2272.2	346.4	1.5	1026.0	6136.6
" 24	2540.0	2241.2	390.6	4.8	970.0	6147.0
" 30	4415.9	...	415.0	5.3	911.0	6145.1
Oct. 8	2650.0	2226.5	398.8	4.3	870.5	6150.1

TREASURY BILLS

U. million					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1948					
Oct. 9	190.0	269.2	190.0	10	1.90
1949					
July 8	170.0	299.1	170.0	10	5.26
" 15	170.0	293.8	170.0	10	5.56
" 22	170.0	299.5	170.0	10	5.39
" 29	190.0	321.6	190.0	10	4.99
Aug. 5	200.0	309.4	200.0	10	5.36
" 12	210.0	277.7	210.0	10	6.03
" 19	200.0	287.4	200.0	10	6.64
" 26	220.0	263.5	220.0	10	5.33
Sept. 2	220.0	305.9	220.0	10	2.58
" 9	230.0	280.6	230.0	10	3.23
" 16	223.0	261.9	220.0	10	3.46
" 23	223.0	277.6	220.0	10	3.32
" 30	220.0	265.3	220.0	10	5.84
Oct. 8	230.0	272.8	230.0	10	5.92

On October 7th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 79 per cent of the amount applied for at £99 17s. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 5d. and above in full. £250 million (maximum) of Treasury Bills are being offered for October 14th. For the week ended October 15th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

	(Rs. thousand)		Total
	Week Ended Oct. 2, 1948	Oct. 1, 1949	Apr. 1 to Oct. 1, 1949
Savings Certificates:—			
Receipts.....	800	1,760	54,750
Repayments.....	1,800	2,350	63,800
Net Savings.....	Dr 1,000	Dr 650	Dr 9,050
Defence Bonds:—			
Receipts.....	485	340	15,210
Repayments.....	590	762	19,960
Net Savings.....	Dr 35	Dr 422	Dr 4,774
P.O. and Trustee Savings Banks:—			
Receipts.....	10,938	11,086	312,878
Repayments.....	10,694	11,546	342,811
Net Savings.....	244	Dr 460	Dr 9,943
Total Net Savings.....	Dr 851	Dr 1,532	Dr 48,767
Interest on certificates repaid	324	456	12,705
Interest accrued on savings remaining invested.....	2,320	2,395	63,860

BANK OF ENGLAND

RETURNS

October 12, 1949

ISSUE DEPARTMENT

Notes Issued:-		Govt. Debt...	11,015,100
Information	1261,834,621	Other Govt.	
In Bank, De-		Securities...	1288,228,266
partment ..	38,522,202	Other Secs...	746,801
		Coin other	
		than gold...	9,833
		Amt. of Fid.	
		Issues...	1300,000,000
		Gold Coin and	
		Pullion at	
		248s. per oz.	
		(fine)	356,823
	<u>1360,356,823</u>		<u>1300,356,823</u>

BANKING DEPARTMENT

Capital	14,555,000	Govt. Secs.	380,738,941
Res.	3,180,047	Other Secs.	50,000,153
Public Depts.:	58,081,436	<i>Discounts and</i>	
<i>Public Accts.*</i>	<i>8,625,369</i>	<i>Advances . . .</i>	<i>20,758,291</i>
<i>H.M. Trans.</i>		<i>Securities . . .</i>	<i>23,422,762</i>
<i>Special Acct.</i>	<i>49,452,467</i>		
Other Depts.:	338,595,903		
<i>Bankers . . .</i>	<i>291,061,106</i>	Notes	38,522,202
<i>Other Accts. . .</i>	<i>47,534,737</i>	Coin.	9,504,000
	474,410,386		474,410,386

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

COMPARATIVE ANALYSIS

	(₹ millions)			
	1948	1949		
	Oct. 14	Sept. 28	Oct. 5	Oct. 12
Issue Dept. :—				
Notes in circulation.....	1236.1	1264.5	1264.5	1261.8
Notes in banking department.....	64.2	35.8	35.9	38.5
Government debt and securities.....	1299.2	1299.3	1299.3	1299.3
Other securities.....	0.8	0.7	0.7	0.7
Gold.....	0	0.4	0.4	0.4
<i>Valued at \$, per fine oz.</i>	172.3	248.0	248.0	248.0
Banking Dept. :—				
Deposits :—				
Public Accounts.....	18.9	9.1	11.5	8.7
Treasury Special Account.....	6.3	16.4	16.4	49.4
Bankers.....	303.1	295.7	291.6	301.1
Others.....	94.9	93.9	91.9	97.6
Total.....	423.2	415.1	411.4	456.8
Securities :—				
Government.....	325.5	333.8	339.5	380.4
Discounts, etc.....	26.4	23.6	22.5	26.6
Other.....	22.6	34.8	25.7	23.4
Total.....	374.5	392.2	387.7	430.4
Banking dept. res.....	66.4	41.3	44.4	44.0
<i>as % of deposits</i>	15.6	9.9	10.0	9.6
" Proportion ".....				

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on September 28, 1949.

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

	Oct. 5, 1948	Sept. 27, 1949	Oct. 11, 1949
Cereals and meat	122.2	146.4	146.4
Other foods	138.8	147.3	147.3
Textiles	177.1	188.7	191.7
Minerals	264.0	277.0*	274.6
Miscellaneous	154.9	145.2	145.2

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19th and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1949	SILVER			GOLD	
	London	New York	Bombay	Bombay	
	per ounce	per ounce	per 100 tolas	per tola	
Oct. 6...	d. 63	7 1/4	Rs. 12	Rs. 4.	
" 7...	8 3/4	7 1/4	110 4	117 8	
" 8...	Markets	Closed	167 4	111 8	
" 10...	64	7 3/4	164 12	111 6	
" 11...	64	7 3/4	169 0	112 12	
" 12...	64	Closed	168 12	115 8	

Capital Issues

John Edward Crowther (Holdings) (woollen manufacturers).—Lists will open and close on Thursday, October 20th, for the sale of 500,000 5½ per cent cumulative £1 preference shares at 22s. per share. Capital consists of £1,000,000 in the above preference issue and £500,000 in £1 ordinary shares. Profit subject to income tax only for years ended March 31st: 1938, £59,386; 1948, £225,199; 1949, £212,276. Assets as at March 31, 1949: Fixed assets, £244,543; investments, £91,852; total current assets, £1,114,952; net current assets, £779,861.

Lansil.—Some £475,000 is to be raised by an issue to shareholders registered on Octo-

Clark, Prof.	20/3	1-1 1/2
Farquhar, Prof.	21/0	27/3-28/0
Fisons		
Goldthorpes, V.	2/3	2/45-2/74
Grays' Carpets, Deb.	100	95-98
Harland Eng., 5-	5	2 10/10-3 1/11
Do, Prof. 10/ (6/6 pd.)	11/6	6/0-6/3
Lanes, Cotton	20/0	30/11-30/12
Leobig's, 41/1, Prof.	20/9	29/9-21/8
Island, 41/1 (2/25 paid)	20/9	14-4/6
N. Rhod. 1955/56	97	965-974
Preston J.L., 1	10/6	13-12/3
Reed, H. 1	16/0	10-13/0
Smith, W. H. (Hdrg.) A	40/0	42-0-42/6
Do, B 4	8/0	8-8/6
Do, 41/1, Prof.	23/0	22/3-22/9
Do, 7/1, Prof.		29/9-30/9
Stiffouein, 5-	5/0	19/0-19/6 paid
Whitbread, Deb. (2/20 paid)	100	17/1-17/3
Wilmot-Breeden, Prof.	20/6	19/3-20/3

★ Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Associated London Properties; Standard Motor; William Doxford & Sons; Reardon Smith.

Prices, Year 1949 Jan. 10 to Oct. 12		Name of Security	Price, Oct. 5, 1949		Price, Oct. 12, 1949		Yield, Oct. 12, 1949		Prices, Year 1949 Jan. 10 to Oct. 12		Last Two Dividends			Name of Security	Price, Oct. 5, 1949		Price, Oct. 12, 1949		Yield, Oct. 12, 1949	
High	Low								High	Low	(a)	(b)	(c)							
BRITISH FUNDS																				
101	100 3/4	War Bonds 2 1/2% Aug. 1, 1949-51	101	100 1/4	0 15 9	2	0	7 1/2												
100 1/4	99 1/2	Lech. Bonds 1 1/2% Feb. 15, 1950	100 1/4	100	0 19 9	0	0	19 9	106 1/2	94 1/2	(a)	(d)	(d)	Australia 3 1/2% 1955-69	99	99	3	6	4	
100 1/4	99 1/2	War Bonds 2 1/2% Mar. 1, 1951-53	101 1/4	100 1/4	1 1 5	2	4	8 1/2	100 1/2	91	(a)	(d)	(d)	Birmingham 2 1/2% 1955-57	97 1/2	97 1/2	3	6	4	
100 1/4	99 1/2	War Bonds 2 1/2% Mar. 1, 1952-54	101 1/4	100 1/4	0 19 6	6	2	3	100 1/2	91	(a)	(d)	(d)	Anglo-American Corp., 10-	7 1/2	7 1/2	1	2	9	
100 1/4	99 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	101 1/4	100 1/4	2 1 2	3	15	6 1/2	9 1/2	50	(a)	(d)	(d)	Anglo-Electrical, Ord. (11)	75 1/2	75 1/2	3	19	0	
100 1/4	99 1/2	War Bonds 2 1/2% Aug. 1, 1954-56	101 1/4	100 1/4	1 5 10	2	8	11 1/2	9 1/2	50	(a)	(d)	(d)	Asoc. Electrical, Ord. (11)	74 1/2	74 1/2	6	0	9	
100 1/4	99 1/2	War Bonds 2 1/2% June 15, 1952-57	101 1/4	100 1/4	1 4 9	2	10	5	82 1/2	69 1/2	(a)	(d)	(d)	Asoc. Port. Em. Ord. (11)	74 1/2	74 1/2	6	0	9	
100 1/4	99 1/2	War Bonds 2 1/2% July 15, 1954-58	101 1/4	100 1/4	1 6 1	2	13	6	33 10 1/2	22 1/2	(a)	(d)	(d)	Austin Motor, A. Ord. (11)	29 1/4	29 1/4	4	16	2	
100 1/4	99 1/2	War Loan 5% Oct. 15, 1955-59	101 1/4	100 1/4	1 7 4	2	14	0 1/2	88	60	(a)	(d)	(d)	Barclays Bank, Ord. 'B' (1)	69 1/2	68 1/2	4	1	9	
100 1/4	99 1/2	Sav. Bonds 3% Aug. 15, 1955-59	99 1/2	98 1/2	1 15 11	3	3	7 1/2	181 9	137 3/4	(a)	(d)	(d)	Bass Patent, Ord. (1)	139 1/2	138 1/2	3	12	0	
100 1/4	99 1/2	Funding 3 1/2% April 15, 1956-61	98 1/2	98 1/2	0 19 10	4	2	13	0 1/2	104 1/2	(a)	(d)	(d)	Bata Oranzen, Ord. (1)	93 1/2	94	4	5	1	
100 1/4	99 1/2	Funding 3 1/2% April 15, 1956-61	98 1/2	98 1/2	1 17 4	3	4	10 1/2	38 9	32 1/2	(a)	(d)	(d)	Centradex, Ord. (1)	34 1/2	34 1/2	6	0	0	
100 1/4	99 1/2	Funding 3 1/2% May 1, 1960-90	100 1/4	100 1/4	1 19 5	3	3	10 1/2	30 1/2	24 3/4	(a)	(d)	(d)	Danisco Ltd., Ord. (1)	27 1/2	27 1/2	4	6	0	
100 1/4	99 1/2	Sav. Bonds 3 1/2% Sept. 1, 1960-70	98 1/2	98 1/2	1 18 2	2	6	3 1/2	94 1/2	27 1/2	(a)	(d)	(d)	Dorman Long, Ord. (1)	24 1/2	24 1/2	5	8	6	
100 1/4	99 1/2	Sav. Bonds 4 1/2% May 1, 1964-67	93 1/2	92 1/2	1 18 2	2	6	3 1/2	77 1/2	29 1/2	(a)	(d)	(d)	Dunlop Rubber, Ord. (1)	63 1/2	64 1/2	4	13	4	
100 1/4	99 1/2	Govt. Bonds 4 1/2% Sept. 1, 1950-76	110 1/4	104 1/2	1 10 8	3	4	10 1/2	42 1/4	40 1/4	(a)	(d)	(d)	Emp. Chem. Ind., Ord. (1)	43 1/2	44 1/2	4	9	5	
100 1/4	99 1/2	Sav. Bonds 3 1/2% Aug. 15, 1960-65	94 1/2	93 1/2	0 20 0	0	3	8	125 1/2	96 3/4	(a)	(d)	(d)	Imperial Tobacco, (1)	98 1/2	100 1/2	6	8	0	
100 1/4	99 1/2	Consols 4 1/2% (after Feb. 1, 1957)	109 1/2	104 1/2	1 13 7	3	9	11 1/2	47 3/4	30 3/4	(a)	(d)	(d)	Imperial Tobacco, (1)	31 10	32 6	6	3	1	
100 1/4	99 1/2	Conv. 5 1/2% (after Apr. 1, 1961)	96 1/4	94 1/2	2 0 11	3	14 1/2	4	51 6	41 3/4	(a)	(d)	(d)	Imperial Tobacco, (1)	42 6	42 6	4	14	1	
80 1/2	68 1/2	Insur. Stk. 3 1/2% (after Apr. 1, 1957)	71 1/2	68 1/2	2 0 0	0	3	12 10 1/2	63 1/2	52 6	(a)	(d)	(d)	Imperial Tobacco, (1)	58 9	58 9	5	2	1	
100 1/4	99 1/2	Insur. Stk. 3 1/2% Apr. 1, 1960	86 1/2	83 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
100 1/4	99 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
80 1/2	84 1/2	Trust. Stk. 3 1/2% Oct. 1, 1956-96	91 1/2	89 1/2	1 19 5	3	11 8 1/2	8	53 6	33 9	(a)	(d)	(d)	Imperial Tobacco, (1)	35 6	35 6	7	4	11	
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OTHER NOTICES APPEAR ON PAGE 869

The Economist

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October 22, 1949

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LEADING ARTICLES

Realism on the Left - - - - 873
The Pieck Republic - - - - 875
The Principles of Libel - - - - 877
Indians in the Empire - - - - 879

NOTES OF THE WEEK - - - - 880

Parliament and Policy; Parliamentary Timetable; Vyshinsky on the War Path; A Huddle of Ministers; Mr. Nehru in Washington; From the Balkan Frontiers; Distant Prospect of Earls Court; Confusion and Defiance on Wages; Purges in Prague; Candidates for the Court-Room; London's Planning Machinery; Warning from the Shipyards; Stalinism Expounded; Communists before Hong-kong; Back to Palestine at Uno; Arab Light on Arab Problems; Oiling the Wheels; Western Berlin in Danger.

LETTERS TO THE EDITOR - - - - 887

BOOKS AND PUBLICATIONS - - - - 889

AMERICAN SURVEY

State of the Unification - - - - 893
One Year After—Michigan - - - - 894
Is the Communist Party Guilty?; Congress puts up the Shutters; Strike Deadlock; Natural Gas in the Senate; Indian Givers; Eggs and Bacon; Shorter Note.

THE WORLD OVERSEAS

French Unions and the Crisis - - - - 899
Pakistan's New Trade Policy; Brazil's Sterling Trade; Return to Peking; Japanese Subsidies; Swiss Trade and Prices.

THE BUSINESS WORLD

Gilt-Edged Quandaries - - - - 908
Recovery in Rice - - - - 910
BUSINESS NOTES - - - - 912

No Forced Saving; Jay-Talking; Government Aid for Dollar Exporters; Division of Marshall Aid; Flight from the Dollar?; Disinflation for South Africa?; The Switch to Treasury Bills; Transport and Depreciation; European Refinery Programmes; Warning from the Shipowners; Purchase Tax and "Uplift"; The Market for Bicycles; The Supply of Bricks; By-passing Shannon Airport?; The Whaling Fleet Sails; Base Metals in America; Outlook for Raw Cotton; New Capital for OPS; Rand Wages Agreement; Shorter Note.

COMPANY MEETINGS - - - - 924

INVESTMENT STATISTICS - - - - 925

STATISTICAL SUMMARY - - - - 926

Vol. CLVII No. 5539

THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Realism on the Left

THE announcement of what the Government think it necessary to propose as the "consequential measures" of devaluation has been postponed until Monday. It would be foolish to speculate on what will be in the proposals. One prophecy can, however, be made with complete certainty about what will not be found in them. There will be no major changes of policy. There is not the slightest reason to suppose that Ministers are planning anything more than another holding operation, another attempt by trimming incompatibilities down the edges to pretend that they can be made to fit. The object of the present plans was clearly stated in Sir Stafford Cripps's speech in the devaluation debate. Last April's Budget, he said, was turning out to be less disinflationary in its effect than had been intended. It is therefore necessary to propose measures to put this right. The Government are not contemplating any new policy; at the most they are trying to get back to where they thought they were six months ago. Even this is evidently proving to be difficult, and it will be necessary to wait until Monday to see whether the whole of the Cabinet is able to screw its courage even to this preliminary sticking-place. It is perfectly safe to proceed on the assumption that they will not go beyond it.

Ministers' speeches in recent weeks have revealed very clearly which way their minds are turning. They now openly avow that a reduction in the standard of living is inevitable—nor do they any longer claim that it will be limited to a rise in the price of bread. Even the old belief that there are reserves of productivity, to be summoned by oratorical magic from the vasty deeps of the Labour movement, has disappeared. It is a static conception of the economy that peeps out of Ministers' speeches and it puts them into a defeatist mood. Since imports must be cut and exports must be increased, and since there is nothing more that can be done at home, the only recourse is to cut down the real standard of living of the people.

This defeatism is wholly unjustified. There may, indeed, have to be some reductions in the general standard of living (though the necessity should not be taken as by any means self-evident). But it makes a very great deal of difference whether these cuts are temporary measures forming part of a specific programme for the liberation and re-invigoration of the economy—much as the hand-brake of a car has first to be pulled tighter before the catch can be released—or whether they are one more instalment of cuts in a procession that is no longer leading anywhere. What is most depressing about the Government's proceedings is that they have obviously lost their hope. They have no more shots in their locker. They cannot apparently lift their eyes to the possibility of restoring the dynamism of the British economy.

Defeatism inevitably leads to defeat, and, as was argued last week, this is what now clearly faces the Labour Party. This is not a prophecy that they will be thrown out of office at next year's General Election, but it is a prediction that, if their present course is unaltered, most

of what they stand for in British politics will be forced to beat a retreat, and the humiliation to the party may be worse if it is then in office. But any such result would be a tragedy, and a defeat for the British people too. What the country needs—and, to judge by any visible indication, would vote for overwhelmingly—is a realistic and effective policy of the Left, one that accepts the objectives of Labour (or most of them) but pursues them, not by the blind rule-of-thumb of theory and prejudice, but by effective policies based on realistic assessment of the facts. It is just this quality of scientific realism that has been most disappointingly absent from the Labour Government's activities.

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As Professor Pigou pointed out many years ago, there are three objectives of economic policy—to make the national income larger, to make its flow more regular and to make its distribution more equitable. Everything that is worth doing can be comprehended within those three aims. The first is a high standard of living, to be achieved by the efficiency of the economy. The second is nowadays known as full employment, to be achieved by stability. The third is social security or, in vaguer terms, “fair shares” or social justice. What has happened to this country for a generation past is that it has been led by a variety of causes to pay almost exclusive attention to two of the three objectives, to stability and social justice, while ignoring the efficiency of the economy. Accidents of world history insulated the British economy in the inter-war years from the effects of neglecting efficiency, but they are now falling upon us in their full weight. Even now it is not necessary to ignore the other two objectives—stability and equity, full employment and social security—or to compel them to beat a retreat. But what is absolutely essential is that the pursuit of economic efficiency—which is not the same thing by any means as mere quantitative productivity—should be restored as quickly as possible to the top priority. A Labour Government which was earnestly interested in saving its skin would devote itself to the search for all possible means of rapidly increasing economic efficiency. It would not deceive itself with the belief that efficiency (any more than stability or equity) can be secured merely by saying how desirable it is, or by pleading for it. It can be secured only by the deliberate creation of conditions that put a premium on it and a severe discount on the absence of it. There is no mystery about what these conditions are—they involve bringing back the great adjusting force of competition and liberating the price system.

It is intended in the present series of articles to discuss what could be done in the immediate future to restore the necessary flexibility to the British economy. But it may be as well, as a preliminary, to inquire what moral sacrifices such a programme of economic liberation would require of the Labour Party. It would not involve the abandonment of any fundamental objectives of the Left. There is no incompatibility between full employment and a price economy—indeed, if genuine employment is to be kept at a maximum it is more than ever necessary that the economy should be equipped with some automatic test of efficiency and some equally automatic method of adaptation to changing conditions. There is also no necessary incompatibility with the principle of social security—quite the contrary, since a comprehensive

scheme of social security removes the reproach from the price economy that it achieves its results by inhuman methods. There is not even a necessary incompatibility between the price economy and the principle of public ownership, for which it would provide some of that “efficiency auditing” of which Mr Morrison has spoken.

But if an attempt to liberate the adjustment mechanisms of the British economy would not require of the Labour Party any abandonment of their fundamental objectives, it would require them to submit some of the positions they have taken up in the last four years to the test of a comparison with the facts of life, especially with the facts about the imperfections of the human race. They would have to stop behaving as if to say that a thing is desirable is the same thing as to say that it is possible. For example, in an ideal world there would never be any unemployment. But if in the actual world any policy that runs any risk of raising unemployment above its present absurdly low level is to be banned, the only result, as everybody knows, is to freeze the manpower of the country in its present distribution and prevent it from making its maximum contribution to the efficiency of the economy. In an ideal world, workers would not mind changing their jobs when the national interest required it. In the real world, as everybody knows, they will not do so unless there is something to push them in that direction. A sound policy does not require the abandonment of full employment; but it does require the acceptance of what Maynard Keynes, the inventor of the term, would have been glad to accept as full employment—that is, the minimum that is compatible with leaving some motive force for adjustment in the economy.

Similarly, in the case of social security, including the health and education services, there is no need to abandon the salients that have been pushed out, but only to base the administration of the schemes on assumptions about human nature that correspond to reality. In an ideal world, people would not abuse a “free” service; in the real world, a disappointingly large number of them do, and it is silly not to admit the fact and draw the obvious consequences from it. The principle of “less eligibility”—that is, that people should be better off when earning their own keep than when living on state benefit—is not a favourite of the idealists; but in a human society some element of it is necessary, and any social security scheme that wholly ignores it will not only be hopelessly wasteful of public funds but will drag down the efficiency of industry.

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This is not a plea to Labour to admit that human beings are motivated only by fear and greed; but it is a plea to Labour to admit that human beings are not motivated by idealism alone—even when the wicked profit-earners are excepted. So long as human beings remain less than perfectly altruistic, they will achieve more under a system of sanctions and rewards than without it. There is no need to go back to the nineteenth century. But the British economy will not be as efficient as it could be so long as there are so few sanctions for inefficiency and so few rewards for efficiency as there are today.

“Fair shares” is another Labour doctrine that needs not abandonment so much as re-definition. It has come to be almost synonymous with “equal shares,” which is

an entirely different thing. Whether or not “equal shares” is ethically desirable, it certainly spells ruin to economic efficiency. Even the trade unions see that, within their own ranks, as they show by their insistence on the retention of wage differentials—though they still do not see it as between themselves and the rest of the community. If the concept of “fair shares” is not to ruin the country, it will have to be elastic enough to permit a larger share for those who contribute more than their fellows to the efficiency of the economy. And though the ability to offer a higher price is by no means a perfect test of contributions rendered, it is the only test that exists—and not nearly as bad a test in general as the highlighting of its failures would suggest.

Finally, a government of the Left that was concentrating on efficiency, as a means of saving its other policies, would have to revise its attitude towards profits. Within the individual firm or industry, at any one time, wages and profits may be rival claimants for a limited income. But in the economy as a whole, anybody ought to be able to see that wages and profits are partners, not rivals. Certainly they go up and down together, and there has never been a time when one was high without the other also being at a peak. The sensible attitude for a workers' government to adopt is, by enforcing competition in industry, to make it as difficult as possible for employers to earn profits without being efficient and that having been done, to allow those who do succeed in earning profits to derive some benefit from them. What the Labour Government has in fact done, is the exact opposite—it has made the earning of profits as easy as falling off a stool, but has allowed neither industry nor the owners of industry to derive enough benefit from them to provide any incentive. High profits today, like high wages, are neither a proof of, nor a spur to, efficiency; until they are, there will be less efficiency in the British economy than there might be.

In all these matters of attitude and approach, there is no call to rush to the opposite extreme. But there is a need to allow common sense and common knowledge to

modify the extreme positions that Labour has taken up.

The country so badly needs an increase in its economic efficiency (which is almost synonymous with a reduction in its real costs of production) that it will have to pay whatever price is required to get it. In fact, however, the price is not higher than a government of the Left could reasonably be required to pay. Certainly, the Labour Party will be very foolish if they persist in refusing to pay the price in mental concessions that is needed to secure efficiency. For they really have no choice. If they swallow their pride and pay the price, they could evolve a policy that would release the dynamic forces of the economy and provide real hope of a final solution of the British economic crisis within a very few years. If not, there is no prospect but of sullen retreat from one ditch of expediency to another until one of them proves to be the last. It is possible even now to have an economic policy that would banish mass unemployment, that could afford a comprehensive scheme of social security, that would preserve at least the greater part of the redistribution of national income to the poor that has occurred in the last decade, that would leave room for public ownership of some sectors of the economy. Such an economy would not be as productive as one that was less directed and less burdened with government expenditure; it would not achieve North American standards of output or of income. But there is no reason to doubt that it could attain the minimum of efficiency that is imperative for any British economic policy at the present time—that is, enough efficiency to support the present standard of living and to balance the international accounts.

That is the prospect which could be held out by a government of the Left that set out to have an effective policy, that stopped governing by instinct, by sentiment and by ancestral grudge, but defined its objects and chose methods that were rationally designed to achieve them. What an almighty pity it is that the Labour Party prefers to prove the Tory contention that a government of the Left leads infallibly to disaster.

The Pieck Republic

THE shape and purpose of the new regime in eastern Germany are now clear. The new “German Democratic Republic” in Berlin has joined the group of east European satellites of Soviet Russia. Its carefully picked government, dominated by Communists and fellow travellers, has been given by Moscow promises which, though vague, provide Herr Grotewohl and his colleagues with a measure of power and an appearance of sovereignty sufficient for the task in hand. They probably hoped to graduate straight into the company of genuine people's republics; but they have not made the grade. Not only is Soviet—or rather Russian—distrust of the German as great as ever it was; but Herr Grotewohl needs more time to work through the well-known stages of conspiracy, blackmail and suppression, by which Communists in a coalition squeeze out their “bourgeois” collaborators, overwhelm all opposition in a rigged election, and then liquidate the critics and the “splitters.” Only a “monolithic” German republic will command any confidence among the Russians. So there is much to do before the right verdict on the new government and its powers can be secured in the elections to be held next October.

That Herr Grotewohl and his president Herr Pieck can work fast and efficiently has been demonstrated in the events of the last fortnight. Between the sudden demand for a rival government to that in Bonn and the formal approval of the new Cabinet and constitution, only eight days passed. It was the Socialist Unity Party—Communist controlled and dominant throughout the Soviet zone—that launched the demand, and so gave the signal on October 4 for the party machinery in factories, offices and villages to roll out resolutions, demands and proposals for a programme and a government. It was the People's Council—long held in readiness for just this occasion—that proclaimed itself a “provisional people's chamber,” approved a constitution prepared last May and set up a chamber for the *Laender* and eastern Berlin. By October 12th these two chambers had elected as President Herr Pieck, whose past record is a guarantee of subservience to Moscow, and as Prime Minister, Herr Grotewohl. Their cabinet was approved in a matter of seconds. To welcome Herr Pieck there appeared, as if by magic, in the Unter den Linden some half million demonstrators, whose marching by torchlight in columns

of sixteen matched that of the storm troopers who marched past Hitler on the night of January 30, 1933.

This rapid, vigorous, demonstration of "national self-aid in an emergency" was planned to reach its climax in a speech by General Chuikov, head of the Soviet Military Administration, which was expected to announce a revolutionary change in the relations between Russians and Germans.

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And here we come upon a mystery. What General Chuikov said was limited in interest and cautious in tone. The key paragraphs were these:

In connection with the above-mentioned decisions of the German People's Council, the Soviet Government has decided to transfer to the Provisional Government of the German Democratic Republic the functions of administration which hitherto belonged to the Soviet Military Administration.

In the place of the Soviet military administration in Germany a Soviet Control Commission will be established charged with exercising control over the fulfilment of the Potsdam and other joint decisions of the Four Powers in respect to Germany.

Whatever else this may be, it is not an assurance that sovereignty and independence are given to the Pieck Republic. It is not a promise to bring the occupation to an early end. In fact, the nearest that General Chuikov came to such a gesture was when he said that "one cannot help but recognise as legitimate the striving of German democratic circles to take into their own hands the restoration of the unity of Germany and bring about the renaissance of the country and democratic and peace-loving principles." Equally cautious is the comment of the newspaper in which Communists look every fortnight for the party line—the Cominform journal. This simply says that "the Soviet Government has handed over the functions of administration in eastern Germany."

The colleagues of Herr Grotewohl have been far less restrained in their interpretation. They hint broadly that the new republic has genuine independence and that it will manage its own foreign and trade policies. Their information authorities have even put out the claim that Germany now has "a sovereign legal government entitled to recognition under the law." Herr Dertinger, who has been given the title of Foreign Minister, has spoken of "the moral conclusion of a peace treaty" and of "sincere avowals of friendship" between Russia and Germany. There have been exaggerated and unconfirmed reports of imminent withdrawals of Soviet troops. Moreover, in all the bitter and unceasing attacks that have been made against the Bonn government, the suggestion is made that everything which is still controlled in the west will now be free from outside interference in the east. It is implied that the Russians will, henceforth, have no hand in the running of eastern Germany's economic life, that reparations will cease, that political and intellectual life among the 17 million Germans east of the Elbe is free, and that a unified Germany can gain independence only under the leadership of the Pieck clique. Only when the Polish-German frontier is mentioned does the truth break through: the Saar, it is said, must come back to Germany, but the Oder-Neisse line must stand as the "frontier of peace."

The game that is now beginning is perfectly clear. To the west the Pieck Republic will present a smiling, pink, cleverly made-up profile; to the east it will present a profile with serious, plain, modest expression. Its propaganda activity will be the principal political weapon

of Moscow in the struggle for Germany. Its government will claim rights to enjoy power and liberties which the Soviet Government will not publicly deny but which in practice it will ignore. In turn the government in Berlin will offer leadership—extreme nationalist and patriotic leadership—to all west Germans who will listen. If they should begin organised and violent resistance to the Allied occupation, then they can be officially disavowed by Herr Grotewohl in the same way that Hitler used to disavow Henlein's rowdies. They will be simply members of the "National Front" struggling for German unity and independence. This is what Herr Pieck means when he speaks of "collaboration with progressive forces in western Germany"; and he has made it quite clear that, so far as he is concerned, every nationalist and "peace-loving" German is a good German.

We must gain the votes of every section of the population in western Germany, including those who followed Hitler and were made to collaborate in this disastrous war.

The game is a difficult and dangerous one, because the Pieck Republic cannot enjoy the full protection of the iron curtain. There will be sufficient movement of individuals, sufficient trading relationships, sufficient listening to radio and reading of newspapers to enable the Germans of the west to ascertain what is really going on among the Germans of the east. And if Herren Pieck and Grotewohl are to get the majority they want in next year's elections and to move forward to the genuine people's republic on the Soviet model, they will be obliged to take measures which will look tyrannical and unscrupulous to those who enjoy the freedom and relative prosperity of the Federal Republic in the west. What success they can achieve will depend more and more on what concessions they can seem to secure from the Russians; it is only with those concessions that they can make nationalist feeling in the west strong enough to overcome German fear and hatred of the Russians.

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Stalin himself has done what he can to give the Pieck Republic a flying start. He sent last week to its president and prime minister a message which will take a high place among the cynical and sinister documents of history. Wishing them success on their "new and glorious" road, Stalin said:

The experience of the recent war showed that the biggest sacrifices in this war were borne by the German and the Soviet peoples, that these two peoples possess the greatest potentials in Europe for accomplishing great actions of world importance. If these two peoples display determination to fight for peace, straining their energies to the same extent as they did to wage war, peace in Europe may then be considered as secure.

Some such message from Stalin to the head of a German state was sooner or later to be expected; Soviet policy has pointed that way ever since 1945. But that such a message should be sent already, only four years after the war, is a measure not only of Soviet determination to harness German nationalism to its own "actions of world importance," but of the weakness of the men chosen to be its leaders. The Allied governments should take heart from this gesture and counter it with a bold, genuinely liberal policy towards the freely elected government of Dr Adenauer. That government may not be perfect. But its virtues shine brightly when compared with the pre-fabricated attractions of the Pieck Republic.

The Principles of Libel

THE Prime Minister refused on Tuesday to find time in the present Parliament for any reform of the law of libel. Whether or not this will turn out to be a pity depends on whether the public discussion of the subject remains where the Porter Report left it twelve months ago. Sir Valentine Holmes, KC, than whom nobody has a more profound theoretical knowledge of the law of libel or a wider practical experience of its working, performed a real public service in his recent address to the Institute of Journalists by removing the whole subject to a wider plane. Far more than either the Porter Committee or, indeed, the Press Commission itself, he presented the basic considerations that must control the balance between what is published and what is not published in the press. The Press Commission had a great deal to say on why newspapers do not publish political views they do not agree with; rather less on the other restrictions on the freedom of the press. Today newspapers are small. They deal with events, politics, sex, crime and sport. It is easy to forget what is largely left out: comment on people. There is a little social gossip, rather more publicity for the entertainment world, and that is all. No English newspaper could have exposed the machinations of Mr Sidney Stanley while they were in progress, nor even undertake the kind of personal appraisals to be found in the "Profiles" of *The New Yorker*. Why? One of the main causes is fear of a libel action. It does not matter very much (except to the proprietors of the paper) if a defective law of libel compels a newspaper to pay £5,000 in damages when the fair sum should have been £500. Nor does it matter very much if a newspaper pays £50 to settle a libel action that should never have been brought. What does matter is that the reporter, the sub-editor and the editor may be frightened to publish what they know to be true, frightened to state a belief that they honestly hold, because a defective law of libel may make them pay for their sense of duty.

Sir Valentine Holmes goes back to principle. In his address he gave what he thought were the principles of the law of defamation as they emerged during the nineteenth century—that is, before it began to be changed by the further verdicts and rulings of the last fifty years. They are, first, that a defendant should not be

liable for a published libel if his conduct in the matter had been that of a man of ordinary intelligence and foresight using ordinary care and, second, that the right of the individual not to be defamed must be subject to the overriding right of the community to be given information on certain subjects, on certain occasions, on matters in which it may properly claim to have a public interest.

The basis of the law of defamation is this: the common law right of every man not to be held up to the hatred, ridicule or contempt of his fellows as a result of a false statement made about him by some other party. Obviously, the field of possible false statements is of infinite range, from a whisper in a shopping queue that Mrs X's husband habitually cycles at night without a rear light to a headline in a newspaper that a Cabinet Minister has been arrested for embezzlement. The law of defamation has been compelled to adapt itself to a fast changing civilisation. It has made valiant attempts to keep pace, but it has failed, and failed particularly where newspapers are concerned. That failure has many social consequences. The report of the Porter Committee had some valuable recommendations to make concerning the law of defamation where the defamer and the defamed are, so to speak, on the same level of influence. But, from a public point of view what is of much deeper importance is the position of the public purveyor of news and comment, the publication which has a duty to perform and which can yet do so much damage to the individual as and when it performs it.

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As the law stands today, a newspaper has various defences open to it when sued for libel. It can set out to "justify" the statement complained of, that is, prove that the statement was absolutely true. But if the published words were wrong in one single fact, that defence will almost certainly fail. It can plead "fair comment," that is, that the comment it made was based on opinions honestly held. But again if any fact mentioned in the same context as the comment was incorrect, that defence may fail, because the courts have held that opinions apparently based on even a single mistaken fact cannot be said to be "fair comment." The newspaper may plead, where the libel is contained in a report of some

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event, that the occasion on which the libel was uttered or printed was privileged. The privilege may be "absolute." In that case the newspaper need only prove the occasion on which the words were uttered, but absolute privilege only extends to what is said and done in Parliament or in contemporaneous reports of judicial proceedings (and the phrase "judicial proceeding" is of uncertain meaning). The privilege may be "qualified." Qualified privilege exists in common law where the person publishing the statement has a duty or interest in publishing it and each person to whom it is published has likewise a duty or interest in receiving it (an uncertain state of affairs for a newspaper editor to decide in his nightly rush). It also exists under statute law, the Law of Libel Amendment Act, 1888. Under that Act a "newspaper" may publish reports of certain proceedings, such as public meetings, and claim qualified privilege if it does so fairly. But "qualified privilege" is no defence if the person libelled proves that the writer or the publisher was motivated by "malice," or wrong motive, and what editor can check every motive in the head of every contributor? Further, the definition of "newspapers" in the 1888 Act does not cover publications where the interval between each published number is greater than twenty-six days.

That is a skeleton of the law of libel as it applies to newspapers; it closely resembles the game of snakes and ladders. A twist of luck may defeat almost any defence, bring calamity on the completely innocent. When, in 1939, the *Daily Express* published the fact that a certain Mr Y, of Camberwell, had been convicted of bigamy (which was true), how was the sub-editor who passed the paragraph to know that there were two Mr Y's in Camberwell, with identical names but not identical habits? The non-bigamous Mr Y recovered damages.

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To return to Sir Valentine Holmes's propositions. The first is, in essence, the case of Mr Y of Camberwell all over again. No newspaper can know how many men of the same name live in the same place at the same time, nor can its staff be expected to check every statement made to them by the person who should know; as, for example, that the lady with him when his photograph is taken is his wife (acceptance of a man's statement on that subject cost the *Daily Mirror* damages in 1929). A newspaper gambles every time it publishes the briefest statement of fact. The Porter Report recommended that the newspaper should be entitled to offer the injured party a published correction and apology, refusal of which would leave on the complainant the onus of proving that the newspaper had failed to exercise reasonable care. But it is still important that the principle on which amendments to the law are made should be settled before the detail. The case of the two Mr Y's is essentially simple. It is based on a statement of fact and, if that statement of fact is wrong or misleading, it can be corrected. What is important is that the men responsible for publishing a newspaper should not feel that the law expects from them an impossibly high standard of care. They know that they cannot maintain it consistently and, as a result, they refuse to take any risk. If the same standard of care were demanded from the motorist, the roads would be empty.

What is infinitely more complex, and yet has far

greater social consequences, is the statement of opinion or comment. On what occasions can the rights of the public to information be said to override the rights of the individual to personal protection? That is the core of the question, too easily obscured in the fog of technical detail.

Comment is as much a function of a newspaper as the supply of news, and a function increasing in importance as the public comes to rely on other sources for its plain news. At the moment it is a fact that it is more difficult for a newspaper to comment adversely on the activities of a man with a bad record than on one with a good record. A newspaper has greater facilities for obtaining information than any individual, and yet the law has come to tie its hands in this way. It may be said that newspapers would abuse any larger measure of freedom to criticise those in public life. The press is not perfect, but may not some of the cynicism of Fleet Street be due to the fact that working journalists know that nothing is more dangerous to them, personally, than an honestly based attack on a vicious and astute public figure?

But there is another side to the argument: is the public figure who fears and resents any adverse comment a wholesome adornment to public life? No man today can be a social island. The tides of taxation wash away every man's substance, even though the currents of social security may offer him a lifebelt in exchange. The man in public life has his own rewards for what he gives up; they may be the sense of duty done, they may be the sense of fulfilment in power. But he cannot at the same time claim that he is still so much the private individual that he is entitled to escape comment, particularly adverse comment, in everything he does. He has given that up by his own decision. If he repents its loss, he can retire. He cannot ask that his cake remains whole while he is eating it.

It is not necessary, or possible, here to consider all the various detailed amendments to legal rules proposed by the Porter Report. All their proposals are important. If implemented to the full, a great many of the specific criticisms of the law currently made would be met. But the Porter Report has not been enough; it certainly has not produced results in the shape of legislation. May that not be because it is, to the layman, no more than a mass of legal technicalities? On this, in particular, the principles that Sir Valentine Holmes has extracted may have a force that the Porter Report lacked.

Will anything be done? It is hard to avoid cynicism over the attitude of politicians when the need for this kind of legal reform arises. Perhaps politicians are not to be blamed if they pay no heed to the silences imposed upon the press when all their days are filled with the clamour of those who can shout. Perhaps it is inevitable that the claims of a sectional interest are easier to satisfy—or, at least, appease—and therefore are given the parliamentary priorities. And this Parliament is too near its dissolution to be deeply concerned over its sins of mere omission. It is to be hoped that the next Parliament will have as much inclination as it will have time to deal with a controversial but, for once, non-partisan subject.

But it is not a matter which can be put right by legislation alone. Even if a new statute could expunge

the rulings which have tended to give a false interpretation to the principles on which the law of libel rests, there would still remain the difficulty that the attitude of judges and more particularly of juries tends to be hostile to defendants in libel cases, especially if they are newspapers. Perhaps the time that must now elapse before new legislation can be introduced could

Indians in the Empire

THE Indian minorities in the Commonwealth are in many ways like the Jewish minorities in Europe. In two Dominions and a dozen colonies, covering the tropical belt of the world, they constitute a growing problem in Commonwealth relations and an important factor in the domestic affairs of the countries concerned. Cut off for many years from their homeland, these 2,500,000 Indians have nevertheless rigidly maintained their racial and religious identity. They have not intermarried or mixed with the local populations. They have the reputation of being sharp dealers in trade. They work their small holdings more economically and more industriously than their easy-going white and black neighbours. They are for the most part thoroughly disliked, as much for their virtues as their vices, and in some parts of the Commonwealth they have been hounded into slum areas as bad as any of the ghettos of Europe. From time to time, as in Durban in January this year, feelings against them are excited to such a pitch that waves of anti-Indian rioting, like the periodic waves of anti-Semitism in Europe, break out.

During the past two years, the grievances of these Indian minorities have been thrust on to the international scene because of the emergence of India and Pakistan as powerful, independent nations with highly sensitive governments. The minorities have been encouraged by India and by some other members of the United Nations to make greater efforts to secure the same political, economic and social rights as the dominant section of the people among whom they live. In each country where an Indian minority exists, demagogues have come to the fore, rousing the local Indians to strike out for themselves and to demand a radical improvement in their status. So far they have approached success only in the colonies of Mauritius and Fiji, where they are not strictly minorities at all but actually outnumber the local population.

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The Indians were brought into most of the countries concerned under the indentured labour schemes which were introduced by sugar planters in the middle of the nineteenth century; all the important minorities are to be found where there are, or were, big sugar plantations. The original workers were for the most part coolies and, although their contracts provided for their return to India after five years, the great majority elected to stay on in the countries to which they had been sent. Many settled on small holdings which they worked themselves and a few took to trade; their net reproduction rate in every area is greater than that of the local population. Even by the beginning of this century, when the indentured labour schemes came to an end, their numbers had already swollen enormously.

profitably be employed by the press in creating a wider recognition among the public of the vital importance of being able to expose fraud, hypocrisy and evil without fear of retribution. Only if the public can be won to an appreciation of the necessity for hearing whole truths can an intelligent attitude to libel and defamation be rekindled.

The present approximate distribution of Indians in the Commonwealth is as follows:

Country	Total Population	Indians	Natives	Europeans	Others
Kenya	4,055,000	90,900	3,907,600	29,500	27,000
Tanganyika ..	5,491,000	44,200	5,417,700	16,100	13,000
Uganda	3,962,000	33,900	3,918,300	7,600	2,000
South Africa ..	11,258,300	282,500	7,735,000	2,335,000	905,000
Malaya	5,900,000	608,000	2,544,000	47,000	2,700,000
Mauritius	439,000	279,000	137,000	10,000	(2,615,000 Chinese) (12,000 Chinese)
Ceylon	6,000,000	666,000	Natives and Others		
Fiji	246,000	126,000	5,354,000		
British Guiana	376,000	165,000	120,000		
Jamaica	1,350,000	26,000	165,000		
Trinidad	590,000	140,000	211,000		
			1,324,000		
			450,000		

There are also a small number of Indians in West Africa and some 40,000 Sikhs permanently settled in Canada.

The political status of the Indian minorities varies to some extent from country to country. In South Africa they have very few political rights and no representation in the House of Assembly. They may not own land except in certain specified areas, and they are suppressed as much as the other coloured races. In East Africa they are represented on the Legislative Councils, but they suffer from a number of minor restrictions designed to ensure the position of Europeans and Africans. In Mauritius, Fiji and the West Indies, they enjoy equal political rights with the local population; but in Fiji there are special regulations to protect the islanders against exploitation and against the danger of being forced by pressure of numbers out of their own country. In Ceylon the Indians are represented in Parliament, but they are under minor restrictions to prevent the swamping of the native vote at elections by temporary visitors from India. In all the countries their political position is further complicated by the division of the Indian minorities into Moslems and Hindus, one group looking to Pakistan and the other to India.

The ways in which the Indians earn a living in the various countries have more in common. They fall roughly into two groups—traders and husbandmen—of which the second group is usually much the larger. The traders specialise in buying local produce for marketing elsewhere and in supplying the minor needs of everyday life. Here and there they have grown exceptionally wealthy: in Nairobi, for example, they own most of the major hotels. The husbandmen work small plots, growing sugar cane, vegetables and fruit. They are skilful cultivators, but only a few have risen above their original coolie status. A handful of Indians in each country have taken to politics or to one or other of the professions.

The Indian Government's attitude to the minorities is that they are primarily nationals of the countries in

which they have settled, and that India's interest in them is the same as it would be in any other racial minority in any other country. Nevertheless, the Indian Government has sent special commissioners to each Commonwealth country which has a large Indian minority. The commissioners have been charged with the task of looking after the interests of Indian settlers, but inevitably they have come to take prominent parts in the life of the local minorities. Without actually fostering local agitations against the different governments they do not withhold their sympathies and they serve as a strong link between the local Indians and India itself. News of Indians abroad figures prominently in provincial Indian papers, while news of India is usually the main topic in the press of the minorities. The visit of the Indian cruiser, HMIS *Delhi*, to Mauritius and East Africa in the early summer was also calculated to cement the bonds between India and the Indian minorities and, one suspects, to demonstrate something more than verbal support. It is clearly the Indian Government's policy to help the minorities to obtain an equal say with the other races in the government of the countries concerned, even if that involves seeking support outside the Commonwealth—for example, at Uno.

Dominion and colonial governments, on the other hand, have been more concerned with ridding themselves of the racial problems which the Indian minorities have caused. It is their fear that the more rapid increase of the Indian populations and the growing violence of the agitations and counter-agitations may lead to upheavals which will be beyond their control. The tendency, therefore, has been either to try to segregate the Indians or to induce them to return to India.

Neither policy has succeeded. Segregation is only possible where there is fertile land to spare; in any event, for all their racial isolationism, the Indians depend for their living on their trade with the other inhabitants. To cut them off from this trade and to herd them together in "reserves" is impracticable and morally indefensible. It could only exacerbate Indian feeling

and it would inevitably lead to bigger and better agitations. Returning the Indians to India is also more difficult than it seems. India regards these minorities as South Africans, East Africans, Jamaicans, or whatever their nationality is, and will not accept responsibility for them. The Indians themselves do not want to return to India, where most of them would probably be worse off than they are now, and the fairly substantial cash inducements which the South African Government, for instance, has offered have had very little effect. Nor is it right that the Indians should be asked to abandon their homes and to start new lives in a country which, to most of them, would be strange and foreign.

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There is no single or easy solution to the problem. The one possibility is that the Indians should be absorbed into the countries of their birth and that they should abandon their minority status. They will have to be persuaded to give up their racial identity, to allow their children to attend the same schools as the children of other races, and to mix freely with the people among whom they live.

If this is indeed the only practical solution, then the first step—as many Commonwealth delegates at the conference at the Bigwin in Canada argued last month—is thorough re-examination within the Commonwealth as a whole of the subject of racial relations. For there are two sides to the discussion, which can best be resolved by the joint action of the Commonwealth. On the one hand, the Dominions and colonies which contain the minorities have to be persuaded that their true interest lies in removing the legitimate grievances of the Indians; on the other hand, India and Pakistan have to be persuaded that their irredentist support of the minorities only serves to heighten their racial exclusiveness, and that they should not seek support from governments which are not genuinely interested in the minorities but which are interested in fostering discord in the Commonwealth.

NOTES OF THE WEEK

Parliament and Policy

The Cabinet is finding the evolution of an agreed economic policy a painful and protracted business. So much was observable during the hurried conclaves of last week, and was made nakedly obvious by the announcement, when Parliament reassembled on Tuesday, that no news would be given until next Monday of the forthcoming changes in economic policy. Economy in national and primarily governmental expenditure is the only purpose of any conceivable policy under discussion, and economy is never pleasant for departmental ministers. The arguments appear, however, to have been exacerbated by political factors, for one of the big spenders on the home front, the Minister of Health, is also the most powerful member of the Government outside the inner triumvirate. Mr Bevan appears to have resisted threats to the national health service and to housing with his usual vigour, but it would appear almost inevitable that his estimates should suffer some of the reductions. His resistance seems, however, to have been strong enough to force the Cabinet to re-examine the costs of the defence services, that sacred elephant so jealously guarded by both Mr Alexander and Mr Bevin. Some reduction, even if only of a token character, must clearly be made for political if not for any other reason. A good deal of feeling was expressed at the

Parliamentary Labour Party meeting on Wednesday that the Services must not go scotfree, and a reduction of expenditure there—or at least the promise of it—might help to win acceptance in the country of cuts in the social services, housing and educational building as well as in some of the frivolities of Government expenditure. Vigorous administration by vigorous ministers could undoubtedly prune defence costs without affecting efficiency. But since neither Mr A. V. Alexander nor his three Service ministers are remarkable for either vigour or ability it is hard to see effective action being forthcoming. No important economy in defence expenditure is possible without either contracting overseas commitments or drastically modifying conscription.

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Parliamentary Timetable

Among the influences which eventually decided Mr Attlee not to accede to the pressure of certain of his colleagues for an autumn election, the desire to get the Steel and Parliament Bills on to the statute book undoubtedly ranked very high. The passage of these two Bills will provide almost the only legislative interest during the winter

The Parliament Bill already appears on the Order Paper of the House of Commons, but it cannot, under the existing law, be passed until after November 11th—the date on which it received its first Second Reading in the Commons two years ago. It is likely, in fact, to be taken on Monday, November 14th, and after going through its second reading stage for the third time in the Commons it will be sent to the House of Lords. They must have it for a month before the end of the session, which is therefore likely to be brought to an end about December 15th. Whether they let it go by default or reject it outright, the Bill can then receive the Royal Assent under the procedure of its predecessor, the 1911 Act.

Presumably a new session will then be opened immediately, and when the House returns after Christmas recess—that is about the third week in January—the Steel Bill could be brought forward for the second time in the Commons. Under the new Parliament Bill, which includes retroactive clauses to cover this point, it will have to go through the Commons only twice, with at least one year between the two occasions. It could, therefore, go to the Lords by the end of January at the latest, leaving the Lords with the complete month of February in which to consider or reject it. If the Lords have not rejected it by the end of February the Government would then be free at any time to declare the session closed. This would automatically enable the Steel Bill to be given the Royal Assent (although the iron and steel industry would still be in private hands since the vesting date for nationalisation cannot fall before May 1st). If the completion of Labour's legislative programme is still a determining factor, a general election could be held towards the end of March.

The Iron and Steel Bill at present is in limbo between the two Houses of Parliament, having been sent back by the Lords to the Commons in July, with a note insisting on their amendment that the vesting day shall not be until July, 1951, at the earliest, and that the Bill shall not come into force before October 1, 1950. They add curtly their reason: "because they consider that the Bill should not come into operation until the electors have had an opportunity of expressing their opinion on it." The Government is bound to recommend to the Commons that these final amendments of the Lords be rejected. Once that is done, the Bill returns to the Lords and, if they insist on their amendments—which they will do—then the Bill will have completed this laborious first journey through the two Houses, and will remain on the shelf waiting for its second, and more brusque treatment at the beginning of the year.

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Vyshinsky on the War Path

Whatever the result of the quarrel that has been raging between Mr Vyshinsky and other delegates to Uno over the vacant seat in the Security Council, the Soviet representative will carry off some trophy. If Czechoslovakia gains the seat instead of Yugoslavia, an American conspiracy to back Tito before world opinion will have been frustrated. If Yugoslavia gets the seat world opinion will have been shown the extent to which Tito, the heretic of Communism, has become associated with "capitalist-imperialist" circles.

It should be known by now to the planners of American policy how often Mr Vyshinsky wins on the swings as well as the roundabouts. It was, therefore, rash of them to back the Yugoslavs for a promotion in the councils of the United Nations which they have done little to deserve; it was a pity too to upset the gentlemen's agreement by which seats in the Security Council are allotted with rough equality between regions and spheres of influence of the Great Powers. The Foreign Office was quite right to have nothing to do with the scheme, to back Czechoslovakia, and so to show east Europeans that western governments think for themselves and do not behave monolithically.

Doubtless the American support for Yugoslavia will be thought in some circles a shrewd move in the cold war. It would be, if one could feel certain that the next move and the one after that had been thought out as well. Many of the State Department's minor actions in the cold war suggest a lack of clearly defined final objective, a tendency to live from hand to mouth on bright ideas. This particular line of support for Tito is no more welcome for coming in a week which has seen American commentators announcing that the west will give Yugoslavia all aid short of war. It is difficult to imagine anything more stupid, at this stage of the Tito-Stalin quarrel, than to tell Moscow just what would be the limits of the west's reaction to violent moves on their part.

* * *

A Huddle of Ministers

The almost grotesque overlapping of committees that now exists in the west European camp will be visible for all to see a fortnight hence. Foreign Ministers of governments belonging to the OEEC (18 strong), to the Consultative Council of the Brussels Pact (5 strong) and to the Committee of Ministers of the Council of Europe (12 strong) will be visiting Paris in their various capacities, accompanied by trains of officials who will be hard put to it to prevent any confusion of files or thought. Each committee is, of course, designed to further co-operation and unity; but each is jealous of its special right to handle exclusively such distinct subjects as the earning and borrowing of dollars, the planning of Western Union and the development of a parliament of Europe.

The decision of the Council of Europe Ministers to meet in Paris is sensible and was made for reasons of convenience; it should provide the opportunity tactfully to suggest that Strasbourg cannot be the permanent seat of this new and expanding body. Mr Bevin's suggestion that the Council of Europe should meet there was intended—and taken—to be a delicate compliment to M. Schuman, then French Foreign Minister. Alsace could not have been more friendly and French officialdom could not have been more efficient than they were at the August meeting; but the two facts remain: that Strasbourg is a difficult place to reach and leave quickly, and that it is not the best setting in which to stage a Franco-German reconciliation. Strasbourg is a city whose citizens clap loudest when Mr Churchill boasts of having *balayé les Nazis*, and which is acutely sensitive to whatever is strident or arrogant beyond the Rhine.

There will be no ill-feeling now if someone like M. Spaak suggests that a more traditional and spacious setting on the outskirts of Paris should be chosen for the Council's headquarters. As for the meetings of the Consultative Assembly, there is no good reason why they should not be held in the capitals of the member countries in turn.

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Mr Nehru in Washington

In accordance with the custom which permits distinguished foreign statesmen to address the United States Congress, Mr Nehru has spoken in Washington to the American legislature about the policies of his country. Without making any direct reference to the Soviet Union or to Communism, he said that the aims of India's foreign policy were "the preservation of world peace and the enlargement of human freedom"; India had to be prepared to defend against aggression the freedom she had gained, and the force to be employed "must be adequate to the purpose. Yet, said Mr Nehru—

even when preparing to resist aggression, the ultimate objective, the objective of peace and reconciliation, must never be lost sight of, and heart and mind must be attuned to this supreme aim and not swayed or clouded by hatred or fear.

Mr Nehru referred to Gandhi's technique of non-violence, which "led us not only to freedom but to friendship with those with whom we were till yesterday in conflict." He said that he did not know how far Gandhi's technique could be applied to "wider spheres of action," for "the means to prevent evil have to be shaped and set to the nature of the evil;" but he was convinced it was ultimately "the right approach to human affairs."

To some of the more hot-headed American wagers of the cold war Mr Nehru's speech may have seemed somewhat non-committal. When, however, it is remembered how difficult it has been for political leaders—and even more for the rank and file—of the Indian Congress party even to contemplate an alignment with a *bloc* of nations including the British ex-Raj against a power which was for so long reckoned the Galahad of anti-imperialism, the cause for wonder is that India has come so far. When Mr Nehru said that "we are neither blind to reality, nor do we propose to acquiesce in any challenge to man's freedom, from whatever quarter it may come," he was making what was, for the leader of an Asian nationalist movement recently struggling against western ascendancy, a very strong declaration.

Speaking for the national movement which Gandhi once led, Mr Nehru did well to stress India's faith in methods of peaceful persuasion and conciliation. But it may be hoped that from his talks with President Truman and Mr Acheson he has gained an idea of the importance which the American, as well as the British, Government attaches to the Kashmir question as a field for the application of such principles.

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From the Balkan Frontiers

The last report of the United Nations Special Committee on the Balkans should dispel any doubts about the help which Albania and Bulgaria in particular have given to the Greek guerrillas. (Like most Uno reports it reaches this country late.) The report is based on the direct experience of members of the committee and of their observation groups, on the statements of 1,105 witnesses, on the examination of captured war material, and on the texts of official statements made in most of the satellite countries. Members of the committee were necessarily restricted to the Greek side of the frontier as Albania, Yugoslavia and Bulgaria refused to acknowledge their legality; but they were able to observe from the air much of the fighting and were themselves fired upon from gun positions clearly located in Albania.

Three well-attested facts in the evidence stand out. First, the principal strategy of the Greek guerrillas has been based on the unrestricted use of a main lateral road which runs on the Albanian side of the mountain frontier with Greece. By using this road, and with the help of Albanian trucks and drivers, the guerrillas have been able to bring up supplies to the frontier area and to carry out unimpeded the hit-and-run warfare in which they excelled. Second, Albania has played a major part in recruiting and training guerrillas. The Albanian police had lists of Greek refugees, and in March, 1949, forcibly conscripted them for the guerrillas; in a military camp at Sukth in Albania, some 600 recruits were being trained in February by both Albanian and Greek officers. Third, Bulgaria has supplied much of the arms, ammunition and food which the campaign needed, and, like Albania, has allowed the guerrillas to use Bulgarian territory in order to move from one part of Greece to another.

In the light of these factual reports, the denial of the Albanian and Bulgarian governments that they had given any material assistance to the guerrillas is the lie direct. There should be no hasty withdrawal of these experienced observers just because the Greek rebels say they have called off the fight. They may soon be needed to protect Tito against similar activities by his Cominform neighbours.

Distant Prospect of Earls Court

The evident signs of deepening anxiety within the Cabinet and the announcement that the election would be postponed until the spring gave the Conservative conference a more optimistic background than Lord Woolton had probably dared to hope for. It certainly gave Mr Churchill the opportunity to make a more temperate and pointed speech than has been his habit in the past two years or so. But the Conservative policy to solve the urgent problems of the nation remained carefully veiled. This is partly due to the feeling of Mr Churchill that it is wiser not to reveal an electoral hand until the last moment—a view which may be based far too much on experience of elections considerably earlier in the century with a considerably smaller electorate. But it is also partly due to the awareness of the Conservative leaders that they do not know any better than the present government how many of the contemporary problems could be solved.

Three things, however, were made clear by last week's conference. First, that the moderate Tory Socialism of Mr Butler commands greater adherence in the party and greater acquiescence among his colleagues than it did a year ago. Secondly, that Conservatives are prepared to wage a lengthy battle for the souls and votes of the trade unionists: Sir David Maxwell Fyfe asserted that there are now 3,000,000 Conservative trade unionists, a statement which would gain greater credence if he could show the basis upon which the figure is calculated. And thirdly, the rank and file of the Conservative Party, whose grandfathers were taught to care about Empire unity, will need considerable education before they come to share Mr Churchill's and Mr Macmillan's enthusiasm for European unity.

* * *

Confusion and Defiance on Wages

The growing confusion among the trade union movement in wage matters is clearly reflected in the wage claim of the railway shopmen. The National Union of Railwaymen, which claims the allegiance of about 95,000 of the industry's 130,000 shopmen, having been thwarted in its demand for an all-round increase in wages, is now seeking an improvement in the wages of the lower-paid railway workers only. The Confederation of Shipbuilding and Engineering Unions, which organises the remainder, is out for an increase of £1 a week in the wages of all engineers.

Mr. J. B. Figgins, the Secretary of the National Union of Railwaymen, who has presumably learned by bitter experience, has now decided to associate the two other railway unions with his claim for the lower-paid men. The Confederation, however, which has openly declared its aim of expanding rather than contracting the differential between skilled and unskilled wages, is determined to resist any policy which discriminates in favour of the lower-paid workers. As a compromise between the two conflicting views, the trade union side of the Railway Shopmen's National Council has decided to ask for a "substantial" but unspecified increase for the shopmen.

*

Opinion among influential trade unionists would seem to reject the Government's desire that increases in wages for lower-paid workers should not involve compensating increases in the wages of their higher paid colleagues. Even Mr Deakin, whose union—the Transport and General Workers—has done as much as any to reduce the size of the differential, has written in favour of its maintenance. And the journal of the Iron and Steel Trades Confederation, whose secretary, Mr. Lincoln Evans, is also chairman of the TUC's economic committee, has come out in support of the maintenance of the differential in terms which are a direct challenge to the Government to dare to persist in its present attitude.

The trade unions must be allowed to solve these problems in their own way, and for anyone to attempt to interfere with an intricate wages structure built out of years of experience and hard work is simply inviting trouble.

An official expression of dislike for a rigid adherence to the principle of the differential in wage rates is not a very coherent national wages policy—in many cases the higher paid workers are making a proportionately more valuable contribution to the economy than the lower. But this is no reason why the Government must not adopt a proper wages policy, and there will be great disappointment in the country if the measures announced by the Prime Minister next Monday do not take the first steps towards it. The trade unions can rest assured that, with an election so near at hand, the Government will treat them very kindly; but they will be seriously misreading the temper of the nation as a whole if they imagine that it will accept their attitude of defiant autonomy at a time when their own solutions to problems have signally failed to produce the answer.

* * *

Purges in Prague

The present wave of arrests in Czechoslovakia seems to comprise several distinct types of "purge." Priests and devout Catholics are being arrested for opposition to Mr Cépicka's *Kultúrka*. Peasants are being punished for support of the Church, for opposition to the preliminary stages of collectivisation of their farms, or simply for being—or being denounced as—"kulaks." The middle class, both professional and bureaucratic, is attacked both because it is the chief stronghold of the "obsolete and reactionary" Masarykian democracy of the old Republic, and also because it is hoped that its sufferings will give pleasure to the Stakhanovite labour aristocracy which Mr Zapotocky is trying so hard to create.

The most important of the purges is that which is reported as taking place within the Communist Party. The party almost doubled its membership in the first six months of 1948, and the routine purge last winter only expelled 100,000 out of more than 2,000,000, while relegating 500,000 to probationary status. This was very mild, and the Czechoslovak Communist Party still is without doubt the least "pure," the most infected with "petty bourgeois opportunists" of any in Europe. The present arrests must be partly aimed at the elimination of insincere careerists, especially of the large number who are doing office jobs of little use either to the party or to national production. But it is at least very probable—certain evidence is not yet available—that the purge has wider aims, and is aimed at "nationalist deviationists" and admirers of the "fascist renegade Tito," who in Czechoslovakia alone of the six "people's democracies" have not yet been unmasked. It would be surprising indeed if a few exalted heads did not roll before the purge is over.

* * *

Candidates for the Court-room

A good candidate for the next court-room confessional in eastern Europe is the Czech Foreign Minister Mr Clementis, now at the centre of the dispute at Uno as to whether he or his Yugoslav colleague should sit on the Security Council. He committed in 1939-40 the hideous offence of premature anti-fascism, supporting the western imperialists and their abject tool Benes against Stalin's treaty partner, Adolf Hitler. Although he has since licked every object proffered to him by his masters, and obligingly ate his own words when Moscow acquired Hungary and Czechoslovakia to replace their democratic enmity by a still more democratic friendship, it may be doubted whether he has convinced the genial teacher of progressive humanity that he has a truly firm grasp of Marxist-Leninist methodology.

Another candidate is Minister of the Interior Nosek who,

through no choice of his own, spent the war years in London. Non-Communists consider him ruthless, but by the blood-thirsty standards of MVD—or its Bulgarian or Rumanian pupils—he must seem culpably tender to enemies of the people.

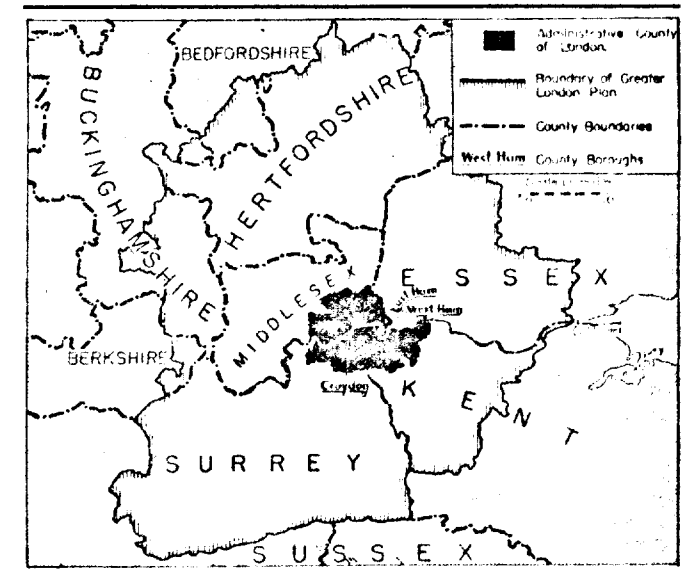
The most reliable and vigilant Bolsheviks in Prague are the Czech Jew Slansky (Secretary-General of the party) and the Sudeten German Jew Geminder (representative on the Cominform). These two comrades have already succeeded by their arrogance in spreading anti-Semitism among the Czech people, which until recently was freer than almost any from this virus. The others on whom Moscow can count are the Minister of Education Nejedly and the Minister of Information Kopecky. An erudite and embittered *Musik-historiker*, Nejedly is well qualified for office by a passionate hatred—often publicly avowed—for the whole Czech educated class. He closely resembles the late Colonel Moravec in being a gifted demagogue, with the voice of a bull and the vocabulary of a fishwife. With such fine instruments to hand, Moscow should be able to turn the Czechoslovak party into a vanguard of steel-hard vigilant Bolsheviks, proletarian internationalists obediently serving the nationalism of the toilers' fatherland and its historically inspired leader.

* * *

London's Planning Machinery

When the Abercrombie plans for London appeared—the first dealing with the Administrative County of London, the second with the Greater London region—a start was made in bringing order and balance into the sprawling, chaotic growth of the metropolis. The general principles of the London plans were comparatively simple and won general acceptance; they have been endorsed by the Government and by the 173 local authorities in the London region. But their translation into practice is not only a slow and costly business but involves great administrative complexities which have not yet been solved, and which are dealt with in the report of the London Planning Administration Committee.*

The planning authorities responsible for carrying out the London plans consist of nine counties (five of which have



most of their area outside the region) and three county boroughs. The report emphasises, however, that much of the development which is required cannot be carried out by the planning authorities. For instance, there are in the region 173 local housing authorities, 71 water undertakers, 6 joint sewerage boards, 7 new town development corpora-

* HMSO. 1s. 6d.

tions, and many other agencies which are responsible for various aspects of development. A typical problem is presented by the need to expand many country towns beyond the green belt. What real incentive is there for the local authorities and statutory undertakers on the spot to undertake this work, which may burden the local rates and is wanted not for their own residents but for overcrowded Londoners? Similarly, why should London councils wait for their surplus population to be settled far afield if there is land for building in the green belt. It is difficulties such as these which are already wrecking the plans.

The committee is emphatic that the co-ordination of the development of the London region should not be left, as at present, to an ineffective inter-departmental committee. Its solution is to reform the local government system of Greater London, and to set up "some kind of regional authority," which would have powers of supervision and finance and possibly also of execution. It is a pity that this central proposal is left so vague; but the committee argues that the subject is one for a Royal Commission, which should be set up forthwith. As an interim measure, a majority of the committee want to establish an advisory planning committee for the region, but a minority report goes much further and demands that the 12 local planning authorities should be merged in a joint planning board. Here is another challenge to Mr Bevan to reform local government.

Warning from the Shipyards

In hardly any industry could the reappearance of even a moderate degree of unemployment produce so deep a psychological effect as in shipbuilding. The name of Jarrow has lost nothing of its symbolic value. Shortage of work in both Tyne and Mersey repairing yards, and recent layoffs in new ship construction, drew from Sir Stafford Cripps last week the unexceptionable assertion that full employment guarantees no one the permanency of his present job (a lesson which the Labour movement as a whole is little disposed to digest), and from the secretary of the Boilermakers' Society a reassuring forecast of improvement. Prospects would, no doubt, be considerably brighter if the level of costs could be reduced by comparison with that of freights; but there is no blinking the fact that shipbuilding faces, in a particularly acute form, the problem common to all capital goods industries in a time of change: that of the enormous disparity between expansion demand and replacement-and-maintenance demand. It stands to reason that a smaller shipbuilding force is needed to maintain in being a merchant fleet of a size adequately meeting current passenger and cargo requirements than to build up such a fleet from the remnants and wreckage of war. Getting Britain's—and the world's—merchant shipping back into shape and up to strength is a once-for-all job which, to judge by the present state of order-books, is recognisably within sight of completion.

The ending of such a job presents to the architects of full employment a problem quite different from that arising from a minor shift of competitive power, demand, or technique in an industry catering for a continuing market; a problem at once more acute and, luckily, more foreseeable. Here, if anywhere, the planned economy with its boasted length of time-horizon should score over the unplanned. The ending of the once-for-all job is not unlike a military demobilisation in little; it can be foreseen, even if not exactly dated, and measures can be taken or planned to smooth the necessary redistribution of men and resources. Due credit should be given, on these grounds, to the policy of diversification in the Development Areas. But is anyone really preparing to cope with the outflow, over the next few years, of that proportion of the shipbuilding industry's labour force which is likely to prove surplus to the needs of a merchant fleet in being, or, for that matter, to the surplus labour that will eventually appear in the building industry? One cannot help feeling that, if any work were in fact being done on these lines, Sir Stafford Cripps would have mentioned it; but he did not.

Stalinism Expounded

Any serious attempt to present simply and briefly the theory and practice of Stalinism is to be welcomed. That such attempts are rare is due less to timidity among authors than to the deplorable state of Russian studies in this country and to the real difficulty of reducing turgid jargon to understandable English. Indeed, it is scarcely safe to tamper with the jargon because its most involved phrases and complicated words have precise and special meanings, which it is essential that non-Communists should understand. "Westerner," the author of a pamphlet* that has just appeared, has made a very fair effort to overcome these difficulties. He is not concerned with British party politics, and his pamphlet should be widely read, not only by Conservatives but by members of other parties or of none.

The core of the exposition is a summary and explanation of an article by Burdzhakov in *Bolshevik*, the fortnightly organ of the Central Committee of the All-Union Communist Party. Its argument is that the lessons of the experience of the Russian Bolsheviks, from 1903 to the present day, are obligatory for Communist parties, and for genuine (not Social Democratic, that is, degenerate) working-class movements in all countries. Tito, by presuming to decide for himself how to apply Marxist-Leninist principles to the Yugoslav situation, instead of carrying out detailed instructions from Moscow, was committing unpardonable heresy.

The last section of the pamphlet briefly mentions a number of important issues, each of which deserves a publication to itself. Among them are the views of Varga on "capitalist economies," the Soviet view of post-war changes in the structure of the British Empire, the meaning and limitations of the notion of "class" in Soviet usage, Soviet doctrine on national sovereignty and on war. Its weakest section is that which deals with the stages by which Communists achieve their aims, for the author is clearly less familiar with the history of the sovietised states of Eastern Europe than with Communist theory on the state and nationalism.

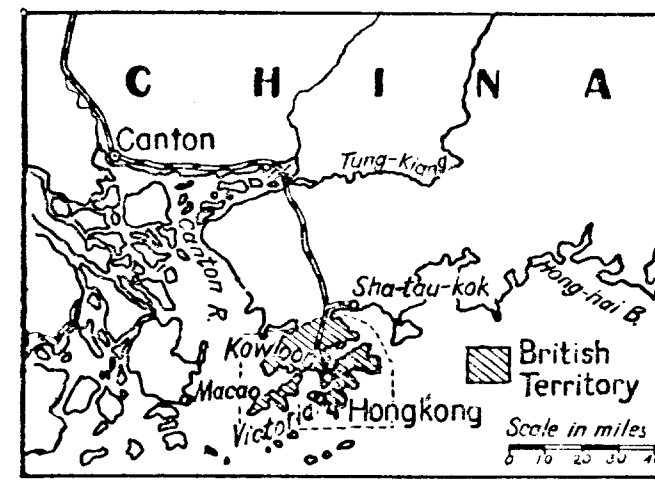
Communists before Hongkong

The Chinese Communists have now occupied Canton and reached the boundary of the British territory of Hongkong. These events have been so long expected that their actual occurrence came almost as an anti-climax, and there has so far been no trouble on the Hongkong border either with fleeing Nationalists or with the oncoming victors. The Nationalist forces have nearly all retreated westward from Canton, presumably to try to hold out in the west of Kwangtung province as a right wing to General Pai Chung-hsi's army in Kwangsi, or have been moved by sea to the island of Hainan, which the Nationalists perhaps hope to make a second Formosa, though it is much nearer to the mainland. With the Communists now in direct contact with Hongkong and in possession of the whole of the railway from Peking and Hankow down to Canton, a considerable British trade with Communist China is now possible. In Shanghai there have been signs of improving relations between the new Chinese authorities and the local British community.

It has been reported that Mr Bevin discussed the problem of China very fully with Mr Acheson and Far Eastern specialists of the State Department when he was in Washington, with the result that British and American policies are now being better co-ordinated than at one time appeared probable. The manner of the Chinese Communist Government's request for recognition—which was addressed to the American Consul by name without any of the forms customary for such a communication—has certainly made it easier for the American Government to play a waiting

* *Communism, Revolution and War*. Conservative Political Centre. 1s. 6d.

game, and with one eye on the Security Council—where a Chinese veto might be very useful to Russia in a Russo-Yugoslav crisis—Mr Acheson is in no hurry. The United



States wants clarification of the new regime's attitude to China's existing international treaties before the granting of recognition, and in a matter so obscure clarity may take a long time to attain.

Back to Palestine at Uno

The United Nations Assembly, plodding through its agenda, is approaching the Palestine item and the moment when it must take decisions about Jerusalem and the Arab refugees. Neither decision will be too easily reached. The Conciliation Commission's proposals for the internationalisation of Jerusalem are viewed with contempt by both parties in physical possession of the area—Israel and Jordan. That almost all the other Arabic-speaking states disagree with Jordan on this issue is being made plain at the current meeting of the Arab League. As regards the refugees, the Assembly is due to receive shortly the report of its economic study group, under Mr Gordon Clapp, the head of the Tennessee Valley Authority.

This group has now completed its tour of the capitals concerned and is in Beirut, writing its draft. The moderate caution with which this was received by the Arab governments is much to their credit, considering the violence of the Arabic press campaign that was being waged against it. This last has been receiving ammunition in plenty from the refugees themselves, who have set up committees, issued handouts and staged demonstrations reiterating that they will accept nothing except repatriation. Few imagine, or want to know about, anything of the changed circumstances they would find on the site of their former homes.

Most sensibly Mr Clapp has concentrated, at this stage, upon a single task—the short-term provision of work for the able bodied. His purpose is to improve the refugees' morale and to obtain some material yield for the money that is being spent upon their daily bread. In a word, he wants to turn a dole into a wage. If this means public works, performed free of charge upon the local budget, in certain impecunious Arab states, some of these may be brought to agree to the plan. It is therefore possible that it might turn into the thin end of the wedge for a policy of resettlement. Mr Clapp met with a *non possumus* only in Israel, which is so absorbed with its own unlimited emigration programme and with the strain that this is placing upon its economy, that it rejected all proposals to discuss the admission of Arabs except "within the framework of a general peace settlement."

Even if Mr Clapp goes ahead in the Arab world, there are several ticklish problems ahead of the Assembly. Where is it to get the money to finance such a programme? A State Department calculation reveals that to finance a refugee's employment costs five times as much as simply keeping him alive. The \$32 million special fund to which certain states members contributed during 1948-49 for this latter purpose was due to last for nine months from December, 1948, but has in fact been spun out to last until next December in the bank, and until mid-January in foodstuffs. But more will be needed. Who is to contribute it, and who is to run the scheme? Ought the Assembly to prolong the life and alter the nature of its UNRPR (United Nations Relief for Palestine Refugees) organisation? Or should it extend the mandate of the International Refugee Organisation, originally intended for victims of the European war only? Or must it set up a new specialised agency? Someone must make proposals on all these points. It would become the State Department or the Foreign Office to give the necessary lead.

Arab Light on Arab Problems

As was reported in *The Economist* of September 17th, the recent social welfare assembly for the Arab states—a request meeting held in Beirut by the United Nations—lost some of its value because politics and Palestine warped some of its closing discussions. The Uno officials present made a vain attempt to get the rest of the participants to put social problems first and political considerations second. Admittedly, such self-restraint is difficult for an Arab at a time when the Palestinian refugee problem overshadows the social scene. Yet it is not impossible, because there emerges from the conference one piece of serious Arab thinking that shows the necessary sense of proportion and urgency about certain social and economic scandals of the Middle East.

Professor Said Himadeh, who is professor of economics at the American University in Beirut, gave before the conference a lecture, of which, happily, he circulated the text. This first outlines the familiar scene: meagreness of national resources in relation to the mounting population, uneven distribution of the wealth accruing from oil, inevitable dependence on agriculture, handicap of retrogressive land systems and ill-co-ordinated water supplies, a pathetic poverty resulting from these economic factors combined with ignorance, fatalism and conservatism. It then goes on to newer ground, and asks the questions which the Arab governments ought to be answering here and now:—

First are the available data and studies [for economic reform] adequate to serve as a basis for it? Secondly, is there a sufficient feeling of social responsibility on the part of those in power to implement it? Thirdly, who should be entrusted with planning and execution? Fourthly, are the finances of the Arab governments adequate to enable the carrying out of the plan? Fifthly, what advantages can be secured from co-operation among them? Sixthly, can the United Nations be of help?

In Professor Himadeh's view, there already exist studies "reasonably adequate," or at least for the initial short-term stages of change. But he goes on to conclude that

a deeper sense of public responsibility is needed for carrying out economic and social reform of the kind required, especially where the interests of those in power seem to them to conflict with the interests of the masses, as in the case of reducing the inequalities of land ownership.

As regards the financing of such plans he points out that it is now too late to tax war profits which went so largely into private pockets and so little into public treasuries; but he suggests other purely domestic means of securing foreign currency for the purchase of capital equipment. Underlying the whole thesis is the conviction that the Arabs themselves could—if they would—get on with some of the

needful changes without waiting upon the west, or blaming the foreigner, or letting local quarrels get the better of common sense.

Oiling the Wheels

The Annual Conference of the Institute of Personnel Management, held at Brighton last weekend, revealed amusing differences of opinion among visiting speakers regarding this profession's task of making people happy on forty-six hours a week. Mr Spates from the United States formulated no less than sixteen ways of getting people to work harder, from telling people clearly who was their boss to diffusing a friendly spirit "like sunlight filtering through an autumn wood" and the rest also tended, in somewhat highflown and pedantic terms, to idealise the humanitarian motives of management in seeking to oil the wheels of industry—or rather their human cogs—by appointing specialised labour managers.

Perhaps it was only tactful of the speakers, as the Institute's guests, to ignore the growing spate of governmental orders and collective agreements regulating so many aspects of employment today, which form the main work of personnel departments, or the background of labour shortage which makes it necessary at present to treat workers not merely as human beings, but as very sensitive human beings. However, this vagueness about the hard-headed practical value of specialised personnel administration is apparently shared by a high proportion of firms of all sizes. The Ministry of Labour now keeps a staff of eighteen people busy advising those managements which complain of labour difficulties on how to set about labour control on the best modern lines. No doubt the advice is the best of its kind, but even plain common sense would receive the same welcome if it were reliable and free of charge.

Conscience or Profits?

But from the great division of labour that now takes place, every part of society is closely dependent on every other, and Sabbath labour in one place compels it in another. . . . The railway train and the steamboat keep the check taker and giver in activity on the Sabbath; and the accounts for that day must be made up as for another. There seems to us much inconsistency, if not hypocrisy, in tolerating all these various branches of labour, and in objecting to a little sorting, arranging, and delivering letters to persons asking for them on the Sabbath, which is only the complement of much other labour. . . .

One of the great arguments put forward by all tradesmen who advocate the suppression of all trading on Sunday is, that if others open shop, they must do so likewise, or lose their customers. . . . We are much afraid that a similar motive operates on many of those merchants and bankers who now oppose the proposition relative to the post office. They wish to observe the Sabbath, but they much more wish to keep equal to or a-head of others in the world, and they are alarmed at the possibility of others having an advantage in which they do not participate. They are not content with saying, as a really conscientious man would say: "I do this for conscience' sake. It is my firm belief that the Sabbath should be strictly observed as a principle of religion; and, acting on that principle, I am ready to abide the consequences." But they say: "I wish to have the sanction of my conscience and the advantages of the world—the self-gratulation of virtue and the profit of sin at the same time; and, as I do not choose to receive and send away letters on Sunday, I will not allow other people to receive and send away letters." That spirit is at the bottom of much of the secular opposition given to the proposal to extend post-office accommodation.

The Economist

October 20, 1849

Whether labour management is mainly applied common-sense or not, there certainly is a useful job to be done, and the people who are doing it now seem to be divided all too sharply between the old hands—practical folk from management desk or bench who have shown a special knack for dealing with people—and young B.Sc.s who have invested in the relevant academic training but who may or may not subsequently have displayed any very special aptitude. The best of both worlds is needed if labour management is ever to be in a healthy state in England's peculiar industrial climate. The Institute has already pointed the way by fostering the provision at various colleges of short full-term courses for older people of proved aptitude, but at present few firms see fit to finance candidates for such schemes. The whole idea of systematic specialised personnel management is new enough in this country for its existing exponents still to feel a certain quality of pioneering in their efforts and a resulting exclusiveness among their ranks. Its future success, however, depends upon its ability to recruit enthusiasts with both the "flair" and some relevant academic training for this kind of work.

Western Berlin in Danger

When one-quarter of the working population of western Berlin is out of work, to discuss constitutional methods of associating the city with the German Federal Republic seems a curiously roundabout method of remedying the situation. It is generally, if not always openly, admitted that the agitation to admit western Berlin into the Republic as the twelfth Land must fail. The administrative difficulties involved are practically insuperable, quite apart from the diplomatic complications with the Russians which must ensue. Yet western Berlin cannot be allowed to remain completely isolated if economic collapse and bankruptcy are to be averted.

Western Berlin survived the blockade with its treasury practically empty. Its industries, already severely crippled by war and dismantling, short of capital, short of raw materials, are burdened with high costs of production and generally in no condition to compete with the resurgent industries of western Germany. The trains and lorries which might have brought in raw materials for the city's industries brought instead consumer goods which nobody could afford to buy. The people of western Berlin have taken advantage of the fact that they can obtain over six east marks for one west mark to do most of their shopping in the eastern sector. The currency thus drained away at the expense of west Berlin's retail trade is not even spent on the products of west Berlin's industry, but in western Germany. The Berlin Magistrat is in no position to help with loans and credits. The economies which the Allies insisted should be made in its budget estimates last summer have forced it to cut down drastically on its public works programme and thus to add to the steadily mounting number of unemployed.

Western Berlin is, in fact, suffering from a serious collapse. There is no disagreement over the diagnosis or over the remedies needed to bring it round. But the doctors are not in a sufficient hurry to end their consultations and get on with the cure. Over two months ago the western commandants asked the Military Governors for credits amounting to 455 million marks to help put Berlin's trade and industry on its feet again; and they added that the sum eventually needed would be more like 700 or 800 million marks. Over a month ago General Robertson said that Berlin was desperately in need of help and was entitled to get it. Yet his proposal to set up a committee of experts to see what could be done can hardly have matched the expectations which his forthright recognition of the city's need must have aroused among 2,500,000 Berliners who look westward.

Letters to the Editor

Dollar Exports

SIR,—Your American Correspondent in London wrote sympathetically about our dollar-exports problem. But few American visitors realise the dilemma before which most of our exporters are placed when told to increase their exports to America. I think devaluation will increase the limitations on our national resources, aggravate the dilemma before which British exporters are placed, and thus exacerbate those domestic strains and stresses which are responsible for most of the disincentives imposed against dollar-exports since 1945.

Firm A is fully engaged, selling its output of fine cotton textiles within the sterling area. That is largely owing to our Government's investment programme abroad, and to its magnanimity in letting India, Pakistan, Ceylon, Australasia, South Africa, etc., "unfreeze" their sterling balances at the total annual rate of some £200 million of British exports, or roughly 10 per cent of all our exports. From now on, those countries are *earning* more pounds, directly, or by way of dollar-sales. Firm A has traded in these areas for 100 years. Its capacity is 100 per cent occupied. It has been making rising profits. It cannot get capital, permits, labour, etc., to expand its mills. A's earnest hope is that the Government will do the honourable thing by it, stop the sterling area from buying so much, and *enable* the firm to earn dollars!

To ask firm A to do so itself, and switch over to speculative work for the American market, is too bad. Firm A knows that if it does so, Firm Z (in the same line) will scoop Firm A's old-established sterling area business, while Firm A can have no certainty of doing so well in America. Moreover, as Sir Stafford has just clapped an extra tax on Firm A's profits, why

should it dip further into its badly depleted working-capital to finance a risky experiment in America? And just when raw cotton prices are moving up after devaluation, too!

The Government, say Firm A's board, cannot have it both ways. If they contrive to keep up the flow of unfrozen sterling balances, in order to keep up "full employment" in Britain *at any cost* (the sterling area owners of those balances paying that cost), then they cannot simultaneously get British exporters working at an effective 100 per cent capacity to boost exports to America. At least they cannot unless they, the Government, are prepared to slash the amount of textiles coming on to the British home market—or to switch labour and materials to the expansion of textile plants from other parts of our home capital and social service programme. But apparently the Government are not so prepared.

You will note, Sir, that much of Firm A's argument is applicable to most British export firms, running at full effective capacity, on orders from the home trade and the soft-currency countries.

Now Firm B, who *has* tried to break into the American market, both before and after devaluation. Before devaluation it contrived to sell a modest quantity of British goods there, for the first time in history! It sold them through a big New York and mid-western distributing firm. That firm was also imbued with a sense of need to help Britain. Immediately after devaluation, when firm B's Sales Director tried to cash-in for bigger sales and the American distributor tried to do likewise, the latter sadly had to reply to Firm B that "a stop-order was on." Domestic American manufacturers had threatened to withdraw their supplies from the American distributing



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house, if the latter handled more of the British stuff! Their total custom represented 20 per cent of the American distributing house's turnover. The British stuff did not represent one-half of 1 per cent.

Restraint of trade? Sure! But no increase in the US tariff; no trouble with Congress; no onslaught upon the recent US Government's 10-point Agreement with Britain! Just a private turning-on of heat. It worked. What does your American Correspondent suggest we do? Tell tales to the ECA, to the White House, to the Justice Department, etc. etc.? No tales out of school, and at least we preserve our private channels of distribution in the United States, and don't get ourselves involved in the pleasant little problem that looms up as an alternative: namely, trying to break into the American market by British governmental, subsidised, public selling and distributing Boards inside the United States. What a hope we should have, then! And what a civic American reception committee.

No, Sir; your American Correspondent seems to me to see the British exporters' problem of boosting trade with America in too simple, clear-cut, black-and-white, and even too moral terms. Morality, public spirit and patriotism *do* move British exporters. But morality, public spirit, and patriotism have got to move them simultaneously by the same percentage if they are to squelch *the same proportion* of their work for the home trade, for Europe, and for the sterling area, and then switch the savings into production for dollars! That is not to ask for morality from Britain's exporters. It is to ask for a miracle. It is not the exporters, not human beings, that are non-moral; it is the facts. And the nasty facts are two.

The first is that devaluation has raised the pound-earning power of the sterling area's primary producers, by way of their dollar-sales; so that to the current high level of unfreezing of sterling balances is added this new premium in pounds; and the twofold flow of extra pounds is channelled upon Britain, where alone pounds can buy more manufactures, now that buying from the dollar area is to be cut. Thus, there is more incentive, after devaluation, to sell for sterling! And the second nasty fact is that old, familiar fact: the pound-inflation here and in the sterling area, which also acts as a disincentive against sales to America, and pre-empting our limited resources. The two facts, after devaluation, spell more pound-inflation.

The remedy is simple, economically. Who controls the flow of all these pounds, at its sources? Who keeps on proclaiming the vital necessity of that control? If they want to bridge "the dollar gap" another way than by continually cutting out more and more of our imports from America, the Government will have to raise the sluices against the flow of pounds, thus forcing (not exhorting) British exporters to replace their missing pounds by satisfying an American dollar demand, and then getting pounds for the dollars! This remedy, however, is not simple politically, so near an election. It isn't, because it is glibly dubbed "deflation." Yet what is there "deflationary" about switching resources from manufacture for the home and sterling area markets, to manufacture for America? Isn't that what the Government is coyly begging industry to do, instead of doing it itself?—Yours faithfully,

Tubney, Abingdon, Berks

GRAHAM HUTTON

SIR,—I must comment on the article headed "Dollar Exports" in *The Economist* of October 15th.

It would appear from what your correspondent writes that the textile industry is run by men who are lacking in both enterprise and patriotism. I wonder *The Economist* has never been moved to ascertain why the British textile industry—and particularly the wool textile industry—has been able to hold the world's markets against American industry, including those markets which are on the American doorstep, especially Cuba, where the USA has considerable Customs preference. It is because the British textile manufacturer studies the market on the spot, builds his cloths to fit each country's customs require-

ments, and designs and colours them to individual market tastes. Why, then, has he not been more successful in the USA? He knows the cloths, styles, etc., which sell, and the large majority of British textile exporters has experience of the USA. That, I am afraid, is why they want no more business. . . .

Perfection in a wool tissue does not exist, but it is generally conceded that British textiles come nearer to that desirable state than those of foreign manufacturers. The American importer has his goods examined by independent "cloth examiners." These organisations are responsible for "stringing" (i.e., marking) any fault in the pieces, and consequently for not so marking any which may exist. The result is that many pieces are thrown off as unmerchantable, while considerable allowances are claimed on the remainder. The British textile exporter is therefore mulcted in heavy losses, and in most cases refuses to repeat his experience when he can sell his goods in other markets, including hard currency markets, without any such difficulties arising.

Your correspondent instances a case where a British manufacturer rejected an American offer "partly because of price difficulties but mainly because he was unwilling either to dis-appoint his traditional customers in the sterling area or to expand his output to satisfy both markets."

First, the price difficulties: If the British manufacturer can beat his American competitor outside the United States, then it follows that it is the American tariff which precludes his doing so inside that country. Secondly, the question of dis-appointing his traditional customers in the sterling area. What sound businessman is going to accept a proposition which would mean canalising virtually his whole production into one channel which is anything but reliable? Thirdly, how could a manufacturer expand his output to satisfy both markets when he can neither obtain delivery of machinery nor the labour to run it?—Yours faithfully,

F. CROWTHER

5 Mornington Villas, Bradford

Food Consumption Levels

SIR,—In your note on Food Consumption Levels in *The Economist* of two weeks ago you refer to the difference of 100 calories between the estimate for 1947-48 given in the *Economic Survey* for 1949 and that given by the Food and Agricultural Organisation. This difference is not the result of different estimates of food consumed in the United Kingdom, but is the result of using different nutrient conversion factors. As it would be unfortunate were a wrong impression to be created by attributing to margins of error what in fact is due to differences in the factors used, a brief explanation appears to be desirable.

The nutrient factors used in United Kingdom publications on consumption levels and in the *Economic Survey* are based on those computed by the Accessory Food Factors Committee of the Medical Research Council. These were first used by a Special Joint Committee set up by the Combined Food Board in their 1944 Report entitled "Food Consumption Levels in the United States, Canada and the United Kingdom," and have been continued to provide comparability with subsequent figures. The FAO has now taken up the study of international food comparisons and has produced a new set of nutrient factors which give somewhat higher calorie figures and which have been used in the tables you reproduced. International agreement has not yet been reached on the conversion factors to be applied, but discussions are proceeding with this end in view.

It will be appreciated that the FAO was faced with great difficulties in making international comparisons of food consumption, especially where countries concerned are widely different in climate, wealth or social structure. Some of the difficulties can be overcome by the use of common denominators, and of these the calorie is the most suitable single measure where overall comparisons of foodstuffs have to be

made. This introduces a further difficulty in determining the appropriate factors. When more information becomes available FAO will be able to refine its figures and improve the basis of international comparison.—Yours faithfully,

K. G. FENELON,

Director of Statistics and Intelligence

Ministry of Food, W.1

Documents on British Policy

SIR,—Students of contemporary history will be grateful for your judicious review of the "Documents on British Foreign Policy" since you rightly point out that the selection offered is too limited to be of much use. Little outgoing material—containing actual policy-statements of British Foreign Secretaries—has been included; practically all policy-making minutes and memoranda have been excluded. Is it to be wondered why the editor, Professor E. L. Woodward, who rebuked "many British and more American historians between the two wars" for having accepted the German documents for the years 1871-1914 as "revealing the innermost secrets of German policy." (p. 14 of his Inaugural, February, 1945) should have agreed to undertake the work in such circumstances. The first two volumes, of the First Series, were merely a shortened re-issue of the complete American *Paris Peace Documents* of 1919; the Second Series contains an overabundance of useless material; and the Third Series, meant to forestall the opening of the German archives, is, as you say, of "purely tactical importance." Why, one wonders, cannot this mistaken policy of faintheartedness be replaced by one of courageous action? I am writing as one who believes that British Foreign Policy, if properly explained, appears not at all incompetent, and certainly not despicable (your reviewer's words). Hence I believe that the fullest documentation is in the interest of both the good name of Britain and historical scholarship. Should public opinion not enforce a change in policy and thus a return to the frank publication of all relevant material as was decided by the late Ramsay MacDonald and Austen Chamberlain in

the case of the British Documents on the Origins of the War of 1914.—Yours faithfully,
F. W. PICK
Stanford Hall, Loughborough

Welcome to Amethyst

SIR,—It is pertinent to ask two questions about the decision to give an official welcome by the Lord Mayor of London to the company of HMS *Amethyst*. They are simply these:

(1) Was the whole incident in the Yangtse a reverse or a triumph for the Royal Navy, did the British interest benefit or suffer from the action with the Chinese Communists and the subsequent escape?

(2) Have the ship's company deserved better of the City of London and its people than say the pilots of the Berlin airlift, or the troops fighting in the Malayan jungle?

We do not question for a moment the gallantry of officers and men of the *Amethyst*; that has been properly rewarded with decorations and publicity. Nor do we deny for a moment the right of the Royal Navy and the general public in Hong-kong or Devonport to give the *Amethyst* a spontaneous and right royal welcome home from a severe and bravely borne ordeal. But we do feel deeply disturbed that the Royal Navy should have allowed itself on this occasion to take part in a formal and organised celebration of what was a reverse for British arms and—according to your own comment at the time—a serious error by the British diplomatic and naval authorities on the spot.

We feel certain that the average officer and man in the Royal Navy dislikes the way in which the *Amethyst* story has been used to cover up weakness and error. The skill and bravery which the ship's company showed in their escape are only what everyone expects from the Services; and there is a lack of decent and traditional restraint in the Admiralty's decision to allow this march through the City to take place.—Yours faithfully,

LT.-CDR., R.N. (Ret.)

LT.-CDR., R.N.V.R.

Books and Publications

The Planning Debate

"Problems of Economic Planning." By E. F. M. Durbin. Routledge and Kegan Paul. 210 pages. 15s.

"Economic Calculation in the Socialist Society." By T. J. B. Hoff. Hodge. 251 pages. 21s.

In the contemporary literature of planning there is a striking predominance of what one may call the nineteen-thirtyish mentality. It is natural enough that the decade of the Great Depression should also have been that in which most systematic thought was devoted to the development of a rational economic order emancipated from the tyranny of "blind economic forces"; and it is natural enough that the ideas then evolved should preserve some momentum even under very different conditions. But the complacency with which they are cherished is still surprising. With the exception of Professor James Meade's "Planning and the Price Mechanism" no revaluation has been made of the master concepts of modern Socialism, and no check attempted, in the light of experience, on probabilities estimated beforehand.

Had he lived, Evan Durbin might by now have provided that revaluation. This posthumously published collection of essays mostly derives from the middle 1930s, only two papers dating from after the end of the war. One of them—"The Problems of the Socialised Sector," 1946—comes nearest to the needed restatement. Even here, however, the references are all to the future rather than the present. "There is every sign," he writes, "that one of the consequences of nationalisation will

be the establishment, in full force, of the financial incentive that links earnings to productivity, skill and responsibility"; and, on the more fundamental theme of consumers' freedom, "The programme of production, outside the limited field of socialised consumption, should be guided by their wishes." Summarising the argument of his earlier essays, he then outlines the policies which the various autonomous Boards should be instructed to follow in order that their use of resources shall accurately reflect the consumers' free preference. "The strategic objective of production will then be secured—to give consumers what they want."

How remote do these arguments appear from the realities of 1949! They were, of course, remote enough in 1946. But 1946 genuinely was a transition year; to a convinced Socialist, current economic shortcomings no more foreshadowed the pattern of the future than the chaos of moving day foreshadows similar discomfort in the settled home. Now it seems likelier that moving day, as it were, sets the tone. A rigid and irrational price system, once established, perpetuates rigidity and unreason; the nice blend of public and private incentive prescribed by the democratic Socialist proves about as reliable as a spastic's reflexes, and the principle that the consumer should get what he wants and not what suits sundry departments is submerged in a welter of patchwork expedients mostly reflecting either class prejudice or sheer fiscal desperation. Nor is any closer approach to what one may call the principles of 1935 foreseeable for the future.

These considerations detract somewhat from the interest of

the prewar intellectual controversy. Mr Heff's book, published in the original Norwegian in 1936, is a scholarly, copiously documented, meticulously reasoned survey of that controversy, with its main emphasis on the theoretical question whether public ownership of the factors of production permits of a "rational" price system. He concludes that it does not; that while there is no theoretical reason why a comprehensively planned economy should not "work" after a fashion, it has no means of selecting that production pattern corresponding to consumers' wishes and must necessarily be arbitrary. One can, of course, protest that this conclusion, even if conceded, is irrelevant. Even in pure theory, free capitalism itself can only achieve a completely rational distribution of resources in an economy lacking all dynamic characteristics; why worry about an ideal unattainable, except on wildly unrealistic assumptions, under any system whatever? As well discuss the blueprints of rival perpetual-motion machines.

It is, indeed, performance rather than blueprint consistency which matters; performance in the hands of limited and fallible human beings. One can find a possibly useful parable in the story of the Brabazon plane. In the last resort, what flies an aircraft is human brainpower acting through human muscles on information received through human senses; just as, in the last resort, what runs an economic organisation is human brainpower exercising human authority in the light of knowledge reaching it through human channels. In the normal-scale aircraft as in the normal business the "feel of the controls" comes automatically to the directing brain; in the outsize Brabazon new and ingenious mechanical devices have successfully replaced the pilot's direct apprehensions; but no corresponding social devices enable the directors of that outsize economic organism, the planned society, to "feel" its reactions and delicately correct them. To this essential deficiency no supporter of the all-in Plan has, so far, paid the slightest attention.

One wonders what Mr Durbin, who in 1946 wrote of "learning from our mistakes" and condemned "the slavery of fixed ideas" would have written in 1949; and how many Socialists of his kind, clear-sighted and liberal-minded, are suffering today the misgivings which he was spared.

The Bank of Ireland

"The Bank of Ireland, 1783-1946." By F. G. Hall, C. P. Curran, Joseph Hone and George O'Brien. (Dublin.) Hodges, Figgis and Company, Limited. (Oxford.) B. H. Blackwell, Limited. 523 pages. £3 3s net.

THE Bank of Ireland has always occupied a unique place among the commercial institutions of these islands. It was founded (after several previous attempts) in the bright autumn of Protestant nationalism that also produced Grattan's Parliament (whose home it inherited). Such a birth inevitably meant that the Bank should be regarded as one of the pillars of the

Ascendancy. Yet by the exercise of wise tolerance (the Court admitted Catholics as soon as the law permitted it to do so) and the practice of professional integrity it has always retained the trust of the whole Irish people and is still beyond question the premier bank of Ireland—of the six counties as of the twenty-six.

The chaos of monetary affairs in Ireland at the end of the eighteenth century was almost indescribable. This was partly due to the existence of a separate Irish currency which, though wholly dependent on the British currency, was not at par with it. The rate of exchange was 13 to 12, which was convenient enough for calculating in pence, but produced the oddest results in pounds. Since British and Irish currency circulated alongside each other (as they do today), commercial life in Ireland must have been a liberal education in mental arithmetic. Bank notes were issued for odd amounts, to make them correspond to round amounts British—for example, an Act of 1799 specified 3s. 9½d. as one of the permitted denominations. In addition to all this, during the period of the suspension of cash payments after 1797, the English and Irish currencies depreciated at different rates (both, however, continuing to circulate) and Belfast, distrusting both London and Dublin in financial matters as in political, clung to gold. The complication of exchange rates can be imagined.

In this curious situation—financially neither wholly dependent nor wholly independent—the Bank of Ireland came to occupy a role that can only be described as that of a semi-central bank. Particularly in its earlier years, it acted very much—but by no means exclusively—as a banker's bank for the cloud of small private banks that rose and fell. It was certainly the leader, and often the master, of the whole banking system (if the word does not imply something far more systematic than ever existed). But it was not quite the lender of last resort—there was always the Bank of England to fall back upon, sometimes to that institution's great annoyance. (Irritation caused by Irish calls on English gold is a phenomenon that recurs at intervals, right up to the present time.) The final assimilation of the currencies in 1826, which had been preceded by the amalgamation of the Exchequers and National Debts ten years before, and the coming of joint-stock banking from the 1820s onwards inevitably changed the character of the Bank of Ireland. But though it is now one of eight commercial banks in the Republic, it is not an ordinary commercial bank. Some relics of a high and exclusive status remain. The Bank still holds the Exchequer account, and it still looks, acts and is the leader.

Of this most interesting institution the present volume is the authoritative history, and enough has perhaps been said to give the reader some notion of the colour of the story. It is banking history shot through, like everything in Ireland, with politics, personalities and paradoxes. The main author is Dr F. G. Hall, who has been his own researcher and has discharged his task with exemplary thoroughness and skill. There is an architectural chapter by Mr C. P. Curran—as is entirely fitting, since

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the head office of the Bank on College Green is the old Parliament House and one of the most graceful buildings in Europe, as the photographs amply demonstrate. Mr Joseph Hone has contributed biographical notes, and the whole undertaking has enjoyed the editorship of Dr George O'Brien, Senator and Professor at the National University, the dean of Irish economic historians. The authors, and the Bank itself, are to be congratulated on producing a volume that is worthy of their material.

Autobiography of a Communist

"Fils du Peuple." By Maurice Thorez. Editions Sociales. Paris. 253 pages. 170 francs.

IN the present fortunes of the French Communist Party the publication of M. Maurice Thorez' autobiography has come as a useful propaganda stunt. But the book, if it is read simply as an emotional document, is nevertheless of great interest as the record of the political rise of a young man who came of age in 1918 in the victorious but shattered republic. Once upon a time M. Thorez must have been more than a party hack: his story of his childhood in the grim northern coal-fields is tersely brilliant, with passages not unworthy of Gorki; and the whole tone of his recollections of his Communist beginnings carries conviction, with only an occasional lapse into retroactive theorising.

Maurice Thorez was born into a mining family at Noyelles Godault near Lens. One of his first clear memories is of a mining disaster in 1906 in which there were 1,300 dead. A strike of 52 days followed the accident. When war came he and his grandfather, separated from the rest of the family, were evacuated to another part of France where they worked on the land. By the time that he returned to his ruined village Thorez was prepared intellectually and emotionally for political revolt. The Russian Revolution, the rapid growth of French trade-unionism (the CGT was already

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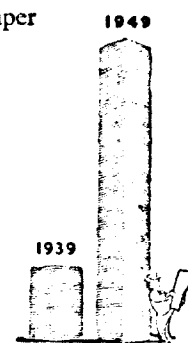
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ROUTLEDGE AND KEGAN PAUL

betray their fatherlands. Indeed the modern technique of allegiance to the One Socialist Country with its pallid cultural affiliations and sickening professional proletarianism cuts a sorry figure beside that of the old pioneer revolutionaries. Whatever its vices Leninism at least had no use for the likes of M. Aragon. It is perhaps M. Thorez' misfortune to have been born out of his time. For somehow he has neither the style nor the physique of a functionary of the Kremlin.

Mediterranean Magic Carpet

"Mediterranean Background." By Bernard Newman. Robert Hale. 282 pages. 16s.

MR NEWMAN is a prolific writer, an inveterate traveller and a persuasive student of life in our time. It is not surprising therefore that this book is easy to read and has the touch of the expert. Like the driver of a magic carpet, to whom it is forbidden to speak while en route, Mr Newman conducts the reader backwards and forwards across the Mediterranean, beginning with Spain in the west and ending with Palestine in the east. A chapter is devoted to each country possessing a doorstep on that blue and ancient sea, even Gibraltar and Malta each getting one of their own.

But if the reader may not speak, Mr Newman does plenty for him. The difficulty is to make up one's mind—as the magic carpet puts its flaps down and turns in for the approach to each country in turn—how far this is meant to be no more than a readable traveller's guide, and how far a book of reference. It succeeds best in the first role. As brief studies, these sketches would be excellent for introducing the Mediterranean countries, one by one, to potential visitors for the first time. They do not, however, quite stand up to the objectivity and completeness required of a work of reference. Why, for instance, give two different figures for the Greek minority in Albania on pages so close together as 164 and 170? And with Spain, is it altogether correct "in 1948 to take a glimpse of the country after ten years of Franco rule"? Such stretching of minor facts perhaps matters little when attempting to give no more than the feel of a country—which Mr Newman has a flair for doing. But they sap the confidence of the more exacting reader.

American Statistics

"The Statistical Agencies of the Federal Government." By Frederick C. Mills and Clarence D. Long. National Bureau of Economics Research, New York. 201 pages. \$2.00.

THE US Federal Government has more than 10,000 full-time employees engaged on statistical work; it receives more than 200 million forms a year, all providing statistics of one kind

or another. What is the product? In physical terms the output of statistics is manifestly large; Dr Arthur F. Burns, in an introduction to this book, uses a phrase suggesting that the ton is the proper unit of measure. But there are many who think that the American output of statistical data has run ahead of their use, and that analysis is too stereotyped and not sufficiently inventive. This small book throws at least a little light on the matter.

The book is the text of a report made to Mr Hoover's Commission on Organisation of the Executive Branch of the Government. Because of the short time allowed to the authors, the report is sketchy in its description of the Federal statistical organisation. The reader needs to know quite a little about the American scene to appreciate this part of the report. However, the British reader can follow, with profit as well as interest, the authors' own appraisal and recommendations. For the difficulties and deficiencies of US official statistics, as described in the report, raise corresponding questions on British official statistics. There are many statistical areas more cultivated in the United States—for instance, statistics of hourly earnings, and of instalment credit. We can learn a good deal from American experience. The learning is not all on one side, for Americans can look with some envy on British statistics on such matters as wage rates, employment and unemployment, and on the *Monthly Digest of Statistics*. But the interesting point is that the gaps which the authors see in American official statistics are generally the same gaps which appear in British statistics. Amongst the more important are regular surveys of consumer expenditure (by family budgets and otherwise), data on the volume and costs of construction, and input-output statistics on the structure of industry.

The American deficiencies on the side of statistical analysis are also very similar to our own. Many index numbers now calculated are of more than doubtful quality. Margins of error are seldom attached to national aggregates and, if they were, they would prove to be "too large for complacency." The remedies? The authors suggest better use of modern sample techniques and better training of the middle grades of statisticians in the government service.

There is one trend in the United States which is approved by the authors of the report and which should be closely scrutinised in London. The primary collection and tabulation of statistics, assembled regularly and on a large scale, are being more and more concentrated in the hands of one agency, the Bureau of Census. This applies not only to censuses proper but also to the collection of such data as those of overseas trade. Collection and tabulation are separated off from the analysis of data; the former is large scale business, the latter specialised and small scale. Such an organisation may not be suitable in this country. But the success of the US Bureau of Census does suggest that British official statistics may be improved by a greater concentration of census and survey work and greater separation of this from the various groups concerned with statistical analysis.

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AMERICAN SURVEY

State of the Unification

(From Our American Staff)

ON October 6th, with ceremony suitable for such an important occasion, the President signed the Mutual Defence Assistance Act. Among the conditions on which aid under this Act is to be provided to the other signatories of the North Atlantic Treaty is one withholding funds, beyond \$100 million, until western Europe has integrated its defence plans. This condition was the result of much high-minded discussion in the Senate of the need for an outlook broader than a merely national one; it was also a paternal warning to the planners of Fontainebleau, where, according to reports, all was by no means multilateral sweetness and international light. Even before the Act had passed both Houses, the admonitory attitude of the Senators had been made slightly ridiculous by the antics of their own Navy. Four days after the White House ceremony, the row between the Air Force and the Navy, of which everyone in Washington had long been aware, swept into the open and continued, in all its fury, before the Armed Services Committee of the House of Representatives.

Quarrelling between the Services is not new—nor is pressure for their unification. There was steady support even before the war for some system which would drive the Army, which then included the Air Force, and the Navy into each other's arms. The disaster at Pearl Harbour, the severity of which was increased by jealousy and bickering between the two commanders on the Hawaiian Islands, only made some definite move more certain. When Mr Roosevelt, an ardent collector of ship models and Assistant Secretary of the Navy from 1913 to 1920, died his place was taken by Mr Truman, the commander in 1918 of Battery D, the time had obviously come.

Though not, as in Britain, technically the Senior Service (the Secretary of War outranked the Secretary of the Navy), the Navy has always been the favoured one. Armies, in democracies, are fatally lacking in glamour, and it has always been easy to stir the imagination of the American public with tales of heroism at sea. The careers of John Paul Jones and Stephen Decatur have a fascination which those of Generals—no matter how solid their virtues—cannot hope to equal. But, while the Navy, fighting almost exclusively in the Pacific and doing most of the work in that theatre, was collecting headlines and apparently assuring its future, it failed to notice that, in other theatres, a young rival had come on the scene with as great a love for publicity as itself and many fewer scruples about ways of obtaining it. And,

as the postwar pattern of international rivalries emerged, the only potential enemy was seen to be one admirably suited for the attentions of the Air Force, but possessing, in terms of seapower, only submarines, the detection and destruction of which had always been considered one of the Navy's least aristocratic occupations.

When it realised that the President, the Congress and public opinion seriously intended to unify the three Services, the Navy methodically set about the job of taking the bone and the muscle out of the National Security Bill which, by the time it passed in July, 1947, only enjoined the Services to get together, but forbade them to merge. Hoping to make everything ship-shape, the Admirals also bargained for, and obtained, the promotion of their own Secretary, Mr Forrestal, to the new post of Secretary of Defence. Mr Forrestal, who had loyally argued their case before the Bill became law, spent eighteen months trying desperately to administer an organisational monstrosity before the impossibility of the task drove him to his death. His place was taken by a less sensitive man, Mr Louis Johnson, whose tough talk and tactless action soon brought the Navy to a point which would, in many parts of the world, be called mutiny. They referred to themselves, even when answering the telephone, as the "Water Division of Johnson's Air Force." And, as zealots will, they found men willing to sacrifice themselves and their careers to bring their complaints to public notice.

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The first of these was Mr Cedric Worth, who circulated anonymously a memorandum making accusations about the award of a contract for the manufacture of B-36 bombers. When these were proved groundless, he finally confessed his authorship with the exaltation of a Soviet deviationist. The next volunteer was a regular officer, a Captain Crommelin, who had caused some stir two years ago by his account of a secret society, called the Green Bowl, open to a few of the best pupils at Annapolis each year. He complained to a Congressional Committee that it formed an unofficial *élite* and divided the best appointments among its members, of whom the Captain was not one.

Captain Crommelin's present crusade is more to the taste of the naval aristocracy. His first effort—a public statement that the Navy was being "nibbled to death"—having misfired, he then spent an afternoon skulking in the National Press Building, handing out, with a conspiratorial air, copies of a confidential report from an Admiral in the Pacific on naval morale—a report which had "gone up through channels" acquiring endorsements from senior officers on the way. This action should have been too much for anyone, but, in fact, it produced exactly the reaction which, it must be assumed, the Admirals wanted. The Armed Services Committee of the House of Representatives decided to hear the Navy's case.

During the Committee hearings attention has been concentrated on the Navy's assertions that the B-36 bomber is



too slow and vulnerable for inter-continental missions; implicit in its arguments, and at times explicit, has been the corollary that bombing raids on land masses in enemy hands should be conducted from a mobile base, such as would have been provided by the super-carriers, construction of which was begun this spring—and stopped by Mr Johnson soon after he took office.

To point their argument that the B-36 is no more than a "siege weapon," the Admirals attacked the whole concept of strategic bombing as "ruthless and barbaric," neglecting, perhaps even forgetting, that, until they lost the carrier and with it the means of participation, they had been as eager for strategic bombing as anyone. In the hope of being able to start work again on the super-carrier, which, they insist, is not super but merely the next stage in the logical development of carriers, they contended that each Service should be able to use its appropriations as it thinks best, without interference from the other Services; yet they spent much of their case in trying to interfere with the Air Force when it was practising what the Navy preached. It is true that they made an ingenious distinction between freedom to produce prototypes and freedom to indulge in quantity production; but that was a distinction which would allow the Air Force to build one bomber while the Navy built one carrier—like the pie that was half-and-half, one steer and one oyster.

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What strength there was in the Admirals' case was there by mistake. The knowledge that the Russians now had the atomic bomb had invalidated strategical ideas—among which were the Air Force's plans for using the B-36—based on an assumed monopoly. But the Air Force was able to answer the charge that it was putting all its eggs in one basket by pointing out that only four groups in a forty-eight group Air Force would be composed of B-36 bombers.

The hearings, in fact, have produced nothing positive. They have made the public rightly suspicious both of the Navy's desire to invest hundreds of millions of dollars in one vulnerable ship and of the Air Force's preoccupation with long-range bombing. Worse still, they have shown the public, and the rest of the world, that unification, in its present form, is a failure. The disagreements between the Services are deeper and more dangerous now than before unification was attempted. General Eisenhower, when he was called to Washington in the spring to preside over the Joint Chiefs of Staff and try to bring them together, admitted that real unification would take time—it would be, perhaps, a full generation before inter-service rivalry was eliminated. But there is a difference between slow progress and the serious worsening of relations which the last few months have seen.

What faith can the United States have in Chiefs of Staff who behave like children? What faith can the other powers who signed the North Atlantic Treaty have when their strongest partner shows much internal weaknesses? Only the Congress can now take the steps necessary to make unification a reality and to give the Secretary of Defence the power to enforce it. And the Congress at the moment seems as divided in its opinions as the Chiefs of Staff themselves.

"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial respondent" or "From a Correspondent in Ohio" are from outside contributors. Everything printed with attribution is prepared in London.

One Year After—Michigan

[FROM A CORRESPONDENT IN MICHIGAN]

LAST November the liberal and labour voters, who gave Mr Truman the Presidency, also provided local New Deals for a number of States by choosing liberal Democrats as Governors. One of these was Michigan, a traditionally Republican State. But the wine of victorious liberalism does not now taste as sweet to Governor Williams as it did when he took office last January, the first Democrat to govern this mid-western State in six years. He is learning that militant idealism and personal popularity do not necessarily bring success in politics and administration.

The young Governor is a complex personality who came into politics in complex circumstances. Like his predecessor, Frank Murphy, who moved with the New Deal from the Michigan Governorship to the US Supreme Court, his concern is for the "little people." But he himself is a child of wealth and Republicanism: his nickname—Soapy—comes from the shaving cream made by his grandfather, Gerhardt Mennen. With little political experience, Governor Williams won last November's election after a 12,000 mile tour of his State in a battered car, on money obtained by mortgaging his house on the outskirts of an expensive Detroit suburb.

Democrats are fond of saying that Mr Williams won the election on his merits, being selected as candidate over the heads of the more conservative elements in the Democratic Party. In fact, while labour and liberal support gave him the nomination, it was a split in the Republican ranks that put him in office. His Republican predecessor was Governor Sigler, formerly a Democrat, who in 1946 upset the Republican "old guard" in a whirlwind campaign after his spectacular exposure of corruption in and near the State Legislature. By 1948 the independents who had voted for Mr Sigler two years earlier found him irritating, and the "regulars" were willing to take almost anyone else. The Republican organisation had fallen to pieces and the Democrats, aided by the Presidential campaign, won without much real opposition.

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When the new Governor took office the Republicans had not yet recovered from their consternation, but they were far from powerless. They still held office in counties all over the State and they still dominated both chambers of the State Legislature. Even on the State Administrative Board, a peculiar Michigan institution composed of eight elected officers, Governor Williams was chairman in name, but in fact only the head of a minority.

He asked for bipartisan harmony in his inaugural address: "We must assume that citizens in both major parties are interested in what is good for all of Michigan." A highly intelligent planner, whose slowness of speech masks considerable shrewdness, the Governor knew that his programme would stand or fall in the Legislature. To encourage harmony, he offered the shaken Republicans a beer and pretzels party at his own house. His children romped with staid Republican lawmakers who had never before seen a Governor at home and who, having lived for two years with Mr Sigler's chill personality, were eager for a breath of humanity.

The bipartisan honeymoon lasted just a week. Then hard-headed Republicans took a second look and found Mr Williams likeable, but a Democrat. They found him hinting that a \$60 million deficit was confronting the State govern-

ment. They found that his appointees to State offices were close to the labour organisations. They found themselves with votes enough to block a whole series of his campaign promises. Before the Governor could give the Legislature his carefully prepared message asking for housing aid, fair employment practices, the repeal of "restrictive" labour laws and other liberal measures, the Republicans beat him to the draw. A Republican "legislative policy committee" of key party leaders wrote its own programme in broad generalities. By and large, that programme won.

This was the first setback for the Governor, but there were compensations. The Republican programme covered some of his points and Democrats could argue that had the Governor not loomed as a warning to conservatives, Republican stand-patters would have continued to stand pat. There were other setbacks. Governor Williams wanted to make a labour official director of unemployment compensation. This required confirmation by the State Senate, which the Republicans were unwilling to give, and the Governor's appointee vanished. This happened more than once as he sought to cement his hold on the State administration.

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The inter-party feud was to have been expected but, as the weeks rolled on, the Governor appeared to be getting into trouble with those independent groups which are crucial to a Democrat's success in Michigan. He looked into the State's penal system—a veteran of State service resigned charging "political pressure." His Liquor Control Commission decided to rid itself of a retired brigadier-general who had been its executive director—the same cry of "politics" rose again. Almost a decade ago Michigan voters, disgusted with political spoilsmen, had written civil



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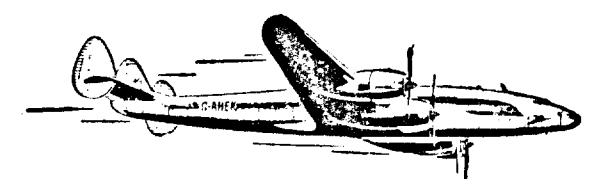
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service provisions into the State constitution. The Governor had campaigned as a friend of a civil service strong enough to keep from politicians all but a few policy-making jobs. The penal and liquor disputes raised doubts as to his support of the merit system and his ability as an administrator.

After he appointed labour organisers to his personal staff there were the usual cries of "labour domination," but perhaps without justification. If Governor Williams's feet travel along the same road as labour, it may be because his eyes look at the same problems and the same goals. He also knows that in Michigan the Democrat seeking State office must look to labour for votes; in that state, organised labour is almost synonymous with the Democratic party.

The young Governor is one of the most personable chief executives in Michigan's history. In political rally, banquet and conference he has appeared a sincere and public-spirited citizen. Even Republicans like him. In the confusion of 1948 they feared that he would win votes because he seemed able to win friends. Now they think that voters approve of him as an individual, but are hesitant about him both as political leader and as administrator. Under ordinary circumstances he would be Governor for a two-year term only, but the Republican situation may help him to win again in 1950. Without a Governor as their titular leader, and with too many ambitious men eager to reach the top, the Grand Old Party in the State is in trouble, for the moment at least. There are two potential candidates for the Governorship who might win the nomination but would split the party ranks. Two other aspirants, acceptable to the regulars, might lose to Governor Williams. If he should win re-election next year his fame would extend to the national scene and Republican Michigan would have stumbled into a political revolution.



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American Notes

Is the Communist Party Guilty?

When one of the longest criminal trials in American history, that of the eleven leaders of the American Communist Party, came to an end in New York last week after nine months, it did not take as many hours for the jury to reach its decision. It found America's "Politburo" guilty of conspiring, and of organising groups, to advocate, and of teaching the desirability of advocating, the overthrow of the United States Government by violence. The accused had offered in their own defence only party-line propaganda and complaints of political persecution which cross-examination easily exploded. Their attorneys had consistently attempted, by endless delays and insolent disregard of the Court's rulings, to provoke either a mistrial or a breakdown in the judge's health. For this contempt of court, the lawyers have now been sentenced to terms of imprisonment varying from one to six months. Ten years in jail is the longest sentence that the Communist leaders themselves can receive, which even to their prejudiced eyes must contrast favourably with a Hungarian gallows. Appeals against both sets of convictions are already being prepared.

Public relief at this seemingly simple answer to the Communist problem was expressed in a paean for the judge's endurance and the jury's sagacity. The professional red-baiters put on a new mantle of respectability and went about their work with fresh energy. Before long both their most spectacular quarry, Mr Alger Hiss, and their long-time bogey, Mr Harry Bridges, will be on trial once again on the same old charges, the first for perjury, the second for concealing his Communist membership when seeking US citizenship.

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But the New York jury convicted only eleven individual Communists, not the Communist Party as an organisation. The judge specifically stated that the Party was not on trial and also that there was no question of the legality of the Smith Act of 1940, under which the charges were brought and which is widely believed to outlaw Communism. Many Americans, whose hatred of Communism is beyond doubt, nevertheless feel that the constitutional guarantee of free speech is endangered by this Act, which makes illegal, in time of peace as well as in time of war, not only an actual attempt, but also advocacy of an attempt, to overthrow by violence any Government in the United States.

Unless some flaw is discovered in the conduct of the case, the appeal will presumably be based on this constitutional point, on which, it is hoped, the Supreme Court will be forced to come to a decision. The Court may, however, succeed this time, as it has before, in avoiding the basic issue of the guilt of the Communist Party as such. Even so, if it upholds the conviction of the Communist leaders, the 70,000 other members of the Party will have to go underground if they wish to continue to sap the foundations of American democracy. The alternative would be for the Party to follow the example of other immigrants and allow itself to be assimilated into that democracy. But it is more characteristic of Communism to force assimilation on others than to be itself assimilated.

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Congress puts up the Shutters

Congress, after having been bound to the wheel through a long, hot summer, at last has adjournment within its grasp. Only three hard nuts remained to be cracked last week before the shutters could finally be put up; and, as always, the eagerness of Congressmen, at the end of a session, to be away put a premium on obstinacy. The House, by an almost unanimous vote, refused to cut the funds it had voted for a 58-group Air Force, and the Senate bowed to

force majeure, putting its economy crusade for a 48-group Air Force away in its treasury of good intentions. It also gave some ground on the cut it had voted in the funds available for the stockpiling of raw materials. The Bill for national defence in the current fiscal year thus stands at more than \$15.5 billion, excluding the \$1.3 billion since voted for military aid to western Europe and other nations.

The prospect of adjournment may have done the Air Force a good turn (though it remains to be seen whether the Secretary of Defence will allow the windfall to be spent), but it has cheated the Displaced Persons and their friends. Senator McCarran, chairman of the Judiciary Committee, has been sitting all session on an Administration proposal to liberalise the Act admitting DPs into the United States, clucking angrily at bipartisan efforts to have it reported out. By the time he left for Europe—to call upon General Franco and collect more anti-DP ammunition—the egg was thoroughly addled. The Committee reported the Bill out in the end, despite his transatlantic squawks, but by that time Congressmen were already packing their bags, and the threat of a protracted filibuster by Senator Cain persuaded the Senate not to prolong the agony. The Bill has been recommitted until January 25th next year, when Senator McCarran will be on hand himself to peck his ugly duckling. The measure passed by the House would have extended the life of the Act by a year until January, 1951, increased the number to be admitted from 205,000 to 339,000, and eliminated its thinly veiled racial and religious bias. The 100,000th DP to be accepted is now on the high seas.

Even the controversial farm price Bill has at last been settled, until next session at least, after it had begun to look as if the two Houses would not be able to agree, even in order to forestall the coming into effect of the rigours of the Aiken Act. The House conferees had heavy backing for a simple extension of the present high and rigid supports, the Senate conferees narrower backing for a flexible programme, to begin in a year's time. But here again obstinacy paid: By digging in its toes, the Senate finally induced the House to accept flexibility, although price supports will only be reduced by stages, beginning in 1951.

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Strike Deadlock

Dr Edwin Nourse, in the speech which made it certain that this time his resignation from the Presidential Council of Economic Advisers would be accepted, laid the blame for his apprehensions about the future of the American economy on the preoccupation of both management and labour with their own security—nor did he spare the Administration. A demonstration of the attitudes he deprecates is provided by the present steel and coal disputes, both of which have arisen over welfare questions. Immovable mine-owners and steel executives are facing equally immovable miners and steel workers; the inevitable deadlock so far shows no sign of breaking.

But the miners have now been on strike for nearly five, and the steel workers for nearly three, weeks. Mr Lewis, the head of the mine workers, has tried to counteract the growing attractiveness of a return to work by rallying not only his own union, but also the leading members of the American Federation of Labour, to the financial aid of the steel workers; they are, he says, under a "vast and barbaric attack" from an industrial bloc which wants to "decimate" all unions. Mr Green of the AFL has refused to be rallied by one old enemy to the aid of another. But the steel workers' leader, Mr Murray of the Congress of Industrial Organisations, knows as well as does Mr Lewis that the two unions win or lose together. And on this occasion, Mr Murray is driven by pressures within his own organisation to be as intransigent as Mr Lewis habitually is. Not only has his right-wing rival, Mr Reuther, already obtained for some of his automobile workers the non-contributory pen-

sions for which the steel workers are striking, but any weakening on Mr Murray's part would strengthen the fellow-travelling dissidents who must be dealt with at the CIO's convention, which begins on October 31st.

For this reason, as well as because he likes to see his labour supporters happy, President Truman would welcome speedy concessions by the steel companies to the union. It cannot in any case be long before Washington is forced to apply to both strikes something more drastic than the ineffective efforts of the government mediators. Apart from the President's reluctance to use the Taft-Hartley Act, which he has so severely condemned, its procedures are hardly suited to the steel dispute, in which a fact-finding board has already played an important part. If the President's personal attempts at mediation fail, he may fall back on government seizure of steel mills and coal mines. Mr Lewis has already demanded the latter.

Such action cannot, however, be justified until the health of the national economy is seriously endangered; the recent improvement in it has already been halted by the strikes, and it cannot be long before they cause a noticeable deterioration to set in. At present it is chiefly the strikers themselves, about one million of them who are unemployed as the result of the stoppages, but the Secretary of Commerce estimates that by November 1st two million, and by December 1st five million, will be out of work in direct consequence of the strikes. Small firms which have not been able to build up stocks will be the first to be affected. It has already been announced that a shortage of skates, tricycles and mechanical toys is inevitable this Christmas and the public demand for an end to the strike will grow once a drop in temperature calls attention to domestic coal cellars.

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Natural Gas in the Senate

The refusal of the Senate to confirm the appointment of Mr Leland Olds to a third term on the Federal Power Commission is a blow to government regulation of the gas, oil and electricity industries. Mr Olds has been the most active advocate of regulation on the five-man Commission, which has usually split 3-2 on important decisions. He is one of the few remaining New Dealers on the firing-line. In his place Mr Truman has put forward Mr Mon Wallgren, whom the Senate Armed Services Committee viewed with justifiable scepticism when the President recommended, eight months ago, that he be made chairman of the National Security Resources Board. Mr Wallgren, former Governor of Washington, and receptive to any job his old friend the President might suggest, conspicuously lacks Mr Olds's long experience and special knowledge of the complexities of rate-making. But this has proved no bar—indeed almost the opposite—and the Senate has lost no time in giving its approval.

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Indian Givers

An Indian giver, in the American vernacular, is one who, repenting of his generosity, asks for the return of his gift. This may be a slur on the first Americans, but it describes with some accuracy the Bill recently passed by Congress for the rehabilitation of the Navajo and Hopi tribes, the largest, as well as the poorest, most illiterate, and disease-ridden representatives of the far from vanishing redskin.



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I heard it from an Aunt of mine

(Whose affluence is ample),

Who heard it from her Advocate

(A tenant of the Temple),

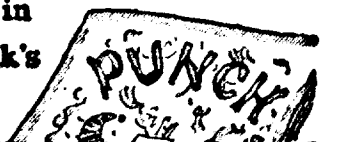
Who got it from a Goddess

With a devastating dimple,

Who said it was in

this week's

ON SALE TODAY 6d.



A map of the Western United States showing Indian Reservations in 1930. The map includes state boundaries and names: Washington, Oregon, California, Nevada, Idaho, Utah, Arizona, New Mexico, Texas, Montana, Wyoming, Colorado, Kansas, Oklahoma, Nebraska, South Dakota, North Dakota, Minnesota, Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania, New York, Vermont, New Hampshire, Maine, Massachusetts, Connecticut, Rhode Island, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Texas. Indian Reservations are marked with black squares. A legend in the bottom left corner shows a black square followed by the text "Indian Reservations".

The Indian's status is the most anomalous of any American minority. He is a ward of the Federal Government, but Congress has never given the Indian Bureau enough money to carry out its responsibilities. Yet he has been a citizen since 1924, and even reservation Indians recently won the right to vote in Arizona and New Mexico. His lands are frequently inferior (though oil and timber have made some Indian millionaires) and incapable of supporting him, yet his numbers have steadily increased since 1900 and by 1980 there may be 700,000 Indians, as many as there were when

Eggs and Bacon

Earlier this year it was expected that pork would provide another example. Plentiful stocks of corn and high meat prices have encouraged farmers to breed more hogs, as well as more hens, during the past year. But the peak of the summer marketing season went by without any need for price supporting operations and it is possible that the winter peak will do the same, provided that the present strikes do not last long enough to affect seriously the demand for meat. The price of hogs has fallen to about \$18 a hundredweight from \$28 a year ago, but this is still about \$1.50 above the support level. Pork would be even more expensive to store than eggs; they only have to be dried, but it must be frozen and kept under refrigeration. Nor would Britain be likely to have dollars for pork, even at half price. If there should be a glut of hogs, Britain might even have to eat American dried eggs without Canadian bacon since, once hogs are officially surplus, Marshall dollars can no longer be used for off-shore purchases of pork and its products.

Oregon has begun the biggest reforestation project ever undertaken in this State, which is nearly half covered by commercial forest lands. During the next 14 years 300,000 acres of burned-over land will be restocked with fir trees planted by hand and with seeds scattered from helicopters. The project will cost \$10 million, and the trees will be ready for cutting in 75 years, provided of course that the area does not catch fire in the meantime, as it has three times in the last sixteen years.

(From Our Paris Correspondent)

The best proof of this is the attitude of the CGT itself, which presumably knows a mass-movement when it smells one in the offing. The Communist movement has, in fact, voiced nothing but contempt for the amateurish methods of the non-Communist militants, dismissing them as "pure bravado" and "unscientific." The Communists themselves have evidently taken the pulse of the workers and found it weak: the masses, if dissatisfied with their lot, being also dissatisfied with professional agitators. Indeed, nothing comparable to the dogged spirit of the Canadian-British dock-strike has occurred in France this summer, where the tendency has been towards one-day token stoppages, such as those of the tramways at Strasbourg and Marseilles at the time of the commercial fairs or, recently, the miners' chain-strikes in the northern coalfields. In spite, therefore, of the routine chorus of wage demands which grew in volume and plausibility after the devaluation of the franc, the disruption of the Queuille Government was due, primarily, to the political initiative of the Socialist M. Daniel Mayer, who had become gravely apprehensive of his party's electoral eclipse.

In the meantime, the trade unions regard the special bonus, which was proposed by M. Moch—but is now presumably in abeyance—as a laughable palliative. In the opinion, for instance, of the Christian unions (CFTC) it is unsatisfactory for at least three reasons. Being a once-for-all payment, its practical effect will be small and, when it is not repeated, its psychological effect detrimental. Since the increment is tapered off so as to disappear at the wage-level of 15,000 francs, the gain to a worker earning, say, 14,500 will be negligible; since the re-introduction of collective bargaining, to which the *prime d'attente* is intended to serve as a prelude, will take many weeks of parliamentary bargaining (in the face, perhaps, of counter-proposals to change the law regulating strikes) the bonus will not serve to cover the interval. Thus the CFTC continues to ask for a 15 per cent increase in the present legal scale of wages on the basis of a forty-hour week. (Owing to electricity cuts, many factories have been forced to reduce their hours from 48 to 40.) In addition to this, the CFTC is asking for a productivity bonus,

During the recent parliamentary crisis the CFTC, wishing to explore the possibilities of unity of action between the main unions against the *patronat*, issued a draft agreement for the creation of an interconfederal cartel to be composed of the four main confederations (CFTC, CGT, FO, CGC). In return the Communist CGT published a counter-proposal. The dissimilarity between the two documents is revealing. The CFTC was naturally concerned to preserve for the non-Communist unions complete political independence. Thus Article 2: "This agreement is not intended to affect in any way the autonomy of each *centrale syndicale*"; Article 4: "A decision binding the whole cartel must be unanimous,

each organisation having one vote." "Each organisation undertakes not to claim for itself the initiative in positions taken in common." In short the conception of the CFTC was of a united directorate at the top in which the different unions would have equality of status, to which they would be individually loyal and whose action would be limited strictly to specific objectives to be determined by agreement.

The Communist view of the matter was quite another story. After some staggering unilateral wage demands their draft refers to the need for cartels similar to the inter-confederal one at all levels (factories, local unions, departmental unions, federations); these cartels would take whatever action they considered necessary in their own sectors and that action, *whatever it was*, would be supported by the interconfederal cartel. If local action proved insufficient there would be a national assembly of the representatives of the *cartels de base* which would decide what action should be taken on the national level. In other words, the Communist plan envisaged what the CGT had elsewhere described, with florid imagery reminiscent of the Paris *métro*, as "a movement rising up from the very depths of the world of labour." Further, Article 9 of the Communist draft stated:

The cartel being formed on the basis of a minimum common programme, the participating organisations reserve entirely their right to pursue their own policies outside the common programme.

This reservation alone was enough to scare off prospective partners. As things turned out, both *Force Ouvrière* and the *Confédération Générale des Cadres* (senior staff union) refused to participate in a joint organisation with the Communists, with the result that the CFTC (which may in fact have produced the original draft with its tongue in its cheek), has undoubtedly gained credit as the foremost "free" confederation.

So far the CFTC has been relatively weak outside the clerical workers; but the day may come when it may gain strength in industry at the expense of the Communists. This would result most probably from an electoral recovery of the MRP which, after a brilliant start after the war, has now sunk in prestige. At present, however, both the left-centre parliamentary coalition and the free trade unions are countered by an opposition from the extremes that is strong enough to paralyse them.

If in 1951—or previously, in the event of a dissolution of the Assembly—the Socialists and MRP between them could wrest 50 seats from the Communists (who at present hold some 180 out of a total of 620), France could again be governed. In those circumstances the free unions would have the opportunity of abandoning their pose of arid opposition to the *pouvoirs publics* and partnering a sympathetic government.

Pakistan's New Trade Policy

[FROM OUR KARACHI CORRESPONDENT]

AFTER three weeks of intensive activity the Pakistan Government has announced a new trade policy in answer to the challenge it has set itself by its decision not to devalue the Pakistan rupee. The issues at stake are vital, for it is not too much to say that a soundly based and carefully nurtured economy has been placed in grave jeopardy, not so much—to do the Government justice—by Pakistan's non-devaluation as by the devaluation of the other currencies of the sterling area.

Viewing the problem in isolation, there was no intrinsic reason for depreciating the Pakistan rupee. Why, it was

asked, should Pakistan, with a favourable trade balance not only with the sterling area, but even with the United States, take a step which would mean higher costs of imported goods, without bringing any compensating advantage in increasing the volume of exports? There was no elasticity in the demand for Pakistan's export commodities, for these were already in keen demand and Pakistan had no difficulty in selling them. Devaluation would thus, on this view, merely have given a fillip to inflationary tendencies just at a time when the Government had got them well under control, and would have necessitated Pakistan paying higher prices for capital goods from the United States and other non-devalued countries when it was on the threshold of a vast programme of industrial development.

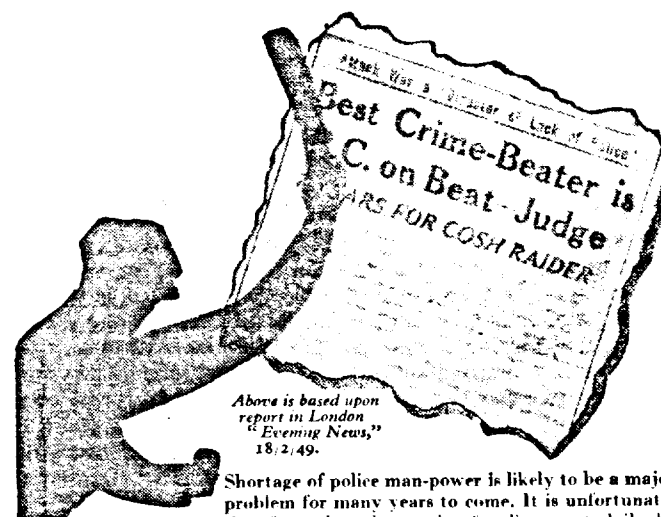
Across the Indian Frontier

However plausible and theoretically sound these arguments are, the fact remains that a country whose prosperity depends so largely on its exports cannot afford to act *in vacuo*. (The governing factor is whether the demand for Pakistan exports is in fact elastic, a point which was discussed on page 741 of *The Economist* three weeks ago.) Jute, cotton, tea, wool, and hides and skins are the life blood of Pakistan's economy, providing not only the bulk of the country's foreign exchange earnings and a considerable slice of the Government's revenues, in the shape of export duties, but also the main source of income of millions of primary producers. The bulk of these exports goes to countries which have devalued their currencies. In the year 1948/49, in fact, about 42 per cent of the seaborne exports went to India and the United Kingdom, the two best customers; and this tells only half the story, for the value of exports to India by the land routes (mainly jute) was about equal to the total seaborne exports. Precise figures are not available because complete statistics of the over-land trade were not maintained during the year in question. Because there is no real control of trade across the frontier with India, a differential exchange rate between the Dominions cannot be maintained, unless this rate is counter-balanced by alterations in their price levels.

If Pakistan can dispose of its exports without having to reduce its prices, and this is the crux of the whole matter, there need be no fear of any deflationary effects emerging. The manner in which the Government is facing the problem, the gravest in its history, leaves the average businessman uncertain whether to admire its sangfroid, or to deplore its failure to grapple with the realities of the situation. "To exporters," said the Minister of Commerce at a press conference at which he announced the new trade policy, "my advice and request is to accelerate, increase and improve their exports." This is easier said than done, and exporters would have appreciated some advice as to how they are to persuade their main buyers to pay anything up to 44 per cent more for the same goods. It had been confidently expected that the Government would share the loss with the producers by removing, or at least reducing, export duties, which are as much as Rs. 60 per bale of cotton and Rs. 20 per bale of jute, though it was recognised that this would seriously upset budget calculations. But it transpires that there is to be no reduction, except for a trifling one from Rs. 60 to Rs. 40 in the case of short staple cotton.

A Fighting Chance of Success

There is a fighting chance that the new policy may succeed, for there are certain factors in its favour. Both the cotton and jute crops are on the short side, and it has been admitted for some time that prices of both have been too high and could stand a substantial fall. Cotton can still compete with American cotton, in view of the dollar difficulty, although prices are about 16 per cent above American prices. Although buyers are holding off at present in the expectation of a fall in



Above is based upon report in London "Evening News," 18.2.49.

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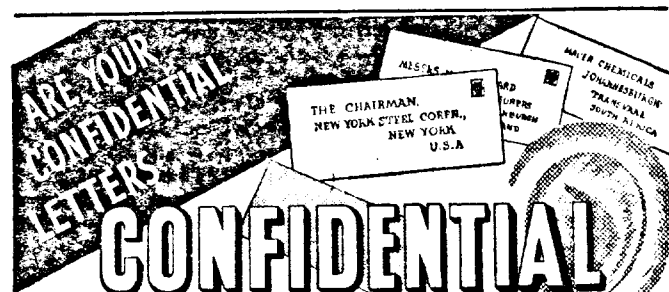


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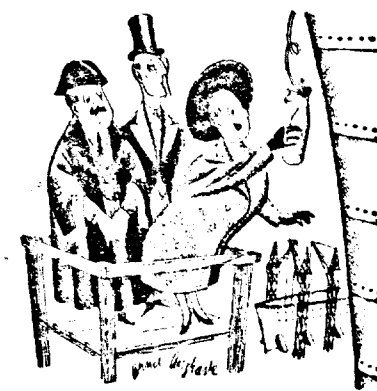
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prices consequent on India's reluctance to buy, it is probable that Pakistan will still be able to dispose of the crop.

Jute is a far more serious problem, but here again the Government has for some time past been content to contemplate a fall in prices. Whether the fall will be catastrophic or not depends mainly on the question of whether the Governments of the two Dominions will be able to evolve some reasonable *modus vivendi*, for well over half the crop normally goes to the Indian jute mills, and the Indian Government is refusing to pay the prices for which Pakistan has asked. At the same time, the situation is not desperate. Much depends on the size of the jute crop, and the East Bengal Government now places the crop at no more than 3,300,000 bales instead of the earlier estimate of 5,500,000 bales. Should this be anywhere near the true position, a keener demand must obviously be expected, prices will not fall too steeply, and transport and shipment will be less of a problem.

Caution in Import Policy

If the Government's export policy errs on the side of boldness, the import policy is open to the charge of excessive caution. One of the main points justifying the non-devaluation decision was that Pakistan would get its imports cheaper, and the cost of living would thus be reduced. Consequently it was expected that the Government would cheerfully continue letting imports flow in freely, at cheaper prices, making their contribution to the general well-being (and also incidentally swelling the customs revenues). But, partly in order to cushion the shock for dealers who have large stocks on their hands, and partly to ensure a healthy balance of trade, the Government has decided to cancel the Open General Licence under which nearly all classes of goods from the soft currency areas could be imported without licence, and to replace it by a more restricted system. It is understood that machinery, drugs, medicines and selected chemicals, metals and ores, mineral oils, coal, and a few other items will be covered by the new Open General Licence, but all other imports will be licensed in accordance with fixed ceilings of expenditure for each category. Cotton cloth and yarn, however, is to be licensed more freely. The ceilings for luxury goods will be extremely low, and other kinds of consumer goods will be allowed on a restricted basis.

Was all this really necessary? Out of total seaborne profits of Rs. 109 crores in the last financial year cotton piecegoods and yarn alone accounted for nearly 35 crores, and vehicles to over 4 crores. The result is that the market is glutted with cotton goods, and that British cars, for which a year ago dealers had long waiting lists, can now be had for the asking. Natural conditions of supply and demand should, therefore, have corrected the temporary disequilibrium and artificial restrictions should hardly have been necessary. Nevertheless, the Pakistan Government may perhaps have taken a wise step in giving itself time to watch the trend consequent on the altered exchange ratio.

Brazil's Sterling Trade

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

LAST week the Brazilian Government finally decided to maintain the cruzeiro's official parity with the dollar, which makes it about 44 per cent dearer in terms of the pound. Cocoa shippers, with their eyes on West African competition, have been urging multiple exchange rates, but little criticism of the straightforward adjustment has come from other quarters. This is hardly surprising, since coffee exports are flourishing at all-time record prices. Coffee, which since the beginning of the year has accounted for over half of all Brazilian exports, is now bringing in dollars at a rate which may wipe out Brazil's commercial debts within a few months.

Nevertheless, over a third of all Brazil's exports go to

soft currency markets, a tenth of them in cotton, and coming months may see some close price bargaining between the São Paulo cotton growers and their British customers. Last year Brazil supplied a sixth of Britain's medium staple imports, and although São Paulo crops (which compete with dollar cotton) have been declining in recent years, next April's crop is expected to be the largest since 1944. Britain this year has bought 56,000 tons, and the São Paulo market expects to be cleaned out by December; but next year's picking may leave at least 110,000 tons for export, and it is understandable that the growers are anxious to know the prospect of sales to Britain. The Royal Cotton Commission is reported to have offered an 18 per cent increase in sterling prices, and the attraction of Brazilian supplies as an alternative to American cotton will doubtless depend on the outcome of such negotiations. If British demand is sustained, it is believed that São Paulo could provide 150,000 tons a year.

In fact, São Paulo's medium staple cotton is Brazil's greatest sterling earner, a point of importance now that the level of Anglo-Brazilian trade is so largely determined by Brazil's ability to expand its commodity shipments to the sterling area. Another advantage is that the São Paulo crop moves at a different season to northern hemisphere harvests, enabling consuming markets to carry smaller stocks.

Dwindling Market for Textiles

While the growers are anxious to maintain their exports, the better organised textile manufacturing interests here (whose exports have shrunk by about 90 per cent in the past year) have been pressing for protection against imports of woollen, cotton and linen yarns from Britain. Although domestic mills are unable to replace many of these imports and in fact could not produce some of their higher quality goods without them—the protectionist claim is being strongly pushed, and seems likely to carry some weight. The growers are unsympathetic to an attitude which, as one grower puts it, makes it difficult to encourage an expanding sterling market for raw cotton.

Brazil seems in any case destined to be a dwindling market for British textiles. But there are many other needs which Britain seems well placed to supply, including those of both the growers and manufacturers of cotton. The growers are interested in agricultural machinery and fertilisers, and perhaps one of Britain's most promising markets here is for textile machinery. In the past Britain has equipped about half of the Brazilian textile industry, and, if it can supply the goods, it could now meet probably about 80 per cent of Brazilian orders. Except for woollen and worsted spinning, which uses the "French system," Brazilians recognise British machinery to be better value than either Swiss or American makes. The industry has about 3½ million spindles and 100,000 looms, and most of its equipment is said to be at least 25 years old.

The demand for re-equipment is strong, and Brazilian cotton masters are said to have reserves for the purpose amounting to 600 million cruzeiros (worth £12 million in devalued sterling). This is the fruit of their wartime boom. There are signs that British suppliers are alive to the possibilities. A new São Paulo spinning mill has been fitted with English machines said to be more modern than any in Lancashire. But the field is still competitive. Other new mills have installed Italian machinery, and there is now some interest here in a Japanese automatic loom. More could be done by British manufacturers. Recently, for instance, an English maker is said to have refused to supply a few looms to an industrial training school on the ground that he was only interested in equipping factories. Brazil's industrial training system is an important adjunct of Brazilian industry, and the looms used for training are likely to be installed in the mills.

The inevitable modernisation is unlikely to provide serious competition for Lancashire except in the Brazilian domestic

market. A cotton spinner who operates one of São Paulo's most modern mills holds that Brazil can never become another Japan, and his view seems justifiable. The Brazilian population is growing at the rate of 1,500,000 a year, and provides a vast and promising market for local mills, as even the most modern mills now recognise. British industry would have everything to gain by bidding for the coming modernisation of the Brazilian textile industry.

Return To Peking

[FROM A CORRESPONDENT]

IN restoring Peking as the capital of China the Communists have made a decision which was already being discussed in Nationalist circles in Chungking during the war against Japan. Chiang Kai-shek himself was said to favour the project. The main reason for the desire to move back to Peking instead of to Nanking after the prospective eviction of the Japanese from China was the traditional prestige of Peking as the imperial city and its possession of a group of ancient buildings giving it a grandeur and dignity which Nanking entirely lacks. The obvious excuse for the choice to abandon Nanking would be the devastation which befell the city in the fighting of 1937 in contrast to the preservation of Peking, which was virtually unscathed by the Japanese invasion; in view of the urgency of restoring the national administration, the material advantages of moving the offices of the central government to Peking on the termination of hostilities could be held to justify overriding the will of the revered Sun Yat-sen, who had laid it down that Nanking must be the capital. That the move to Peking was not made in 1945 was due, not so much to a free decision to go back to Nanking as to the Russian occupation of Manchuria and the widespread rule of the Communists in North China—

factors which made it too dangerous for the Nationalist Government to give such a hostage to fortune before they could gain full military control of Manchuria and North China.

Peking was the capital of a unified China under three dynasties from 1280 to 1912 except during the first two reigns of the Ming dynasty when it was at Nanking. It is worthy of note that of these three dynasties two—the Yuan (Mongol) and the Ching (Manchu)—were set up by conquerors from the north who wanted a base for power within China, but as near as possible to their own homelands in Manchuria or Mongolia. Conversely, for a Chinese monarchy whose main preoccupation was defending China against the northern nomads and keeping an ascendancy over them it was an advantage to have the capital close to the frontier and its armies rather than in central or southern China. If it is considered desirable for a capital city to have a central position, Peking is fairly central in relation to China's total territory including Manchuria, Inner Mongolia and Sinkiang; in "China proper" on the other hand, that is to say China south of the Great Wall, it is on the northern periphery, and Nanking, or some other place in the basin of the Yangtse, would have a better claim to be metropolitan.

The old cleavage between north and south in China has indeed had much to do with the issue between Peking and Nanking as capitals. Under the old Manchu regime, China was divided into northern and southern sections (Nanking being included in the southern) for purposes of civil service recruitment, and the south got only as many offices as the north in spite of having a larger population; this created a sense of grievance in the south and was one of the means whereby the Manchus played off Chinese against one another. But in the nineteenth century it was the south which was the more affected by western influences penetrating particularly through Canton and Shanghai, and it was from the south that revolution came—first in 1911 and then again in 1926.



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The Kuomintang was from the beginning, and has always remained, primarily a party of southerners, and along with all the designs for regenerating China there has always been the less advertised idea that men from the provinces where the party was first built up should enjoy the plums of office in all China.

North of the Yangtse the Kuomintang troops and officials came as invaders, and although local recruits were gathered to the cause and bargains struck with established provincial magnates, the north continued to regard the Kuomintang regime as a southerners' ascendancy. It was indeed a turning of the tables, a *revanche* for the former privileged position of the north under the Manchus, and it was symbolised in the transfer of the capital from Peking to Nanking. The purpose of the transfer in Sun Yat-sen's mind was partly, no doubt, to make a break with the monarchical past. Nanking was to be modern, businesslike, up to date in appearance and atmosphere; though it had links with tradition by having been a capital before in remote periods of history, it had hardly any old buildings and no flavour of recent majesty. But over and above these considerations, there was certainly the feeling that this was the southerners' capital, close to the areas from which the Kuomintang drew its main military and political strength, a place from which the north could be dominated.

Centre of Communist Power

The interest of the Communists is just the opposite. The Manchu monarchy is too long dead for its haunting influence to be dangerous to the people's new administrators; it is the heritage of Kuomintang officialdom that must be avoided. The Communists can now claim as their own the traditional prestige and glories of Peking with safety, for it is in the midst of the region where their power is most strongly established. Although they, too, started in the south—for the Communists as an urban workers' party had their first roots in Canton and Shanghai alongside the growing Kuomintang, and before the famous "long march" their chief rural stronghold was in Kiangsi—they are now primarily a party of northerners. During the war years and since 1945 they have taken advantage of the greater disintegration of the pre-war Chinese state and society in north China and Manchuria as compared with south China (due to the longer and more thorough Japanese occupation) and have also exploited anti-southern sentiments to gather political forces in opposition to the return of Kuomintang carpet-baggers. The Communists have still much of south China to conquer, and even if and when they do complete their conquest, it is likely that their power will be less secure there than in the north. Peking as capital represents a return of the political centre of gravity in China to the north; the fact that neighbouring Manchuria is to be both the principal industrial area of the new China and also the zone of Soviet-Chinese joint defence further reinforces the significance of the northward shift.

Japanese Subsidies

[FROM OUR TOKYO CORRESPONDENT]

THERE is a current Tokyo legend that the Prime Minister Shigeru Yoshida, turning angrily on anguished business critics of his programme for cutting subsidies, jabbed a cigar at a photograph of the young Japanese swimmers who smashed world records and said:

We didn't have to steal a 20-metre start for them to beat the world, did we?

Yoshida-san is facing difficulties from inside his own conservative party, as well as from a sullen section of his business supporters, in breaking down the hot-house structure of domestic and import subsidies which has been extensively built around the Japanese Occupation economy. By his own natural political inclination and under the belated spur of

American directives, Yoshida-san favours the sweeping removal of the subsidies which are estimated at 202,200 million yen for this fiscal year.

Of this total, 115,200 million yen had been allotted as government subsidies for "stabilisation" or basic commodities (such as coal, iron and steel, chemical fertiliser, copper and soda), 83,300 million yen as import subsidies for approximately thirty essential items (staples, fishing net, rubber) and 3,700 million yen as internal price subsidies.

This subsidy ratio (the proportion of existing subsidy to the theoretical consumer price in the absence of subsidy) ranges from 40 to 70 per cent, and brings the level of consumer prices of subsidised goods well below the general price level. An impressive comparison may be made with American prices for the so-called Japanese "stabilisation" commodities (based on an American index of 100 and the official exchange rate of 360 yen to the dollar):

Coal (for special industries)	40
Pig iron (for casting)	34
Steel bars (19 mm. in diameter)	36
Copper	58
Ammonium sulphate	62
Soda-ash (only parity item)	100
Caustic soda (solid)	86

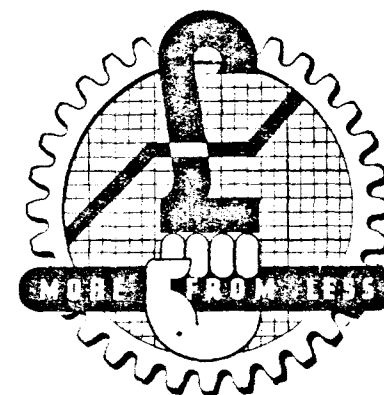
Mr Joseph M. Dodge, the prim and implacable little Detroit banker, who came to Tokyo to compel MacArthur and his Japanese people to face the economic facts of life has insisted that this fantastic Oriental opium dream, for which the American taxpayer was paying, should end by the latest in 1951. Yoshida-san, blandly acquiescent, has already demanded an initial cut of 35,000 million yen in the subsidy vote, and has started vigorously with coal, copper, iron and steel, which have been suddenly exposed to the searching winds of an unsubsidised world. The price of raw steel has been increased by 50 per cent, and many business-leaders and most exporters are now speculating wildly on the end of the chain reaction which this increase will provoke in correlated industries. Many of Yoshida-san's political henchmen are keeping an alarmed eye on the popular reaction to a possible rise of eight per cent in the cost of living.

Industrialists Forecast Bankruptcy

Japan's Economic Stabilisation Board, which includes business leaders and acts as expert adviser to the Government, first offered a paltry 19,900 million yen subsidy cut in response to Yoshida-san's demand for a 35,000 million yen cut. Reluctantly, the Board has since scraped and whittled to make the required saving of 32,312 million yen. This figure, however, includes some typically Japanese sleight-of-hand "estimates of the difference between the wrongly anticipated exchange rate of 330 yen to the dollar and the actual exchange rate of 360 to one."

Meantime, exporters are throwing together some agitated estimates of the disastrous effect on export prices of the withdrawal of subsidies on steel. With the hearty and calculated pessimism of the Japanese postwar industrialist, machinery, rolling stock and shipbuilding interests forecast bankruptcy, "Motors (for general use) will cost 85 per cent more than at present," reports a black-edged bulletin prepared by representatives of Japanese heavy industry; "bicycles, 58 per cent more; automobiles, 52 per cent more; agricultural implements, 20 per cent more; cotton spinning machinery, 46 per cent more; cast iron, 73 per cent more."

Despite this pressure and opposition inside his own ranks, Yoshida-san doggedly defends the Dodge Line: Japanese industry must stand on its own feet. If the Japanese iron and steel industry does not pay without government subsidies, it would be better to import pig iron and some steel. The policy, it seems certain, will painfully but inexorably prevail. Weak, inefficient and improvident industries will fall or be trampled. Unemployment will rise. But basic and vital industries will be streamlined and strengthened.



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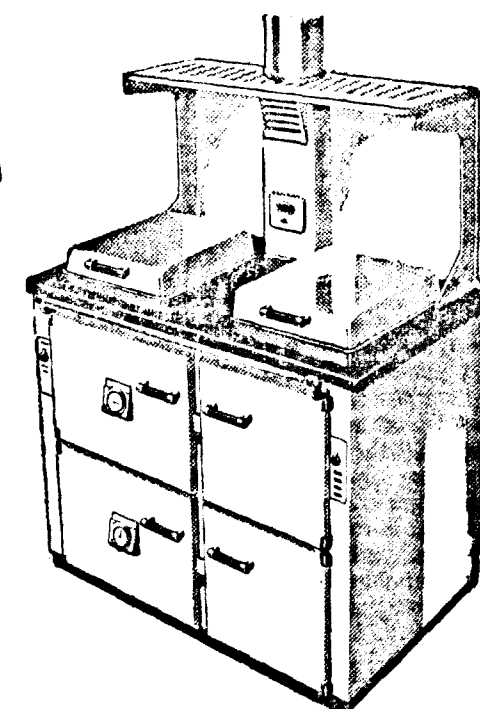


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Another—and more dependable—prophecy by the Economic Stabilisation Board compares estimated Japanese domestic prices, after Yoshida-san's proposed subsidy cuts, with American counterparts (American price level 100):

	If Subsidies on "Stabilisation" Commodities only are Abolished	If Subsidies on Imports and on "Stabilisation" Commodities also are Abolished
Coal (for special industries)	121	130
Pig iron (for casting)	137	406
Steel bars (19 mm.)	130	198
Ammonium sulphate	160	178
Copper	103	103
Soda	181	181
Caustic soda (solid)	160	160

Swiss Trade and Prices

[FROM A SPECIAL CORRESPONDENT]

It has been seen that the federal machine of the Swiss constitution is creaking under the strain of the necessity for fiscal readjustment, and it has been seen that an important element in this situation is the protection of agriculture by the Federal Government. This requires the additional taxation of the community as a whole and at the same time keeps food prices high. Some months ago there was a housewives' strike in several Swiss towns—the majority of the *ménagères* simply refused to buy meat at all for a couple of weeks. Prices, especially of sugar, wine and grapes are artificially high, and this summer there was also trouble over the price of cherries.

In the first half of 1948 Swiss foreign trade reached peak figures and it was so easy to earn money that high prices did not matter very much. Trade in both directions then dwindled, but although the volume of exports in the first half of 1949 was smaller than that in the same period in 1948, their value was greater.

SWISS FOREIGN TRADE FIGURES

First Six Months of	IMPORTS		EXPORTS		BALANCE
	10-ton Waggon	Millions of Francs	10-ton Waggon	Millions of Francs	
1948	542,518	781.3	50,045	618.4	— 62.9
1949	474,044	2,811.2	51,969	1,532.7	— 1,218.5
1949	352,828	1,964.5	24,250	1,657.9	— 326.6
First Nine Months of					
1948	656,543	3,860.0	46,195	2,414.8	— 1,445.2
1949	514,185	2,807.8	57,129	2,495.4	— 312.4

There is no noticeable unemployment as yet—5,036 persons by the end of September, 1949—even in the watch-industry where it is always most feared, but nearly all foreign (mostly Italian) labour has been sent home. Wages are good, and it is calculated that the industrial workman's standard of living is at present appreciably higher, in spite of high prices, than it was on the eve of the last war. The new interim financial programme is to reduce prices a little and to bring relief to low income groups; for medium groups a very rough comparison shows a Swiss citizen paying about 25 per cent of his income in taxes where a British citizen pays about 40 per cent.

Results of Sterling Devaluation

The Swiss expect, as the British did before 1939, to import much more than they export and to pay the difference out of their assets abroad. Recently imports had tended to equal exports (in July they even sank below the export figure); this was partly owing to the expectation that

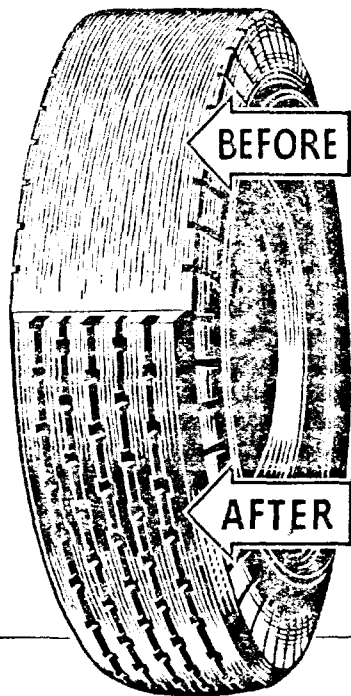
sterling would fall, as importers preferred to wait for cheaper goods. But, with so much governed by bilateral agreements, the decline in Swiss imports meant that trade stagnated because other countries soon lacked the francs with which to pay for Swiss goods; like the United States, Switzerland, too, has been suffering from a surfeit of the world's gold, and the Swiss franc even rose as against the dollar. It should be added that the internal financial crisis was accentuated by the diminution of imports because the Swiss federal budget is based upon the proceeds from customs duties.

For reasons of this kind the devaluation of sterling was officially welcomed by the Swiss. On September 27th Herr Nobs, the Minister of Finance, who is also President of the Confederation this year, said in a speech to the Chamber of Deputies, that there was no comparison with 1936 because sterling devaluation had this time bought sterling and the Swiss franc into a relationship which reflected their real value, whereas in 1936 the Swiss franc, before its devaluation, was being quoted at an artificially high figure. Moreover, he pointed out, roughly half of Switzerland's exports were at present destined for the countries which had not devalued, notably the United States. With regard to the other half, he considered that the immediate effects of devaluation would soon be softened for Switzerland by a rise in prices inside the sterling area.

During the postwar boom period in Switzerland there has all along been an undercurrent of anxiety on account of the precarious condition of the outside world; capital has felt little confidence in European markets or supplies, while labour has feared a sudden contraction of employment and of wages. For the last twelve months the anxiety has been growing and British devaluation has brought it to a head. Roughly it is true to say that the majority of Swiss industrialists are satisfied that it has now taken place, while the trade unions are disturbed.

In 1947-48 wages were extraordinarily high. Late in 1947 a wages standstill agreement prevented their legal increase, but there were many extra ways of earning money in those days. Now with the shrinkage of foreign markets the extras have disappeared and prices have remained very high. Rents are pegged low, but new flats are so expensive that in prosperous Switzerland the ordinary young married couple have to live with their parents as often as in the countries directly impoverished by war. The only reduction in domestic expenditure has been made by cheaper clothes in the last few months. With a slight easing of taxation and a few cheaper goods from abroad it is almost certain that labour will be forced to beat some kind of retreat. The Social-Democrats are already on the defensive; they lost seats in the last general election which was held two years ago, and on September 11th the day of the voting on the first Initiative, they lost their control of the town council of Zürich which has long been regarded as a "red" city and Socialist headquarters. The new mayor of Zürich is a radical.

Some Swiss industries, of course, have felt themselves hard hit by sterling devaluation. The most obvious and the most vociferous of these is that of the *hôtelières* and any others which depend upon the profits of the tourist industry. The latter is reckoned to have been bringing in about 18 per cent of the national income in the last year or two, although it employs a much smaller proportion of the working population. Tourist traffic counted particularly upon British visitors and expected to cater for their tastes. In his speech before Parliament on September 27th Herr Nobs indicated that the Federal Government will come to the help of the tourist industry, whose representatives have already come forward with suggestions of facilities (cheaper currency and railway tickets) to be offered to British clients. Even if half of their plan is carried out it will mean more charges on the Federal budget which is already causing so much trouble. The attempt to reduce the National Debt will have to be abandoned; indeed with the heavier military expenses which are planned the Debt will probably have to be increased.



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THE BUSINESS WORLD

Gilt-Edged Quandaries

DEALINGS started on Tuesday in the New Zealand loan, with an inauspicious discount of a quarter of a point. The authorities must have been hoping for a better curtain raiser than this to the winter season. They pitched the terms of the New Zealand issue attractively and it had all the support of a conversion issue with cash subscribers scrambling to apply for stock if they could get it. What happens now? South Africa is no doubt anxious to proceed with its first loan of £10 million (the second is to follow next year) and Northern Rhodesia is also high on the list. But once again the market has deteriorated. The "undated" stocks are on a seemingly insecure yield basis of $3\frac{1}{4}$ to $3\frac{1}{2}$ per cent "flat." On the "longs" redemption yields to final date range from $3\frac{1}{4}$ to $3\frac{1}{2}$ per cent. And investors are not prepared to buy stocks on a $2\frac{1}{2}$ per cent basis except with a life of no more than seven or eight years.

The past week has thus produced a marked slide in gilt-edged values. A review of "Interest Rates Now," which appeared in *The Economist* of August 27th, showed that $2\frac{1}{2}$ per cent Treasury Stock ("Daltons") was yielding £3 10s. 4d. per cent "flat"; this week the yield has risen to £3 13s. 2d. and the price (68½) is at an all-time "low." The impact on the dated stocks is less marked, but evident enough. Most of the dated issues are still a point or two better than the low points touched during the first ten days of August. But they are uneasily better; they have the appearance of having taken too much punishment recently to make much show of resistance to a new crisis of confidence. The accumulating evidence of economic difficulty and indecision is enough to give them pause. Apart from the wider background, however, they are worried by a specific issue: will the Government be prepared either to countenance or to contrive, as part of a disinflationary policy, a significant rise in interest rates?

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On the desirability of some rise in interest rates, many authoritative voices have lately spoken. The argument is not that a tolerable rise in interest rates would of itself remove the congestion in the economy which is being caused by excessive work on new investment, but that some rise would be consonant with the stiffer controls which Ministers are now apparently considering to reduce the overload which has now arisen. What is happening is a reaction from the Keynesian doctrine that the rate of interest is what the Government cares to make it by suitable monetary policy to a more old-fashioned viewpoint that, monetary management apart, the demand for real resources to invest in new houses, factories or plant, does respond to the rate of interest. To make the rate of interest artificially low is to run the risk of excessively stimulating the demand. To raise the rate when demand is plainly excessive is to take the first step to choke it off. This is clear and acceptable. The fruits of unduly cheap money are still being gathered in

this latest phase of recrudescence of inflation. There are some capital projects in mid-course, started in the heyday of the Dalton boom, whose economic prospects are clearly less bright than was first supposed. It is part of the price of ultra-cheap money that projects which appear to justify themselves at a low rate of interest squeeze out others which would pay a higher rate—and pay it more quickly.

Yet the policy remains. If the Exchequer were to go to the market for a thirty-year loan, it would have to pay $3\frac{1}{2}$ per cent or something near it. But the Public Works Loan Board, which acts as its instrument in making loans to the local authorities, still charges 3 per cent, as it has done for months past. So, much of the housebuilding now being carried out in the country is being financed on loans which are themselves artificially cheap, even by comparison with the terms on which the Exchequer could borrow if it wished. For another quarter of one per cent, a private borrower can obtain a

GILT-EDGED YIELD STRUCTURE						
GROSS REDEMPTION YIELDS. (Per Cent.)						
Stock and Redemption dates	Cheap Money Peak Nov. 14, 1946	Dalton Crisis Aug. 13, 1947	Gas Stock Issued May 2, 1949	Gold Reserve Crisis June 27, 1919	Eve of Devaluation Sept. 16, 1949	Post Devaluation Crisis Oct. 19, 1949
	*	†	†	†	†	†
Shorts	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1½% Exch. Bds., 1950	1 5 6	1 17 6	1 6 8	1 15 0	1 2 3	0 18 10
2½% Nat. W. Bds. 49-51	1 7 9	2 3 4	1 8 1	1 17 0	2 3 0	1 19 1
Middles						
3½% Nat. Deb. 54-58...	1 18 8	3 0 0	2 8 1	2 11 11	2 14 8	2 15 8
3½% War Loan 55-59...	1 19 7	3 0 6	2 8 3	2 12 7	2 15 6	2 14 4
Medium Long						
3½% Sav. Bds., 59-65...	2 5 11	3 1 1	2 14 9	3 1 4	3 0 10	3 3 8
Longs						
2½% Sav. Bds., 64-67...	2 5 8	2 19 0	2 10 8	2 17 3	3 1 9	3 2 7
3½% Sav. Bds., 67-75...	2 5 11	3 2 3	2 17 7	3 2 4	3 7 5	3 9 0
3½% Trans. Stk., 78-84...	...	...	2 18 11	3 4 1	3 8 7	3 10 11
3½% Gas Stk., 30-35...	...	...	3 0 0	3 4 7	3 8 9	3 10 5
"Undated"						
3½% Conv. Loan, 1961	2 5 8	3 5 11	2 18 0	3 9 24	3 12 88	3 15 15
3½% War Loan Jan. 52	2 1 0	3 4 8	2 10 5	3 9 88	3 13 108	3 16 18
2½% Consols	2 10 68	3 1 118	3 1 58	3 6 108	3 9 18	3 12 18
2½% Trans. Stk. Jan. 75	2 10 03	3 2 58	3 1 98	3 6 108	3 10 98	3 15 28

* To earliest date throughout. † Short- and middle- to earliest date, others to latest date. ‡ To latest date throughout. § Flat yield.

twenty-year loan from his local authority to buy a house. These are terms which scarcely measure the risks entailed in even the best form of personal covenant or the best type of house property. They are symptomatic of the distortion which has taken place in the structure of interest rates during a period when the capital market has been largely monopolised by one borrower.

That borrower, however, is not the powerful force in the market that it was less than three years ago. Early in 1947, in the proud days for patriots, $2\frac{1}{2}$ per cent Treasury Stock did stand at ½ premium. To have lost 32 points in as many months is fast travelling; so is the rise in the yield from its contrived $2\frac{1}{2}$ per cent to $3\frac{1}{4}$ per cent. Such a change is an admission that there is no scope for the injection of credit on a sufficient scale to

drive the gilt-edged market better. The authorities, to give them their due, have attempted no such thing since the discarding of Dr Dalton's financial policy. Whereas he used the whip, they have for many months seemed to act as if they had lost the whip hand. The Budget Speech last April disclosed that the Chancellor had no intention of dealing with the $2\frac{1}{2}$ per cent War Bonds 1949-51 at the first optional date. He has to repay on February 15th next some £787 million of Exchequer Bonds. That is the first operation in a decade which promises to be as difficult for the Chancellors of the day as any in the history of British public finance. Eight issues must be repaid before 1960; they include several $2\frac{1}{2}$ per cent War Bond issues and they total nearly £4,000 million. There is the enigma of $3\frac{1}{2}$ per cent War Loan—£1,911 million of it, and callable from December, 1952, but now devalued to the status of an undated stock. About 4 per cent Consols (nearly £400 million outstanding) which can be dealt with from February 1957 there may at present seem less doubt; but the eclipse of War Loan is a warning against taking too much for granted. Finally, there are £1,261 million of $2\frac{1}{2}$ and 3 per cent stocks whose first optional dates for repayment fall within the decade.

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Altogether, more than one-fifth of the funded debt has to be refinanced in the next ten years, and as much as two-fifths could be so dealt with if the circumstances were propitious. Final maturities fall in every year except 1952, which the authorities had reserved in the hope of something bigger in the shape of War Loan. This is a rigid timetable, leaving little or no scope for manœuvre or opportunity for creating a pliant market and bending it to the shape of a Chancellor's will. It is enough to inspire caution on the part of the authorities, for a false step early in the series of refunding issues might profoundly affect the success of later operations. If beggars cannot be choosers, borrowers with such a programme before them can hardly be bullies.

In strategic terms, therefore, the authorities will do well if they succeed merely in holding the line. They can hardly make a sortie on the market as each occasion arises, and a mistake might involve retreat. This shape of things to come in the fifties is an important element in present calculations. The last thing the authorities will want is a sliding market during the whole decade; the last thing they could do, short of wholesale credit creation, would be to prevent one if it got fairly started. Therefore they must make holders of gilt-edged their allies, rather than their enemies. Equally they would be wise to make in-

terest rates the ally of the physical controls on new investment activity. The two things are not so contradictory as at first sight may appear. They point alike to the desirability of some rise, moderate and orderly but significant none the less, in the market rate of interest.

So far the authorities have consented to a rise in interest rates by the negative act of abstaining from a credit expansion which would keep them lower. This must be regarded as the limit of official policy. Positive action would involve changes in the whole structure of interest rates, from the shortest to the longest. There seems no need in existing circumstances for the *bouleversement* which would occur in Lombard Street if Bank rate were raised—particularly since "existing circumstances" have brought a cheaper pound but no step towards convertibility. It is true that a rise in Bank rate at the moment of devaluation might have had a profound effect on public opinion both at home and abroad, but this psychological step, for what it was ever worth, has been missed. The intimacy with which short-term rates were wont to play upon long-term interest rates has long since weakened. Under modern conditions, it is better to regard the fates of the money market and the gilt-edged market as being determined by different sets of forces. Certainly, the Exchequer, with a quarter of the National Debt in floating form, would not relish the budgetary effect of any rise in short-term rates. Here, at any rate, it is master of the situation still. But in the long-term market, its writ is far less effective than it was.

It would not be difficult, of course, to gain real institutional support for a wise policy in the gilt-edged market. The annual accretion of funds from institutional sources (particularly insurance funds of all kinds) is large enough, given the maintenance of a high level of employment, to bring powerful support to the gilt-edged market. Those responsible for the management of such funds will not be anxious to face the consequences, in terms of capital losses, of any breakaway rise in interest rates. For the bulk of such institutional investment, there simply is no place of refuge other than the gilt-edged market. But the trend of interest rates has put a full one per cent or more on the yields obtainable from the "undated" stocks in the three years since the passing of the cheap money peak in 1947; so the instinct of institutional investors, as of others, has been to err if at all on the short side—to pay correspondingly more for the security of a date than they were prepared to pay during the active days of the cheap money drive. This policy is likely to persist, and its effects on the programme of refinancing which the Exchequer faces in the fifties

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will be profoundly interesting. They are likely to point to a carefully devised programme of short-term financing, having as its general object the transfer of the maturities of the 'fifties into the next decade. On this argument, the protection afforded by the short dated stocks is real, and the consequential effects of any moderate rise in interest rates on the ten-year stocks should not be nearly so marked as upon the "longs" or the "undated" stocks.

The likelihood of a return to orthodox monetary discipline is small enough for any modern Government, and small indeed for a Labour Government. But the adjustment which would have to be conceded as part of a policy of stemming the excess of new investment

activity (the stemming being applied both to Government sponsored and private investment) need not be large. It means a rate nearer 4 per cent than 3 per cent on the "longs." To be sure, such a modest rise in rates would be ineffective in itself to get rid of the excess; but at least it would be in the same direction as the Government's attempts to do the same thing by physical controls. What is more, it is only too likely to occur if the authorities pursue a neutral monetary policy. While this possibility remains on the cards, the attractions of stocks with fairly near dates will be little dimmed. But the position of the "longs" (and even, perhaps, some of the 4 per cent stocks which still stand at proud premiums) still looks vulnerable.

Recovery in Rice

THE improvement in economic conditions in South-east Asia during the past twelve months, faint though discernible, owes much to the increased supply of rice. World production is still far below what would be needed to restore the prewar level of consumption, and many years are likely to elapse before the deficiency can be made good. But the increase during the past two seasons (due mainly to a larger acreage planted) has at least been enough to justify ending the international allocation of rice and to provide for an increase in consumption in countries which depend upon imports for their rice supplies. The Asiatic rice economy is far from normal, but it is beginning to work once again. Pressure for higher wages, causing higher costs, is waning, and so, too, is the smuggling of rice and other foodstuffs. This has been the common postwar pattern in most countries, whether in the eastern or western hemisphere. But in South-east Asia in particular a thriving black market in basic foodstuffs has lowered the economic incentive towards increased output of other goods, and has produced an alarming increase in absenteeism.

TABLE I—WORLD PRODUCTION OF RICE
(Million Bushels of Rough Rice)

	Average 1935-39 to 1939-40	1946-47	1947-48	1948-49
Burma	349	195	274	265
Ceylon	...	...	...	...
China	2,453	2,354	2,278	2,360
Formosa	86	59	72	75
Fr. Indo-China	59	210	255	210
India	1,510	1,484	1,484	1,560
Pakistan	542	580	570	585
Japan	86	861	553	576
Java and Madura	313	270	275	261
Korea	196	115	131	154
Malayan Union	27	20	26	22
Philippines	105	104	110	113
Siam	215	170	230	280
Other Asia	414	463	494	524
Total Asia	6,448	6,439	6,717	6,954
United States	50	72	78	81
Brazil	65	133	110	110
Other America	56	67	69	74
Total America	151	272	257	265
Egypt	33	46	63	64
Other Africa	77	109	108	110
Total Africa	110	155	171	174
Oceania	3	5	5	5
Europe	53	41	54	56
World Total	7,525	6,975	7,220	7,475

Note.—1 bushel of rice=45 lb.

quantities of grain to Asia to stave off impending famine, and after the war Europe had to go short. The Food and Agriculture Organisation of the United Nations has continually urged that food must be sent from the western hemisphere to the East to raise the level of nutrition in "backward areas to a satisfactory standard." A clause has been incorporated in the international wheat agreement to allow relief shipments to Asia and other "deficient areas" once the contractual obligations of the exporters have been met.

The primary cause of the dearth of rice since the war was the slow recovery of South-east Asia from disruption and occupation. But there are more deep-rooted factors which the mere rehabilitation of war-shattered economies will not overcome. In the 1948-49 season, world production of rice totalled 7,500 million bushels—a welcome increase of 4 per cent compared with the previous season and 2 per cent above the prewar average. But world exports of rice, which amounted to 8,700 million lb in 1948 (nearly half as large again as the exports in 1947), represented less than half the prewar trade of an average year. To some extent, this difference in the relation between output and exports has been due to economic conditions which might be rectified fairly soon—for inflation seldom stimulates exports, and if inflation in South-east Asia could be curbed the volume of trade in rice might increase significantly.

*

There are, however, important political factors which affect rice. The emergence since the war of new independent nations in Asia has encouraged policies designed to expand domestic food consumption. Some countries, which before the war imported rice, have increased their own production, and reduced their dependence on imports. Others which were formerly large exporters have increased their own consumption and reduced the volume of their exports. Burma used to be the main supplier of rice to the rest of South-east Asia; but independence has brought increased domestic consumption of rice as well as political instability which has retarded Burma's recovery in rice production and disrupted its prewar pattern of trade. Although the acreage under rice in Burma increased last season, it was still 22 per cent lower than before the war, while exports were only two-fifths of the prewar level. Many years may be needed to overcome these political obstacles to the restoration of world trade in rice.

The estimates of world rice production given in Table I have been obtained from the US Office of Foreign Agricultural Relations. Considered by themselves, they show quite an encouraging picture. Output has been steadily rising during the past three seasons, it is now 2 per cent higher than before the war, and the new season's crop may be just as large. Two important points, however, need to be borne in mind. First, the population of Asia has increased by 12½ per cent or more in the past decade; to restore world consumption of rice to its prewar level would require an increase in world output to at least 8,250 million bushels, compared with 7,475 million bushels produced last season. Secondly, the acreage of rice which was harvested last season was the largest on record and in many countries weather conditions were exceptionally favourable. The largest increases in acreage occurred in importing countries; given a continuation of this trend, the world's

consumption of rice could increase without any corresponding increase in exports. Production in Asia is back to its prewar level: in India, Pakistan and Siam it is well above that level, while in Burma, China, French Indo-China and Indonesia it is well below. Output in both the United States and Brazil has expanded very appreciably during and since the war and in Africa, too.

A study of the world trade in rice in recent years, however, offers much less ground for optimism. Before the war Asia was a net exporter, having a surplus over imports of 4,500 million lb. of milled rice—nearly a quarter of the total export of 20,000 million lb. for the world as a whole. In 1948, Asia imported 1,000 million lb. more than it exported, and its total exports were less than a third of the prewar average. The deficiencies in exports existed in Burma, Formosa, French Indo-China, Korea and Siam. On the other hand, North and South America, which before the war had an import surplus of 500 million lb., had an export surplus of nearly twice that amount in 1948, while their total exports (mainly from the United States and Brazil) quadrupled. In Africa, too, by 1948 a prewar import surplus had been converted to an export surplus. Imports into Europe were barely one tenth of their prewar level.

Thus there has been a great expansion both in the production and the export of rice in continents other than Asia. But it is clear from Table II that the problem of supplying sufficient rice for Asia is, in the long run, one which only Asia itself can solve. The real difficulty is to stimulate exports from Burma, French Indo-China and Siam to something nearer the prewar rate. Last year, exports from Burma represented only 42 per cent of the prewar average, from French Indo-China only 13 per cent and from Siam 61 per cent. If political conditions render any such expansion of exports out of the question, the main rice importing countries (India, Malaya, Ceylon and Indonesia) will have to increase their own output—if they can. China has been a fairly large importer in the past, but the recent change in its political complexion may considerably disturb its trade relations with the rest of Asia.

The main obstacle to a large expansion of rice production in those countries which have depended in the past on imported supplies is that rice cultivation requires much labour. Some increase in yields can no doubt be achieved by greater use of fertilisers, and some saving in labour could be affected by using machinery. In the United States, rice production with modern machinery has proved highly successful. Rice planting by aircraft has been generally adopted in parts of California, while reapers, binders and combines are used extensively. To establish such methods in Asia would first involve a social revolution. The transplanting of seedlings would have to be discontinued and the small rice fields would have to be incorporated into larger tracts. Rice would lend itself to large-scale cultivation, but that would mean breaking in new lands. In the end, agricultural revolution in Asia may enable the rice-eating countries to feed themselves comfortably. But quicker results are needed. As it is, a great increase in rice production in, say, Malaya, can be achieved only by raising the cost of labour for other produce such as tin, rubber and vegetable oils. The recovery in output and trade is welcome, but much more needs to be done before Asia can once again feed all its hungry mouths.

TABLE II—WORLD TRADE IN RICE
(Million lb. of Milled Rice)

	Average 1936-40	1946	1947	1948
Exports/Imports	Exports/Imports	Exports/Imports	Exports/Imports	Exports/Imports
Burma	6,536	960	1,779	2,725
Ceylon	1,219	1	581	917
China	27	871	2	11
Formosa	1,427	8	880	880
Fr. Indo-China	3,235	12	148	435
India	622	3,727	4	1,120
Pakistan	232	4,122	35	6
Japan	74	499	...	261
Java and Madura	2,367	73	...	81
Korea	370	1,746	4	523
Malayan Union	1	151	258	160
Philippines	2,930	984	871	1,791
Siam	734	1,586	161	1,345
Other Asia	14,545	15,944	3,105	6,103
Total Asia	14,545	15,944	3,105	6,103
United States	255	21	773	1
Brazil	63	362	531	475
Other America	190	875	525	815
Total America	418	896	1,453	1,671
Egypt	277	4	448	367
Other Africa	42	924	29	148
Total Africa	319	928	477	515
Oceania	29	101	53	43
Europe	672	3,265	27	60
World Total	19,985	19,278	4,286	6,019

Business Notes

No Forced Saving

Sir Stafford Cripps's speech to the rally of National Savings workers on the eve of National Savings Week was chiefly significant for the emphasis it laid upon the principle of voluntary saving and upon freedom of the individual "to spend his money or to save it as he thinks best." Rumour in recent weeks had toyed with the possibility that the Government in its search for disinflationary expedients might turn to some device of forced savings. The fears thus aroused will perhaps be set at rest by the Chancellor's statement that "we have adopted the democratic way of voluntary savings and have set ourselves against the totalitarian way of forced loans to the state."

This is not as specific an assurance as might have been wished, but it surely makes it quite plain that no devices of forced saving are among the "consequential measures" at present envisaged. As for voluntary savings, the Chancellor naturally joined his exhortations to those of the leaders of the Savings Movement. But, if the Government does not give a strong lead by introducing radical measures for a genuine disinflation, and if it is not prepared to cut expenditure still further in order to make possible some "incentive" relief from the deadweight of taxation, it would be idle to hope that voluntary abstinence will play any large part in restraining the pressure of excessive demand.

In the financial year to date, that portion of the nation's voluntary saving (and dis-saving) which passes through the National Savings Movement has produced, not a net saving, but a large net drain upon the community's resources. In the first 28 weeks of the fiscal year, repayments and encashments of "small" savings, excluding the interest portion of disbursements against encashed Savings Certifi-

cates, exceeded new savings by no less than £42 million. In the comparable period of 1948-49, there was a net drain of £14 million, whereas in 1947-48 there had been a net credit of nearly £74 million. If, in the financial year as a whole, the Savings Movement is merely to break even—that is, to avoid any net drain on Exchequer resources apart from the disbursements required for interest on encashed Certificates—net new savings during the next six months will need to run at an average rate of nearly £2,000,000 a week, or rather more than the actual yield in the corresponding period of 1948-49.

* * *

Jay-Talking

Mr Douglas Jay's remarks last week-end provided an ominous curtain-raiser to the anxiously awaited statement on "consequential measures" which Mr Attlee is to make to Parliament on Monday. The Economic Secretary to the Treasury affirmed that the Government had "not the slightest intention of abandoning the policy of financing the social services out of taxation of profits." This doctrine of earmarking certain revenues to certain policies is new and unfamiliar in British public finance. If taxation of profits pays for the social services, what does taxation on beer, tobacco, the cinema and dog racing pay for? In any case, it scarcely needed Mr Jay's statement to demonstrate that the Government, given its political leading strings, has left itself no scope to devise any genuine disinflationary remedy for Britain's malady. To ensure that would require large cuts in blocks of expenditure which the Government regards as sacrosanct; but, if expenditure cannot, for political reasons, be cut sufficiently, it is now equally impossible to induce an

adequate disinflation by raising taxation—least of all can this be done by further increases in the already penal rate of taxation of profits.

Mr Jay's fiscal principles may be intelligible in terms of party politics, and it might have been thought that he would have been content to defend them on these grounds. Instead, he has been at pains to try to find an economic justification. "There are few worse frauds on the public at the moment," he affirmed, "than the argument that Labour's policy of taxing profits and using the revenue to provide social services has the effect of raising industrial costs. It largely does the exact reverse." Taxation of profits, we are told, cannot affect costs or prices, whereas social services "enable the wage-earner to maintain a higher standard of living than his wages alone permit"; hence the transfer from profits to social services "actually lowers industrial costs and export prices." This will not be welcome news to American opinion; for if it is true, does it not amount to an export subsidy by the British Government? Evidently, Mr Jay would deny that "disincentive" taxation—such as the tax on profits which leaves the rentier untouched yet falls with geared-up severity upon the equity of a business—has any effect upon entrepreneurial and managerial effort to reduce costs or expand output. He seems quite unaware, too, of the lessons of EPT, that excessive profits taxation (which equally did not "enter into" costs) has been a potent cause of inefficiency, and has greatly weakened employers' resistance to all cost increases—not excluding demands for increases in wages. Yet these were lessons which even Dr Dalton, Mr Jay's former master at the Treasury, eventually learned.

This curious argument that expenditure on social services has disinflationary effects would, moreover, be equally untenable even if the expenditure were financed by taxation which had no such disincentive effects. Food subsidies and the like admittedly keep down the cost of food but, by leaving the public with more to spend on other things, they merely divert inflationary pressure from one segment of the economy to another; and in these days, as successive wage claims demonstrate, the workers are no longer content, if they ever were, to measure their cost-of-living merely by the prices of the things which the Government chooses to subsidise.

* * *

Government Aid for Dollar Exporters

The scheme announced this week by the Exports Credits Guarantee Department for promoting exports to the North American market goes well beyond the credit insurance work which the Department has hitherto carried out. Briefly, the department is now prepared, in addition to these established functions, to bear part of any losses incurred by exporters to the North American market which may arise from the cost of market research, advertising, or the holding of stocks. It is well known that the success of the export drive to the dollar area has been greatly hampered by the inability—and sometimes the unwillingness—of exporters to shoulder the financial burden of such activities as these on a scale large enough to be effective in the United States.

The department is now willing to give exporters a guarantee covering a share of any losses if the cost of market research, advertising or stock holding in the North American market is not recovered over "a period of time." It hopes to keep its finances on an even keel by taking a percentage of future profits from enterprises that are succeeding in their American venture. This is a new departure. Exporters have been able in the past to insure with the department against losses arising from default abroad or other commercial risks arising out of actual contracts. But the department is now to go beyond such insurance operations and guarantee part of the cost of untried experiments in the dollar market. It is even proposing to take the initiative in persuading exporters

to enter the American market with the support of these guarantees.

It is impossible to know whether in the long run this new service will prove to be a form of export subsidy to the dollar market. In explaining the operation of the scheme, the department, perhaps inevitably, has been very vague about the period of time over which an exporter will have to try his hand in the American market before he can claim to have made a loss. Guarantees for stock losses will doubtless be invoked fairly speedily, and here the department will carry a share of "any loss arising." These new facilities will reduce the risk implied in any decision to leave profitable soft-currency trade for the uncertainties of the dollar market. But, while the Government is taking pains to lessen the risks of failure in such enterprises, it is showing on the other hand a disposition to impose penalties on success by sharper use of the taxation on profits. Is this the right way to achieve its purpose?

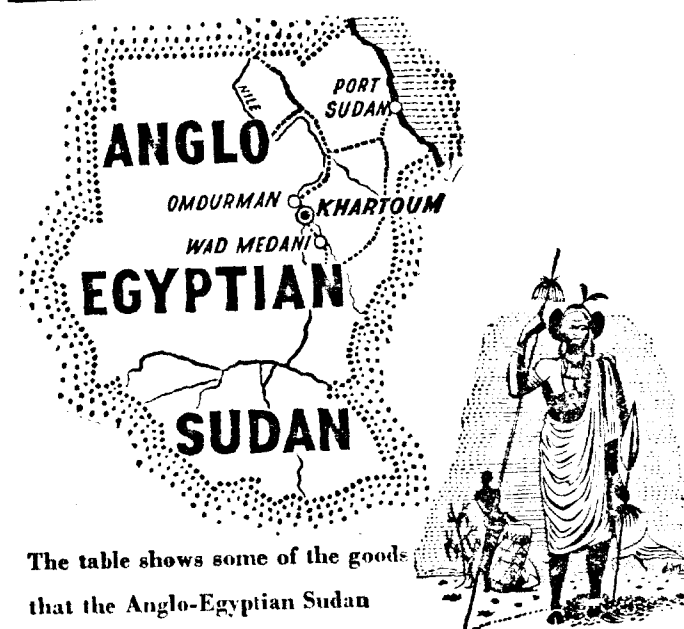
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Division of Marshall Aid

The problem of division of Marshall Aid has returned to the melting pot. The provisional allocations agreed by the OEEC last summer are to be scaled down by 4.4 per cent in order to provide the \$150 million pool required under the ECA legislation for certain purposes including the restoration of free trade and currency convertibility between ERP countries. The only agreed allocations that will not be affected by this cut are those to Belgium and Sweden, in each case because their prospective contributions to other ERP countries are approximately equal to or even greater than their prospective dollar deficits. For the United Kingdom, this cut means a reduction of the proposed allocation for 1949-50 from \$962 million to \$920 million. It should be added that the ERP countries will receive the \$150 million in the "pool" in accordance with the schemes for liberalising trade and payments which are yet to be finally approved. It is possible, therefore, that Britain, if it behaves in the necessary liberal manner, will recover from the pool even more than the amount by which its provisional aid has been cut.

The division of Marshall aid is, however, subject to far greater adjustments as a result of the devaluation of European currencies and the consequent unsettling of the Intra-European Payments Scheme. No real attempt has yet been made to revise the scheme in the light of recent exchange adjustments. It is evident that the agreed contributions and drawing rights, incorporated in the agreement and expressed in dollars at the former parities, bear no resemblance to the prospective balances of payments between the countries concerned. It is unlikely that the estimates framed in national currencies on which these figures were based will themselves survive the recent changes in exchange rates. It may well be, therefore, that new bilateral calculations of balances of payments will have to be made. The matter is becoming pressing, for the new IEPS was due to come into operation from the beginning of October. The Bank for International Settlements may find itself without instructions when it comes to tackle the monthly compensation for October on which work must begin in the near future.

Finally, to make the situation still more uncertain, account must be taken of the latest and fundamental change of ECA view on the division of aid, namely that it should be granted as from the beginning of 1950 "according to merit" and no longer on the basis of need. If, as Mr Hoffman has recently implied, this is an irrevocable decision by ECA, it means that OEEC will have to abandon the one real function it has performed. No conceivable "points" system operated from Paris could satisfactorily achieve the "just" division of aid according to the deserts of each recipient. That task would



The table shows some of the goods that the Anglo-Egyptian Sudan bought from Britain in 1948. There is a market, too, for many other British products.

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Total 1948 U.K. exports to the territory were £5,416,000 these included:			
	CHEMICALS		£474,000
	COTTON PIECE GOODS		£695,000
	IRON & STEEL MANUFACTURES		£539,000
	MACHINERY		£682,000
	VEHICLES		£605,000
	REFINED SUGAR		£422,000

have to be done by ECA. If it is, then much of the effort that has gone to building up OEEC must be written off and the work started all over again.

Finance

Flight from the Dollar?

One rather unexpected consequence of devaluation has been to cause certain European central banks to show an added preference for carrying their external reserves in gold rather than dollars. The central banks of Italy and Belgium have lost no time in converting part of their reserves of liquid dollar assets into gold, while the Bank of France, needing to replenish its dollar account, has preferred to do so by borrowing \$100 million dollars against gold collateral instead of by the natural procedure of merely selling gold. The Italians have acquired as much as 112.5 tons of gold worth \$138.8 million at \$35 per ounce, increasing their gold reserve in this one operation by something like 50 per cent. The Belgian purchases are believed to be smaller; the central bank returns of recent weeks show, incidentally, hardly any change in gold holdings.

These moves are designed against the contingency—which a persistent crop of rumours in New York and Washington has envisaged—that the dollar itself may be devalued. Some of the rumours, indeed, actually suggested such a move to be imminent, and even specified its extent—involving an increase in the dollar price of gold from \$35 to \$45 per ounce, equivalent to a devaluation of no less than 25 per cent. This is a case in which official denials can surely be taken at face value. It would be fantastic if the American authorities, having long argued the case for correction of overvaluation of European currencies, were now to face about and take steps to cancel the effects of the adjustments which have been made.

That is not to say, however, that the dollar price of gold must remain for ever at \$35 per ounce. A strong recrudescence of inflationary pressure in America is by no means inconceivable; and, if prices in soft currency areas could be held in check despite a rise in American prices, the dollar might eventually prove to be itself overvalued by the new structure of exchange rates. At this stage, however, it is scarcely possible even to guess what the future may hold. It is far from certain that the devaluations in the sterling area and in Europe will produce the massive flow of exports to the American market which the dollar rumours implicitly presuppose. In any case, it is worth bearing in mind that, if such a flow occurred, and if the United States took fright at the consequential effects upon its own balance of payments, it would in effect be retreating from the very principles of good behaviour by creditor nations which it has so recently reaffirmed during the Washington talks. As for the behaviour of the European central banks, it may perhaps be said that authorities entrusted with the safe keeping of their countries' reserves dare not found their policies upon an assumption that such principles as these would be unquestionably upheld in the face of the political pressures which would arise if sterling goods and European goods made really large headway in the American market. The switches from dollars to gold may be unnecessary and are certainly premature; but they are at least excusable.

Disinflation for South Africa?

South Africa's hopes of an early approach to the London market (£10 million is to be borrowed this year and £10 million in 1950) have obviously not been furthered by this week's debut of the New Zealand loan. This issue, it will be recalled, was oversubscribed, but instead of the opening premium originally expected, there was on Tuesday an opening discount which widened at one time to $\frac{1}{2}$ per cent.

Meanwhile, South Africa's preparations for borrowing from the United States and Switzerland are going ahead—regulations empowering the Ministry of Finance to borrow from any foreign bank or institution against prescribed security have now been published in Pretoria.

It is still not clear how far the stiffening in South African interest rates, following last week's rise in the bank rate from 3 per cent to 3½ per cent, is to be regarded as an integral part of a new disinflationary policy, and how far it is merely another device for attracting capital from abroad. Increases in commercial banks' deposit rates may do something to stimulate savings, just as increases in their loan and discount rates may damp down investment, but it is improbable that the South African economy will be righted without a disinflationary budget policy or without some more direct pruning of Government-sponsored investment in secondary industry. Some details of the growth of this were given—with obvious pride—by South Africa's High Commissioner in a speech at the Bradford Textile Society's annual dinner in London this week. Employment in private industry in the Union is now 50 per cent greater than in 1938, the total industrial wage bill is two and a-half times greater than it was then, and the contribution made by industry to the national income is now larger than that made by either mining or agriculture. In view of the inflexible wage structure in the Union—where the differential between skilled and unskilled labour is greater than in almost any other country—South Africa will have to consider very seriously whether this twisting of the economy is really in its long term interest. In any case, even the prospective inflow of foreign loan moneys will scarcely suffice to avert the need for at least temporary curtailment of this sort of secondary development.

The Switch to Treasury Bills

During the past week, for the first time for two months, the Treasury has been borrowing money from the banks against Treasury deposit receipts. This is only the second occasion on which any new issue of TDRs has been made since the policy of switching floating debt borrowings from TDRs to "tender" Treasury bills was started in the early days of August. This resumption of TDR borrowing should not be taken to mean, however, that the switching process has come to an end. Maturities of existing deposit receipts in the past week were abnormally heavy, and are estimated at £69 million, the largest figure since the early months of the year. As the new borrowing amounted to only £30 million, there was even this week a substantial net repayment.

Although the switching process is evidently not yet complete, it has already drastically altered the structure of the "active" floating debt. At the end of July, just before the increases in weekly offerings of tender bills began, the total of these bills outstanding was £2,210 million; it has now risen to £2,770 million, and by the end of the coming week is likely to be £2,830 million. At the same time, the total of outstanding TDRs had fallen from £1,258½ million on July 23rd to £836½ million by Saturday last; allowing for the estimated repayment during the past week, the total must now be below £800 million, its lowest for seven years.

The coming week will be the last in which maturities of tender bills will be running at the old "basic" level of £170 million. But although maturities thereafter begin to rise, they will not reach the current level of the weekly offering of new bills (£230 million) until mid-December. Even in the absence, therefore, of any further increase in the amount of the weekly offering, the total of outstanding bills will rise a good deal farther—its maximum, on this assumption, would be £2,990 million, or £220 million more than the present total. It seems evident, therefore, that the total volume of TDRs, although already little more than half its level at the date last year, is still destined to fall steeply, since at the

STABILITY IN CHANGING CONDITIONS

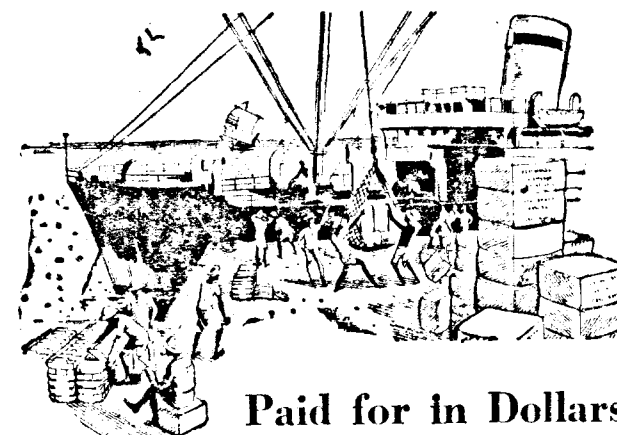
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ADMINISTERS NATIONAL SAVINGS

turn of the year the Treasury will be entering the season of big revenue surpluses.

It is worth noting that between October 23rd last year and March 12th, the total of tender bills and TDRs combined was reduced by no less than £475 million. If the Treasury in the coming months could again command resources of this magnitude, it could, merely by maintaining the weekly bill issue at its present level, reduce the total of outstanding TDRs below £100 million. Whether any such drastic change as this will in fact occur will depend, however, not only upon the flow of current revenue but particularly upon the manner in which the authorities refinance the £787 million of 1½ per cent Exchequer Bonds which mature next February.

* * *

Transport and Depreciation

In a recent address, Sir Cyril Hurcomb (Chairman of the British Transport Commission) has referred to the Commission's depreciation policy—a subject which, in his words, has been “widely misunderstood and even misinterpreted.” Depreciation is a vital matter of public policy, and Sir Cyril in his speech was entitled to put the policy of the Commission beyond doubt, though the Commission's report and accounts had already made it perfectly clear. The argument boils down to this. The Commission have made “full provision” for depreciation, rolling stock and other assets which are used up, and for renewal of permanent way and structures. But they have changed the method of making “full provision” for depreciation to what may be called normal commercial practice. That practice is based on the original (or historical) cost of the assets and the estimated number of years' work which they do.

The railway companies (or most of them) pursued a different policy, since they charged against revenue the cost, at current prices, of renewing assets as their life expired. The difference in the two methods of treatment (as the Commission's report disclosed) was to limit the depreciation provision needed last year to £19½ million, some £8,500,000 less than would have been required to continue the former policy of the railway companies. It is this difference which has attracted comment. “Full depreciation” has been provided according to the ordinary commercial rules. But the rules are, in the great majority of cases, far excelled in practice. For it is the general policy of industrial companies, so far as their taxed profits permit, to set aside additional sums for depreciation beyond those which the revenue will allow by way of deduction from taxable profits or those which accounting conventions demand by reference solely to historical cost.

At present, the Commission is in no position to find these additional sums. It would like to do so, no doubt; but last year it had no surplus of revenue even to find the first £2,500,000 instalment towards the redemption of its capital stock. This double burden of providing for depreciation on fixed assets and redeeming the Commission's financial capital is illogical, and the adequacy of the Commission's provisions for depreciation cannot be justified by reference to the statutory obligation to redeem its capital. If it does less than provide, at current prices, for the assets which it uses up, the Commission is not keeping its real resources intact. And on the showing of its own report, it did not succeed in doing so in its first year of operation.

Industry and Trade

European Refinery Programmes

The oil committee of the Organisation for European Economic Co-operation has been at work since July on the preparation of a co-ordinated programme of refinery building. Its report, published this week, incorporates the results

of a “detailed scrutiny” of probable consumption in 1952-53 “to determine whether the member countries were basing their expansion plans on the most realistic estimates of probable oil needs.” The committee has found these requirements “in total” to be reasonable, though doubts are expressed here and there whether some countries can provide themselves with enough of the necessary oil-consuming equipment. The requirements, as set out in the accompanying table, imply an increase in consumption of the order of 9 per cent a year between now and 1952-53; and this seems high, even when it is related to the “planned” increases of 6 per cent a year in industrial activity and 10 per cent a year in agricultural activity over the same period.

The report also faces the unpleasant necessity of criticising some of the individual projects. A proposed catalytic cracking unit of 150,000 tons capacity in Portugal seems larger than is really needed there. A Turkish project for a refinery of 1,000,000 tons capacity near Alexandretta promises Turkey a glut of crude oil (“which might be hard to dispose of in the open market”) and an unrelieved shortage of kerosene; and the pipeline which is to feed the Turkish refinery across 400 miles of rough country from Ramandag “would be a costly venture, especially in view of the nature of the crude

ESTIMATED SUPPLIES AND DISPOSALS OF PETROLEUM PRODUCTS IN 1952-53 O.E.E.C. COUNTRIES

('000 Metric Tons)

Countries	PRODUCTION—IMPORTS—CONSUMPTION—EXPORTS			Supply			Disposal		
	Refinery Output	Imports	Total Supply(a)	Inland Consumption	Bankers	Exports	Total Disposal		
Austria ...	519	...	519	519	...	...	519		
Denmark ...	7,399	643	8,042	4,723	1,560	1,799	8,042		
Denmark ...	27.5	1,777	1,804.5	1,881.5	123	...	1,804.5		
France ...	17,135	189	17,324	12,915	1,190	3,325	17,324		
Greece ...	338	628.25	966.25	968.25	14	...	966.25		
Ireland ...	...	253	253	146	107	...	253		
Ireland ...	...	638.7	638.7	638.7	(b)	...	638.7		
Italy (c) ...	7,329	1.9	7,438	6,229	609	609	7,438		
Norway ...	31.3	1,794.5	1,825.8	1,825.8	(b)	...	1,825.8		
Portugal ...	341	501.1	842.1	703.1	139	...	842.1		
Sweden ...	1,397	2,513	3,910	3,815	135	...	3,910		
Switzerland ...	90	973	1,063	1,077	...	...	1,077		
Turkey ...	55.5	844.5	900	740	160	...	900		
U.K. ...	17,508	4,734	22,242	18,399	3,708	474	22,242		
U.S.S.R. ...	4,200.9	310.9	4,511.8	4,173.1	300	259.6	4,511.8		
TOTAL ...	56,183.2	15,899.95	72,083.15	58,553.45	7,950	6,466.6	72,083.15		

(a) Includes “substitute fuels” not shown in first or second columns. (b) Bankers included in inland consumption figures. (c) Inclusive Trieste.
Source: O.E.E.C. Oil Committee.

to be transported.” A secondhand American refinery to be re-erected in Sicily “is not in line with the pattern of inland consumption requirements of Sicily, and it is considered uneconomic to reship finished products.” The Benelux countries are presented as a unit, but it appears that the Belgian anxiety to have new refineries on Belgian soil may lead to an export surplus of motor spirit which may be hard to sell. The heavy French export surplus which is in prospect does not escape comment; some of the surplus is intended for distant overseas territories, but some is apparently intended for neighbouring countries “where, in many cases there are already plans for refinery expansion.”

*

Comments of this kind on individual projects make it a little difficult to see how the committee comes to approve “in principle” a European refinery programme which will give a throughput of 62.4 million tons in 1952-53. But this total does not include by any means all the national projects; some of the most recent are left for later consideration. Further, the committee refers to strategic considerations, adduced in support of home refining, on which it is unable to pass judgment. It points out that to attempt to weigh the merits of oil investment plans against the merits of other forms of investment would be outside its competence.

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Finally, it explains that "any consequential effects of the revaluation of currencies" are not taken into account. This seems a decisive drawback, and it is hard to suppose that the oil committee will not soon have to set to work again.

* * *

Warning from the Shipowners

The president of the Chamber of Shipping of the United Kingdom, Mr Colin S. Anderson, expressed a deeper gloom than might, perhaps, have been expected when he spoke at the annual dinner given by the Chamber last week:

We stand upon the threshold of a time during which not only we, but our country, will need all the support that each can give to each.

The nature of the support which the country needs from the shipping industry needs no explaining. But what kind of support was Mr Anderson thinking of in the reverse direction? Moral support only? That would be a reasonable demand. But the Chancellor of the Exchequer, as well as the Prime Minister and other members of the Government, were present when the speech was made. And at one point Mr Anderson referred to the possibility that the shipping industry might be forced to apply for "the shelter of some counter-action—a garment which . . . only the state would be able to provide."

The necessity of maintaining freight rates was one point which Mr Anderson had in mind: "Plainly we shall seek to hold the market of the world to a reasonable level of freights." The significance of this intention must depend on what is meant by "reasonable." A high level of freight rates is not an obvious British interest. Britain is not only the principal maritime country but also the principal importing country; high freights, while they bring in shipping revenue, also raise the cost of imports and therefore tend to inflate industrial costs and the cost of British exports in turn. Government action to keep freight rates up would come strangely from Britain at the present time.

But Mr Anderson's main concern was with foreign competition, actual or anticipated: Italian, German, Japanese, American—"every week adds to the lurid hues that have already displeased us." It was in this connection that he mentioned the sharp increase in "our" fuel oil prices—that is, the increase of about 38 per cent in the sterling prices of ships' bunkers at foreign ports, which takes effect on November 1st. This necessary consequence of devaluation is an unfortunate thing, but it would be hard to show that it damages British shipping as against its foreign competitors. Other countries which have devalued will find that the price of oil to them, too, is increased. Those which have not devalued will enjoy economies in their outgoings in foreign ports, but their own charges for their services, relatively to the charges of soft-currency shipowners, have suddenly risen without benefit to themselves. Indeed, the transatlantic passenger lines have raised their sterling charges by 44 per cent in order to maintain the pre-devaluation position.

It may be true that the competitive advantage which British shipowners have recently gained over, for instance, their American competitors is of questionable value, because American ships are protected by subsidies. But what is the proper British policy towards such practices? To seek to moderate and, where possible, remove them? Or to join in the game?

* * *

Purchase Tax and "Uplift"

The Crown this week secured judgment against A. W. Gamage Limited for a disputed amount of purchase tax. The case, which arose over water-softeners which the defendants manufactured for sale in their own shop, has

been useful in drawing the consumer's attention to the methods by which the inflated prices which he has to pay are arrived at—a matter usually settled over his head. Although it was fought as a test case, the facts were not quite the typical facts, and the principle on which purchase tax ought to be determined cannot be regarded as finally settled by the decision.

Purchase tax was introduced early in the war, and since the seller's market has prevailed for nearly a decade, the Commissioners of Customs and Excise have from the outset had things very much their own way. Where a manufacturer sells his product direct to a retailer, the Act provides that a notional wholesale margin (oddly called an "uplift") must be added before purchase tax is calculated. Most of the disputable cases arise where a manufacturer is equally prepared to sell either to the retailer or to a wholesale merchant at the same price. Many kinds of goods (women's coats, for example) are dealt with in this way. The retailers contend that the price at which the manufacturer sells is, in that case, the open market wholesale price, since it is the price at which any retailer can buy if he chooses. But it is still open to wholesalers to buy too, and to resell (if they can) at a higher price. The Revenue has contended that where this could happen, the proper "wholesale" price is the price at which the wholesaler might have sold the goods if he had done so. It has further contended that, in the seller's market which the Commissioners of Customs and Excise presume to exist, the "open market" wholesale price is the highest price that is legally possible. There is an element of fiction in this argument; as the retailers observe, the fact that some wholesalers can sell some garments dearer does not prove that all garments could be sold dearer in all circumstances.

But the retailer, like the consumer, has never had any standing in the discussions which fix purchase tax. "Uplifts" and taxable prices are matters between the manufacturers, the wholesalers, and the Revenue, and have in fact been determined for the most part by agreements between the Revenue and the trade associations. Most of these agreements were made at a time when the manufacturers' associations had no reason to be greatly concerned whether the final selling price of their products was high or low. This position is changing. Manufacturers in some trades have begun to show an interest in price reduction, and have become anxious to challenge the existing agreements. Many of them have been waiting for the result of the Gamage case. Now that the case is decided, pressure for revision of the notional prices—which need not be exerted through the courts—is likely to grow.

* * *

The Market for Bicycles

The British bicycle manufacturers opened their second post-war exhibition this week. For many years, Britain has been the world's largest producer and exporter of bicycles; last year more than 60 per cent of the British output of just under three million machines was exported. The American industry is a smaller producer than the British, and a much smaller exporter. The German industry, though it also is a smaller producer than the British, is the most formidable potential competitor in exports; its output rose last summer to about 145,000 units a month. Britain exported complete machines valued at £11.8 million, together with components of the value of £3.6 million, in the first nine months of this year. The biggest markets are in the less industrialised countries such as India, Pakistan, Malaya and the African colonies. A good number of machines go to the Middle East and South America.

Although exports to the United States are slightly lower than they were last year, and South African import restrictions have virtually stopped deliveries there for the present, the total volume of business is increasing. A factor which will

eventually change the pattern of the trade is a growing economic nationalism in some of the best markets, where the governments are giving every encouragement to local assembly. The Indian tariff on British bicycles was recently raised from 24 to 60 per cent. The three largest British manufacturers, Tube Investments, Raleigh Industries, and the B.S.A. Company, are setting up factories in India for assembling bicycle components imported from Britain. In South Africa, Tube Investments have bought a recently established local firm. It is unlikely that these steps would have been taken if no political pressure existed in favour of local assembly.

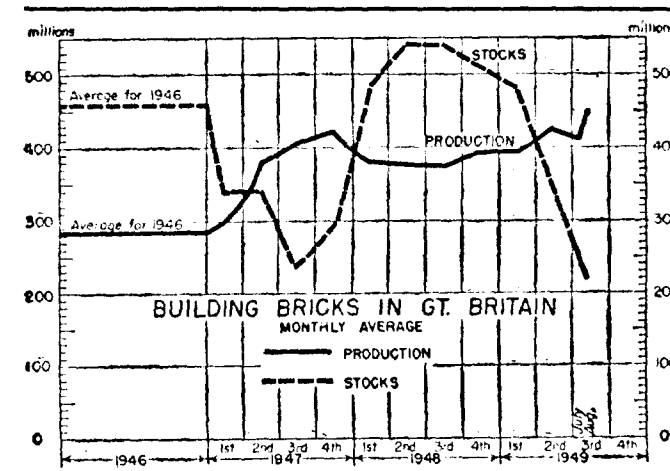
This means that British manufacturers will divert their attention increasingly from the export of complete machines to the export of components. The two largest firms, Tube Investments and Raleigh, produce components for hundreds of small bicycle manufacturers as well as for their own use, and their market is therefore large enough to offer the full advantages of mass production. Component exports, in turn, are exposed to the threat that the importing countries may develop their domestic engineering industries to a point at which they can make enough components for their own needs. A survey by PEP,* discussing the industry's prospects, points out that Australia, which before the war assembled bicycles from imported components, now makes components at home. But, as the more backward countries themselves are developed, more roads are built, standards of living tend to rise, and the demand for bicycles expands. The export trade is likely, therefore, to be maintained for many years. The British industry will have to meet competition from Germany and probably from Japan, and its success will depend on its flexibility in design, but largely also on the extent to which it maintains its present lead in production efficiency.

*The Cycle Industry. Political and Economic Planning.

The Supply of Bricks

Stocks of bricks have run down rapidly in the past year, from an average of over 500 million in 1948 to 219 million in August. A serious shortage on the North-East coast during the summer was averted only by moving in a million bricks from other parts of the country. Supplies have improved again, but builders are still complaining that the uncertainty of brick deliveries makes it difficult for them to plan their work.

The accompanying chart shows that, throughout most of 1948, stocks of bricks were fairly high, although output was lower than in 1947. Output began to rise again when the



fall in stocks gathered momentum. Unexpected behaviour by the Government, and, more recently, by the weather, has been the reason for fluctuations in supply. At the end of the war, the brickmakers had great difficulty in attracting labour

FACTORIES are growing



in AUSTRALIA

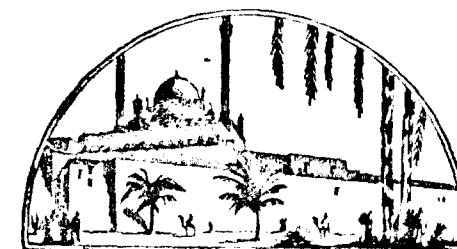
Expanding industrial development creates trade opportunities and an ever-widening field for employment. Informative "Blue Booklets" describing the Australian economy are published by the Bank of New South Wales and may be obtained, free, from your Bankers or direct from—

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and reviving their production. It took them until October, 1947, to restore output to 467 million bricks a month; even this was well below the 1938 average of 650 million. In the following month, the Government announced the 1947 cuts in capital investment. The big brickmaking companies kept their labour at work and their yards in full production until March, 1948, when stocks began to be excessive and activity had to be reduced. But, in the meantime, the restraints on capital investment had themselves begun to weaken. Building restrictions were being liberally interpreted. The work authorised in the spring and summer of 1948 went ahead almost without interruption throughout the exceptionally fine winter, and this deprived the brickmakers of an accustomed seasonal breathing-space. By the spring of this year, stocks held in the large brickyards were almost exhausted, and production was rising again. It did not improve at a rate fast enough to keep pace with consumption, because labour had been lost and was hard to recover. The mechanised brickyards prepared plans to buy handling equipment from the United States to overcome the labour difficulties, but those purchases have been stopped. Monthly production has risen by now to well above the August figure of 451 million bricks. But the brickmakers are wondering if the new cuts in capital investment, which have become inevitable, are to mean that the cycle of the last two years will be repeated.

Trade and Investment

By-passing Shannon Airport?

A deputation from the American Civil Aeronautics Board discussed the future of Shannon Airport with the Eire government last month. The airport was built by Eire at a cost of well over £2,000,000, and the work is still going on. Its location on the west coast was

dictated by the need for a re-fuelling base for transatlantic aircraft. The airlines using the airport signed agreements with the Eire government by which they were to call at Shannon if they used the Irish air; and this assured the government of revenue from landing dues and from rent for administrative buildings. Eire is naturally opposed to any reduction of this revenue, which is already said to give an insufficient return on the capital invested.

Aircraft of the Stratocruiser class, which are coming into operation on the transatlantic crossing, no longer need to refuel at Shannon. The American airlines have been flying an increasing number of aircraft direct to British or European airports, and have been avoiding the flight over Ireland. Pan-American Airways, for example, now call there only once a day. Since Shannon is an inconvenient place for travellers to Eire to land, the American companies have asked for permission to land at Dublin instead. The matter was taken up on their behalf by the Civil Aeronautics Board, but without apparent success. Dublin airport is frequently fog-bound and has only one runway suitable for transatlantic aircraft. Having sunk more money than it could really afford in building and developing Shannon, the Eire government is not willing to repeat the process at Dublin.

The British transatlantic aircraft are in the same position as the American, but the British corporations have a 50 per cent holding in Aer Lingus, which handles the Shannon-Dublin air traffic. This gives them a certain interest in the present arrangement, but it is obviously of minor importance compared with the losing of time on the transatlantic crossing simply in order to call at Shannon.

As the performance of transatlantic aircraft improves, less and less traffic is likely to pass through Shannon. The same consideration applies to some other airports which are primarily refuelling bases: Gander and Prestwick may well feel its effect. It is unfortunate for the Eire government that it should have spent so much of its own money on what

now promises to be a temporary facility. Warning might have been taken from the seaplane base which was opened a few years before the war at Foynes; this has been in disuse since seaplanes stopped flying on the transatlantic route.

* * *

The Whaling Fleet Sails

The new whaling season is about to open, and this week saw the departure of the first British factory ship to the Antarctic. The full international fleet will consist of 18 ships: three from Britain, one from South Africa, ten from Norway, one from the Netherlands, two from Japan and one from Russia. This is the same number as last season. The new season's catch will again be restricted by international convention to 16,000 blue whale units. A blue whale unit is a common denominator for all the different types of whales which are likely to be caught. Thus, one blue whale is equivalent to two fin whales, or two and a half humpback whales or six sei whales.

Last season's Antarctic catch, which closed a week before the due date, yielded 352,851 tons of whale oil, of which 103,319 tons was the combined British and South African yield. Total production of whale oil for the season amounted to 391,184 tons, compared with 341,515 tons in 1947-48. Ten years earlier, world production reached 607,000 tons, of which 557,000 tons came from the Antarctic, but then no restriction on catch was in force. The new season's catch should provide between 350,000 and 400,000 tons of whale oil. Reports are current that whales now caught tend to be smaller in size, though last year's experience did not confirm this. The Ministry of Food has again bought the entire prospective British catch, and the price has been fixed at £80 a ton for No. 1 oil. Last season's price was £90 a ton, and but for devaluation this year's price would undoubtedly have been substantially lower. During the past year there has been a steady improvement in world supplies in oils and fats.

Whalemeat is still sold privately for whatever price it will fetch. Judging from current retail prices it has become a very profitable subsidiary trade, though apparently more of it is being sold for animal than for human consumption. The whaling fleet will face higher costs this season for bunkers, and a lower price for its main product. Bumper profits were earned immediately after the war. Now the outlook suggests less comfortable times for the industry.

* * *

Base Metals in America

Earlier events this year invest the American metal market with particular importance for British industrial consumers. During the past week, there has been a strong demand for copper, but relatively small interest in lead and zinc. It is difficult to determine, at this stage, what part the American

steel strike plays in these movements. Brass mills, wire mills and manufacturers of domestic appliances have all been buying copper for delivery in October or early November, and those purchases seem to be for actual use rather than for stock. It is estimated that consumption of copper is at present running at about 30,000 tons a month in excess of American mine production, output from the smelters and imports. Deliveries in September for home consumption amounted to approximately 93,000 tons, and a further 10,000 tons went to the strategic stockpile. The October figures are expected to be even larger. In a more highly organised metal market, the current price for copper would be higher than the 17½ cents a lb. (equivalent to £141 a ton) at present ruling in New York. At least the American scrap market is reflecting the firmer tendency, and heavy wire scrap has risen by ¼ cent to 13½ cents a lb during the week. At the beginning of this week, the Ministry of Supply reduced its buying price of rough copper from £110 to £100 a ton.

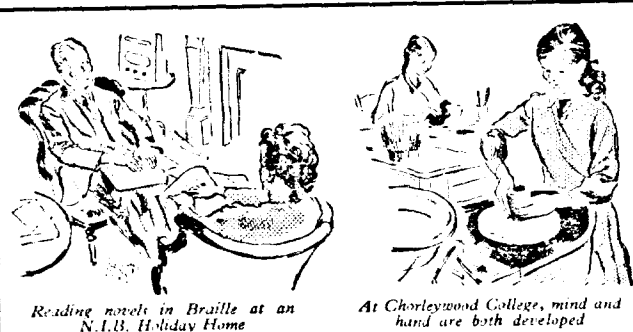
In contrast to copper, lead has been weak on the American market, and the price is now down to 13 cents a lb (£104 a ton), which is only one cent above the low point reached last May. The Ministry of Supply has faithfully followed the New York market, and reduced its price of lead by £6 to £105 a ton. The weakness in the United States arises from two factors. First, there are clear signs of falling consumption, and secondly, offerings of foreign lead have increased. Demand for zinc has also slackened (since most of the large galvanisers are out of the market because of the steel strike) though the price has remained unchanged. On the other hand, supplies of high grade zinc are tight; output from three smelters has declined, one owing to a strike, while the demand for die-casters and brass mills has been well maintained.

* * *

Outlook for Raw Cotton

The prospect of adequate supplies of raw cotton has improved. The latest official estimate puts the new American crop at 15,446,000 bales compared with the September estimate of 14,943,000 bales. The trade had expected the crop to be no larger than last year's, which amounted to 14,868,000 bales. The first estimate of the Egyptian crop is 1,620,000 bales, compared with 1,845,000 bales a year ago. But as first estimates often have to be revised upwards, it may yet be found that this year's crop is not much smaller than the 1948 crop, despite persistent reports of damage by worm infestation. World carry-over stocks at August 1st have been revised from 15 million to 14.7 million bales. Since this reduction has been more than offset by the higher estimate for the American harvest, world cotton supplies for the coming season may be some 500,000 bales greater than in 1948-49.

The key to the cotton situation lies in the trend of consumption. The accompanying table has been compiled from



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'Not old Mac?.. I can't believe it!'

The news came like a thunderbolt to everyone in the firm. Old 'Mac' of all people - such a gentlemanly old chap! He had been with the firm for donkey's years - started as an office boy and must have handled untold thousands of pounds as chief cashier. One day an auditor's query led to a thorough-going investigation, and 'Mac' dazed and white-faced, went straight to the Managing Director. He had gone on for a year and more stealing cash and falsifying the books in a desperate attempt to recoup losses on investment deals. Hundreds of such cases are reported every year, and more occur but are not made public. It is part of the duty of wise management to provide against such risks.

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WORLD CONSUMPTION OF COTTON
('000 Bales—Years beginning August 1st)

* Provisional.

The trend of cotton prices, as of many other prices, will depend largely on the level of activity in the United States. Under the new price support formula, American cotton prices could decline by about 2 cents a lb. from their present level of 30½ cents a lb. but not by more. The Commodity Credit Corporation already holds large stocks of cotton and is still taking in supplies on loan. The devaluation of sterling and other European currencies may tend to push the American price towards this lower limit. But, conversely, it has already had the effect of raising the price of Egyptian cotton, and on Monday the Raw Cotton Commission again increased its selling prices for Egyptian and similar growths by between 2d. and 2½d. a lb.

Devaluation came just at the right moment for the Orange Free State developing mines. In the first flush of enthusiasm in the gold share market, attention was mainly directed to the immediate benefits likely to accrue to the Rand producers. But in the further rise in gold share prices during the past month, the Orange Free State companies have made the best of the running. As a result, the appropriate market conditions have been created to launch the first big new issue to provide finance for the next stage in bringing the field into production. It is estimated that some £150 million of new money will be required for this purpose. As was expected, Western Holdings has been quick to take advantage of the favourable market conditions.

is considered sufficient "together with proceeds received on realisation of investments in other companies" (presumably *inter alia* St. Elena, in which 212,295 original shares were received by way of rights) to finance the company for another year, when the No. 1 shaft should intersect the basal reef. Existing shareholders are to be offered 975,000 new shares at 50s. per share in the proportion of one new share for every five old shares held. A further 150,000 shares will be subscribed at the same price by Anglo American Corporation, the controlling group, which has also underwritten the issue for a cash commission of 2½ per cent on the issue price. The terms reflect the beneficial effect of devaluation; on the eve of devaluation the price of the old shares was 52s. compared with 64s. 6d. immediately before the announcement of the issue.

★ ★ ★

Where there's a will there's a way. Both parties to the recent wage negotiations on the Rand have shown unusual readiness to arrive at an agreement without delay. No sooner had the original offer of the Gold Producers Committee for a 12½ per cent increase in basic wages been turned down than another offer of a 15 per cent increase was made and accepted. The increase will come into effect at once. Before devaluation, the mineworkers were claiming an increase of 30 per cent; their readiness to accept half of what they claimed may have been encouraged by the bait of £2,000,000 offered as an immediate cash gift by the producers. This sum will be distributed on the basis of £25 to each daily paid employee with a year's service and *pro rata* for those with less. Any balance left over will be used to increase benefit payments under provident schemes.

Shorter Note

BRITISH CELANESE LIMITED

A Participation dividend of 1.3875% actual, less tax, on $7\frac{1}{2}\%$ Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1949 and

A dividend of 8% actual, less tax, on Ordinary Stock in respect of the year ended 2nd July, 1949.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Year ended 2nd July, 1949.

£	£	£	£	£
1948				
3,611,738	Balance of Consolidated Trading Account after charging provisions amounting to £211,490 (£232,477 in 1947-48) other than those deducted below			3,822,122
2,050	Add: Dividends (gross) from—			
24,104	Trade Investments	600		
26,154	Associated Companies	37,050		
14,214				
19,183	Interest on Tax Reserve Certificates which have been tendered against tax liabilities			37,650
59,751	Bank Interest			11,809
3,671,489				14,183
				63,642
				3,885,764
	Deduct: Emoluments of Directors of British Celanese Limited—			
19,500	As Directors:			
56,127	In accordance with Article 75 of the Articles of Association as voluntarily restricted £20,000			
15,672	Otherwise:			
	In respect of services in executive capacities	£61,526		
	Contributions paid under pension scheme	15,810		
		77,336		
94,290	Depreciation			197,336
484,254	War Damage Contributions and Premiums, balance written off			538,113
104,063	Expenses of Issue of 7% Cumulative First Preference Shares, balance written off			
1,994				
747,010	Provision for Premium on Redemption of 4% First Mortgage Debenture Stock			1,807
1,842	Interest (gross) on Debenture Stocks and Mortgage—British Celanese Limited			137,342
141,006	Interest (gross) on 5% Debenture Stock—Subsidiary Company			3,493
3,548				
146,396				142,642
893,406				
2,778,083	Net Profit for the Year before Taxation			778,091
	Deduct: Taxation thereon—			3,107,673
478,495	Profits Tax			
1,125,256	United Kingdom Income Tax			530,303
				1,396,606
1,603,751	Transfer to Taxation Equalisation Account			1,626,363
163,124				250,711
1,766,875				1,877,074
1,011,268	Net Profit for the Year after Taxation			1,230,599
679	Deduct: Net Profit for the Year retained in the Accounts of Subsidiary Companies			643
1,010,529	Net Profit for the Year dealt with in the Accounts of British Celanese Limited			1,229,956
521,499	Balance of British Celanese Limited Profit brought forward at 3rd July, 1948			557,459
26,989	Add: Adjustment relating to previous year			42,000
494,510				599,459
1,505,039				1,829,415
*125,125	Deduct: Dividends (less Income Tax) paid on £3,500,000 7% Cumulative First Preference Stock in respect of the year ended 30th April, 1949			134,750
41,174	Interest (less Income Tax) paid on 5% Funding Certificates during the year			40,207
175,312	Fixed Dividends (less Income Tax) paid on £4,250,000 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1949			175,312
126,237	Amount to be applied in the purchase or redemption of Funding Certificates			184,643
	Dividends Recommended—			
32,433	Participation Dividend (less Income Tax) on £4,250,000 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1949			32,433
97,299	Dividend (less Income Tax) on £2,211,333 10s. Ordinary Stock in respect of the year ended 2nd July, 1949			97,299
567,580				664,644
507,459				1,164,771
	Deduct: Transfer to—			
200,000	Plant Replacement and Special Obsolescence Reserve			200,000
150,000	General Reserve			400,000
350,000				600,000
557,459	Balances carried forward at 2nd July, 1949:—			564,771
4,430	British Celanese Limited			
260	Subsidiary Companies - Balance brought forward at 3rd July, 1948			5,710
4,140	Deduct: Transfer to Capital Reserve of accumulated surplus of Subsidiary Company liquidated during the year			
851				5,710
5,031	Add: Adjustment relating to previous year			
679				5,710
4,710	Add: Net Profit for the year retained in the Accounts of Subsidiary Companies			643
456,169	Balance carried forward at 2nd July, 1949 in Consolidated Balance Sheet			6,353
				4,571,124
	* On £2,500,000 Stock in respect of the year ended 30th April, 1948			£96,250
	On £1,000,000 Stock in respect of the nine months ended 30th April, 1948			28,875
				1125,125

LONDON, W.1. 14th October, 1949.

COMPANY MEETINGS

NEEPSSEND STEEL AND
TOOL CORPORATION,
LIMITED

MR S. C. GOODWIN'S REVIEW

Mr S. C. Goodwin, J.P. (chairman), presided at the twenty-ninth annual general meeting of Neepsend Steel and Tool Corporation, Limited, at the registered office, Neepsend, Sheffield, on October 13th. His survey showed consolidated reserves and surplus £1,095,496 against £922,427. There was an assets excess of £1,061,690 and the group was in a very sound position financially.

Consolidated profit and loss account showed trading profits before taxation £528,649 against £459,430 in the previous year. After providing for transfers to reserves, dividends and bonus, the carry forward was £528,397 against £386,703 brought forward. The dividend declared on the ordinary stock represented approximately 11 per cent., less tax, on the capital employed in the group.

They were experiencing a distinct recession

in orders for steel, but departments producing files, saws, engineers' and other small tools, and magnets were heavily loaded with orders and their prospects appeared good for some considerable time ahead. They continued to use maximum endeavours in export trade but were increasingly hampered by import restrictions in many markets. They would be fortunate if they could maintain during the present year's trading similar results to those enjoyed in the past year.

The report was adopted. At an extraordinary meeting it was decided to make a bonus distribution of one new 5s. share in respect of each 5s. unit of stock held.

VITAMINS LIMITED

VALUE OF BEMAX

The annual meeting of Vitamins Limited was held in London.

Mr H. C. H. Graves (the chairman), in the course of his speech, said that they heard many complaints all round of a feeling of frustration, of undue fatigue, of being "under par." They heard, even in these days, of listless children, and of infants who did not

grow as rapidly as they should, or who perhaps went down before infections of one kind or another that childhood (and indeed all mankind) was heir to.

How different many of the frustrated and listless would be if they put themselves on Bemax. Some recipes for good health were a little unpleasant and not easy of acceptance, but Bemax with milk or fruit juice, in soup, or sprinkled on cereals, was so delicious and added such zest to life in a very short time, that it was difficult to understand how anyone who had the opportunity should fail to give it a trial: still less how anyone could deny their children the benefit of it.

Some thought that after that phenomenally fine summer, there was risk of a severe winter, with resultant toll of infection and sickness. How wise it would be if all such would go to the nearest Chemist's and purchase—and see that their family used—Bemax, the most famous natural vitamin, protein and mineral supplement in the world.

Continuous and intensive campaigns directed primarily to the medical profession had resulted in substantial increases in the sales of their pharmaceutical preparations.

The report and accounts were adopted.

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Applications are invited for the post of Senior Assistant in Statistics and Marketing, to take up duties as soon as possible after January 1, 1950.

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Candidates who applied in response to a previous advertisement for this post need not submit a fresh application.

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B.C. invites applications for the post of Research Assistants in the Lister Research Department, Entertainment Division. Applicants must have a good educational background and should have qualifications or experience in either social research, market research or mathematical statistics. The ability to interpret qualitative material and to prepare succinct summaries or written replies to questionnaires is essential. Starting salary £355 (may be higher if qualifications and experience are exceptional) rising by £20 to £475 maximum per annum. Detailed applications to Appointments Office, B.C., Broadcasting House, London, W.1 within 7 days marked "Research Econ." For acknowledgement please enclose stamped addressed envelope.

GENTLEMAN, aged 40, sound knowledge Finance and Administration, good linguist (German, French and Danish), experienced negotiator and thoroughly acquainted with most European countries, seeks position of responsibility.—Please reply to Box 231.

CHARTERED Accountant (18), wide experience home and abroad, commercial and professional, at present holding executive post in nationalised industry, desires position as Finance Director, Controller or similar post.—Box 232.

LIBRARIAN (Woman) required by large Midlands Engineering Company to take complete charge of Central Photographic Library and records. Previous experience in similar class of work essential. State age, experience and salary required to Box 233.

ACCOUNTANT-Secretary required by Private Company suppliers of Raw Materials to the Chemical and Pharmaceutical Industries, also Import and Export. Applicants must have good education, organising ability and integrity. Salary not less than £600 but according to qualifications and experience.—Write full details to Box 239.

MAN, 28, M.A. (Hons.), Oxon. Ex-R.A.F., administrative business experience, finding no scope for initiative in family business, seeks employment where enthusiasm and hard work will be rewarded with good prospects.—Box 237.

LONDON evening tuition in Economics, statistics, some moral philosophy, politics. Reasonable terms.—Box 241.

CHARTERED Accountant required by leading Merchant and Agency House for Malaya. Contract 4 years in first instance. Excellent salary and prospects. Write Box 722, Dorland Advertising, 18, 20, Regent Street, London, S.W.1.

CHARTERED Accountant, 33, with Oxford research degree in economics, seeks post, preferably in sphere of applied economics. Experience in industry and financial journalism.—Box 245.

THE ECONOMIST—BY AIR

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THE ECONOMIST, 22 RYDER ST., ST. JAMES'S, LONDON, S.W.1

Company Notes

Aspro.—Group trading profit amounted to £450,808 in the nine months to March 31, 1949, compared with £583,241 in the previous year. Net profit was £160,617 (£216,452 for 1947-48). The dividend of 26½ per cent represents an annual rate of 35 per cent as in 1947-48. Net current assets at March 31, 1949, were £487,513 (£579,122).

British Overseas Stores.—Total profit of the group declined from £168,871 to £156,028 in the year to June 30, 1949. The dividend of 10 per cent is repeated.

United Steel Companies.—The balance of profit available for appropriation declined from £888,847 to £827,008 in the year to June 30, 1949. General reserve receives £250,000 (£307,372); the dividend is maintained at 8 per cent; carry forward is £615,807 (£613,485). Tax relief on capital expenditure (applied to the provision for deferred taxation) amounted to £571,123 (£260,500 applied to depreciation provision).

British Celanese.—Consolidated trading balance increased from £3,611,738 to £3,822,122 in the year ended July 2, 1949. Net profit amounted to £1,230,599 (£1,011,208). Appropriation to plant replacement and special obsolescence reserve is unchanged at £200,000; general reserve is allotted £400,000 (£150,000). The dividend is unchanged at 8 per cent.

Horlicks.—Group trading profit increased from £463,878 to £472,070 in the year ended March 31, 1949. Trading profit of subsidiaries declined from £89,053 to £38,797. Net profit of the group rose from £141,112 to £149,338. The dividend of 30 per cent for the year is repeated. Net current assets at the year-end amounted to £1,137,813 (£1,138,550).

Crossley Brothers.—Consolidated gross profit increased from £354,071 to £433,120 and net profit from £137,036 to £164,046 in the year to April 30, 1949. The dividend or the deferred units is unchanged at 12½ per cent.

John I. Thornycroft.—Consolidated trading profit amounted to £786,237 (£571,041) in the year to July 31, 1949. These

Investment Statistics

figures include approximately £180,000 (£95,000) in respect of delayed settlement of contracts prior to the start of the year. Net group profit increased from £256,213 to £333,029. An ordinary dividend of 22½ per cent is recommended.

Hawthorn Leslie.—Net profit increased from £177,019 to £202,444 in the year to June 30, 1949. A final dividend of 10 per cent on the ordinary capital is recommended.

Thos. W. Ward.—Net profit amounted to £474,287 (£477,233) in the year to June 30, 1949. The dividend is unchanged at 15 per cent for the year.

Manchester Lines.—Trading profit declined from £572,635 to £552,562 in the year to June 30, 1949. Total profit amounted to £602,494 (£620,972) and net profit to £261,525 (£202,601). Fixed assets, including shipping property, less written off were valued at £389,075 (£510,581) at June 30, 1949.

J. and F. Stone Lighting and Radio.—Trading profit and sundry income increased from £332,035 to £380,065 in the year to July 30, 1949. The dividend of 40 per cent is unchanged.

OTHER ISSUES

East African Power and Lighting.—Lists opened and closed on October 21st for the issue of 1,000,000 cumulative 4 per cent preference shares at par. Capital consists of £4,213,333 in £300,000 7 per cent cumulative £1 preference shares, £1,800,000 in 4 per cent cumulative £1 preference shares, and £2,113,333 in £1 ordinary shares. Profit subject to income tax for years ended December 31st: 1939, £75,721; 1947, £153,076; 1948, £181,981.

Bairns Wear.—Preference and ordinary shareholders registered on October 5th are being offered 50,000 5½ per cent cumulative £1 preference shares at 22s. per share and 138,500 5s. ordinary shares at 12s. 6d. per share. Preference shareholders are offered one new preference share for every three shares held, and ordinary shareholders are offered one new share for every five shares held.

General Mining and Finance.—Shareholders are offered 379,374 £1 ordinary shares at £5 5s. per share in the ratio of three new shares for every ten shares held.

New Issue Prices

Issue	Issue Price (a)	Price, Oct. 19, 1949
Acton, 5½% Pref.	100½	20 3-20 9
Amber (J.), Deb.	100½	101½-102½
Barbados Elec., Pref.	20 6	19 9-20 3
Beecham Food, Pref.	21 0	20 0-21 3
Clarke (T.), 2½%	20 3	3 4-3 7½
Fairmont, Pref.	20 3	1-1 2
Fisons,	21 0	26 6-27 3
Goldthorpes, 1½%	2 3	2 6-2 9
Grays' Carpets, Deb.	100	96-98
Hadland Eng., 5½%	5 0	5 0-5 6
Ind. Prof., 10½% (6/6 paid)	11 6	6 0-7 0
Lehigh, 4½% Pref.	20 9	20 9-21 6
Lehigh, 4½% (2/5 paid)	59	14-14 1/2
New Zealand St., (£10 paid)	58½	1-1 1/2
N. Rhodes, 1963-65	57	96½-97½
Preston (L.), 1½%	10 6	11 3-12 3
Rotary Hoes, Pref.	16 0	11 7½-12 4½
Smith, W. H. (Hble) A.	40 0	40 9-41 3
Sw. Ind., 1½%	8 0	7 10½-8 4
Tra. 4½% Pref.	20 0	21 9-22 3
Tra. 7½% Pref.	...	29 6-30 6
Waltham, 5½%	5 0	23 0-23 1/2
Waltham, Deb. (7/6 paid)	100	171-172
Waltham-Preston, Pref.	20 6	19 5-20 3

* Placing.

Capital Issues

BONUS ISSUES

Charles Roberts.—A scrip bonus issue of 50 per cent will involve the distribution of 200,000 £1 shares.

Yates's Castle Brewery.—The ordinary capital is to be increased by £50,000 by way of a bonus issue to stockholders of one new share for every three shares held.

Ruston and Hornsby.—Shareholders' approval is to be sought on November 10th for a 100 per cent bonus issue involving the capitalisation of £2,050,000 of reserves.

Yardley.—General reserves to the extent of £192,720 are to be capitalised by a bonus issue of 963,600 4s. "A" ordinary shares in the proportion of two new shares for each three "A" ordinary shares held.

Metal Traders.—A bonus issue to capitalise £374,184 of reserves is to be made to ordinary shareholders on a nine for one basis.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: British Celanese; United Steel Companies; Aspro; Triplex; Horlicks.

Prices, Year 1949		Name of Security	Price, Oct. 12, 1949		Price, Oct. 19, 1949		Yield, Oct. 19, 1949		Gross Yield, Oct. 19, 1949		Prices, Year 1949		Last Two Dividends		Name of Security	Price, Oct. 12, 1949		Price, Oct. 19, 1949		Yield, Oct. 19, 1949	
Jan. 1 to Oct. 19	High		Low	(a)	(b)	(c)	(d)	(e)	(f)	(g)	Jan. 1 to Oct. 19	High	Low	(a)		(b)	(c)	(d)	(e)	(f)	(g)
BRITISH FUNDS																					
101	100½	War Bonds 2½% Aug. 1, 1949-51	100½	100½	0 14 0	1 19 1	106½	94½	106½	94½	106½	94½	106½	94½	OTHER SECURITIES	99	99	99	99	99	
100½	99½	Exch. Bonds 1½% Feb. 15, 1950	100½	100½	1 1 3	2 4 7	103½	91½	103½	91½	103½	91½	103½	91½	Australia 3½% 1965-69	97½	97½	97½	97½	97½	
102½	99½	War Bonds 2½% Mar. 1, 1951-53	102½	102½	1 3 0	2 6 1	108	96	108	96	108	96	108	96	Birmingham 2½% 1955-57	71½	71½	71½	71½	71½	
103½	99½	War Bonds 2½% Mar. 1, 1952-54	103½	103½	2 1 7	3 16 1	114	102	114	102	114	102	114	102	Anglo-American Corp., 10%	71½	71½	71½	71½	71½	
104½	99½	War Loan 3½% (after Dec. 1, 1952)	104½	104½	1 6 4	2 9 5	103½	91½	103½	91½	103½	91½	103½	91½	Anglo-Iranian Oil, £1	71½	71½	71½	71½	71½	
103½	98½	War Bonds 2½% Aug. 15, 1954-56	103½	103½	1 5 2	2 10 1	102½	90½	102½	90½	102½	90½	102½	90½	Assoc. Electrical, Ord. £1	75 6	73½	73½	73½	73½	
104½	99½	Funding 2½% June 15, 1952-57	104½	104½	1 6 2	2 13 8	103½	91½	103½	91½	103½	91½	103½	91½	Assoc. Port. Cem., Ord. \$100	75 6	71 9	71 9	71 9	71 9	
105½	99½	Nat. Def. 3½% July 15, 1954-58	105½	105½	1 7 8	2 14 4	101½	89½	101½	89½	101½	89½	101½	89½	Austin Motor, A. Ord. \$100	68 6	67 6	67 6	67 6	67 6	
106½	100	War Loan 3½% Oct. 15, 1955-59	106½	106½	1 10 1	2 15 6	101½	89½	101½	89½	101½	89½	101½	89½	Barclays Bank, Ord. 'B' £1	68 6	67 6	67 6	67 6	67 6	
104½	96½	Sav. Bonds 3½% Aug. 15, 1955-65	104½	104½	1 10 1	2 15 6	101½	89½	101½	89½	101½	89½	101½	89½	Bass Ratcliff, Ord. £1	138 9	137 6	137 6	137 6	137 6	
102½	95½	Funding 2½% April 15, 1956-61	102½	102½	1 10 11	2 13 8	104 4	90½	104 4	90½	104 4	90½	104 4	90½	British Oxygen, Ord. £1	94½	92 6	92 6	92 6	92 6	
104½	95½	Funding 3½% April 15, 1959-69	104½	104½	1 18 3	3 6 0	96½	84½	96½	84½	96½	84½	96½	84½	Courtaulds, Ord. £1	34½	33 6	33 6	33 6	33 6	
115½	106½	Funding 4½% May 1, 1960-90	107½	106½	1 10 6	3 5 1	101½	89½	101½	89½	101½	89½	101½	89½	Distillers Co., Ord. 4½%	24 4	26½	26½	26½	26½	
83½	63½	Sav. Bonds 3½% Sept. 1, 1960-70	83½	83½	1 19 2	3 7 3	101½	89½	101½	89½	101½	89½	101½	89½	Emmanuel, Ord. £1	28 6	27 6	27 6	27 6	27 6	
94½	84½	Sav. Bonds 2½% May 1, 1964-67	94½	94½	1 18 1	3 6 2	101½	89½	101½	89½	101½	89½	101½	89½	East. Runcorn, Ord. £1	64 6	63 6	63 6	63 6	63 6	
116½	107½	Viet. Bonds 4½% Sept. 1, 1920-76	109½	107½	1 11 9	3 6 2	101½	89½	101½	89½	101½	89½	101½	89½	Imp. Chem. Ind., Ord. \$100	44½	42 6	42 6	42 6	42 6	
103½	91½	Sav. Bonds 3½% Aug. 15, 1965-75	103½	103½	2 0 5	3 9 6	101½	89½	101½	89½	101½	89½	101½	89½	Imperial Tobacco, £1	100½	95½	95½	95½	95½	
110½	102½	Consols 4½% (after Feb. 1, 1957)	104	103½	1 15 10	3 12 6	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Lancs. Cotton, Ord. \$100	32½	30½	30½	30½	30½	
107½	93½	Conv. 3½% (after Apr. 1, 1961)	107½	107½	2 1 3	3 15 1	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Lever & Unilever, Ord. £1	42½	41½	41½	41½	41½	
81½	61	Treas. Stk. 2½% (after Apr. 1, 1975)	82½	81½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. London Brick, Ord. \$100	58½	57 6	57 6	57 6	57 6	
103½	83	Treas. Stk. 3½% (after Apr. 5, 1966)	103½	103½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Palm Jinson, Ord. \$100	34 6	33½	33½	33½	33½	
102½	82	Redemp. Stk. 3½% Oct. 1, 1966-96	102½	102½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. P. & O., Del. \$100	44½	44½	44½	44½	44½	
103½	82	Consols 2½% (after Apr. 1, 1966)	103½	103½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Prudential, A. £1	29½	29	29	29	29	
103½	82	Consols 4½% (after Apr. 1, 1966)	103½	103½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Stewarts & Lloyds, Del. £1	54 6	53½	53½	53½	53½	
103½	82	Brit. El. 3½% Gd. Mar. 15, 1974-77	103½	103½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. "Shell" Transp., Ord. \$100	69 4	65 7½	65 7½	65 7½	65 7½	
102½	81	Brit. Tpt. 3½% Gd. July 1, 1978-85	102½	102½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Tube Invest., Ord. \$100	5 ½	5 ½	5 ½	5 ½	5 ½	
103½	82	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	103½	103½	2 0 2	3 13 2	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Turner & Newall, Ord. \$100	76 1½	76 6	76 6	76 6	76 6	
101½	82	Brit. Gas Gd. 3½% May 1, 1990-95	101½	101½	2 0 2	3 13	101½	89½	101½	89½	101½	89½	101½	89½	10 c. Woolworth (F. W.), Ord. \$100	85½	81 6	81 6	81 6	81 6	

Statistical Summary

EXCHEQUER RETURNS

For the week ended October 15, 1949, total ordinary revenue was £49,601,900, against ordinary expenditure of £48,405,000 and issues of sinking funds £140,000. Thus, including sinking fund allocations of £9,407,000, the deficit accrued since April 1st is £31,565,000 compared with a surplus of £230,734,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to Oct. 15, 1949	April 1 to Oct. 15, 1948	Week ended Oct. 15, 1949	Week ended Oct. 15, 1948
ORDINARY REVENUE					
Income Tax	14,900,000	4,211,759	4,165,559	8,357	11,134
Surtax	105,000	26,550	26,500	650	800
Stamp Duty	176,000	56,550	97,900	3,143	3,000
Stamps, etc.	44,000	26,353	27,000	1,500	1,300
Income Tax	249,000	79,481	145,800	5,703	6,500
P.T.E.	1,000	61,350	24,400	4,499	590
Other Inland Rev.	25,000	16,600	11,100	830	300
Special Contributions	25,000	16,600	11,100	830	300
Total Inland Rev.	208,500	732,558	762,000	22,037	21,434
Customs	829,600	111,974	441,794	15,475	16,928
Excise	665,600	341,400	357,300	7,199	8,700
Total Customs & Excise	149,500	453,374	799,094	22,674	25,628
Molten Duties	64,000	10,246	19,355	278	465
Surplus War Stores	44,000	58,525	53,941	...	...
Surplus Receipts from Trading	18,000	825	14,044	...	...
P.O. Net Receipts	12,000	4,175	4,599	...	...
Wireless Licences	1,000	400	300	...	...
Crown Lands	20,000	9,142	10,466	52	62
Receipts from Sundry Loans	50,000	86,265	43,368	1,225	5,012
Miscellaneous Receipts	37,777	17,731	16,843	15,969	49,691
Total Ord. Rev.	377,777	1,173,712	1,684,243	55,969	102,257
SELF-BALANCING Post Office	159,650	77,910	81,500	2,450	2,400
Income Tax on P.T.E. Refunds	5,700	4,173	5,636	173	256
Total	543,127	1,955,795	2,815,379	63,592	127,913

Expenditure	Estimate, 1949-50	April 1 to Oct. 15, 1949	April 1 to Oct. 15, 1948	Week ended Oct. 15, 1949	Week ended Oct. 15, 1948
ORDINARY EXPENDITURE					
Int. & Mnt. of Nat. Debt	485,000	282,377	277,504	14,730	13,605
Payments to Nat. Debt	30,000	11,992	16,795	...	...
Other Govt. Fund Services	12,000	3,746	5,668	245	...
Total	527,000	298,115	299,963	15,975	13,605
Supply Services	280,270	119,431	142,054	42,150	54,890
Total Ord. Expend.	807,270	417,546	442,017	58,125	68,495
Sinking Funds	...	9,051	9,407	560	140
Total Ord. Self-Balancing Expend.	807,270	426,597	451,424	58,685	68,635
SELF-BALANCING Post Office	159,650	77,910	81,500	2,450	2,400
Income Tax on P.T.E. Refunds	5,700	4,173	5,636	173	256
Total	1,032,620	578,580	618,460	63,308	73,911

After decreasing Exchequer balances by £188,529 to £297,509, the other operations for the week increased the gross National Debt by £28,634,025 to £25,477 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	15
Housing (Temporary Accommodation) Acts, 1944 and 1947	750
Cotton Centralized Buying Act, 1947, & 2113	4,142
NET ISSUES (£ thousand)	4,907

Post Office and Telegraphs 425 | 312 | 1 | 10,700 | 5,000 | 542 | 14,730 || P.T.E. Refunds | 425 | 312 | 1 | 10,700 | 5,000 | 542 | 14,730 |
Overseas Trade Commissions Act, 1939 and Export Commissions Act, 1949	1	10,700	5,000	542	14,730		
Local Authorities Loans Act, 1945, & 310	10,700	5,000	542	14,730			
War Damage & War Damage Commission	5,000	542	14,730				
Finance Acts, 1946 and 1947, Post-war Credits	542	14,730					

CHANGES IN DEBT (£ thousand)

Receipts	Payments
Treasury Bills	52,217
2½% Def. Bonds	11
Tax Reserve Certs.	929
Other Debt	33,054
Internal	86,221
External	57,587

FLOATING DEBT (£ million)

Date	Treasury Bills	Public Debt	Bank of England	Treasury Deposits	Total Floating Debt
1948					
Oct. 15	2240.0	2446.7	277.5	5.5	1425.5
1949					
July 25	2210.0	2281.5	338.8	...	1258.5
Aug. 6	2210.0	2281.5	338.8	...	1258.5
Sept. 13	2210.0	2281.5	338.8	...	1258.5
Oct. 20	2210.0	2281.5	338.8	...	1258.5

TREASURY BILLS (£ million)

Date of Tender	Amount	Average Rate	Per Cent
1948			
Oct. 15	180.0	269.4	80.0
1949			
July 15	170.0	293.8	170.0
Aug. 5	200.0	309.4	200.0
Sept. 12	220.0	305.9	220.0
Oct. 19	250.0	272.8	250.0

On 10 October 14th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 74 per cent of the amount applied for at 199 17s. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 199 17s. 4d. and above in full. £250 million (maximum) of Treasury Bills are being offered for October 21st. For the week ended October 22nd the banks will be asked for Treasury deposits to a maximum of £50 million at 5 months.

NATIONAL SAVINGS (£ thousand)

Week ended	Total
Oct. 9, 1949	1,950
Oct. 16, 1949	3,400
Oct. 23, 1949	1,950
Oct. 30, 1949	3,400
Nov. 6, 1949	1,950
Nov. 13, 1949	3,400
Nov. 20, 1949	1,950
Nov. 27, 1949	3,400
Dec. 4, 1949	1,950
Dec. 11, 1949	3,400
Dec. 18, 1949	1,950
Dec. 25, 1949	3,400
Jan. 1, 1950	1,950
Jan. 8, 1950	3,400
Jan. 15, 1950	1,950
Jan. 22, 1950	3,400
Jan. 29, 1950	1,950
Feb. 5, 1950	3,400
Feb. 12, 1950	1,950
Feb. 19, 1950	3,400
Feb. 26, 1950	1,950
Mar. 5, 1950	3,400
Mar. 12, 1950	1,950
Mar. 19, 1950	3,400
Mar. 26, 1950	1,950
Apr. 2, 1950	3,400
Apr. 9, 1950	1,950
Apr. 16, 1950	3,400
Apr. 23, 1950	1,950
Apr. 30, 1950	3,400
May 7, 1950	1,950
May 14, 1950	3,400
May 21, 1950	1,950
May 28, 1950	3,400
Jun 4, 1950	1,950
Jun 11, 1950	3,400
Jun 18, 1950	1,950
Jun 25, 1950	3,400
Jul 2, 1950	1,950
Jul 9, 1950	3,400
Jul 16, 1950	1,950
Jul 23, 1950	3,400
Jul 30, 1950	1,950
Aug 6, 1950	3,400
Aug 13, 1950	1,950
Aug 20, 1950	3,400
Aug 27, 1950	1,950
Sep 3, 1950	3,400
Sep 10, 1950	1,950
Sep 17, 1950	3,400
Sep 24, 1950	1,950
Oct 1, 1950	3,400
Oct 8, 1950	1,950
Oct 15, 1950	3,400
Oct 22, 1950	1,950
Oct 29, 1950	3,400
Nov 5, 1950	1,950
Nov 12, 1950	3,400
Nov 19, 1950	1,950
Nov 26, 1950	3,400
Dec 3, 1950	1,950
Dec 10, 1950	3,400
Dec 17, 1950	1,950
Dec 24, 1950	3,400
Jan 1, 1951	1,950
Jan 8, 1951	3,400
Jan 15, 1951	1,950
Jan 22, 1951	3,400
Jan 29, 1951	1,950
Feb 5, 1951	3,400
Feb 12, 1951	1,950
Feb 19, 1951	3,400
Feb 26, 1951	1,950
Mar 5, 1951	3,400
Mar 12, 1951	1,950
Mar 19, 1951	3,400
Mar 26, 1951	1,950
Apr 2, 1951	3,400
Apr 9, 1951	1,950
Apr 16, 1951	3,400
Apr 23, 1951	1,950
Apr 30, 1951	3,400
May 7, 1951	1,950
May 14, 1951	3,400
May 21, 1951	1,950
May 28, 1951	3,400
Jun 4, 1951	1,950
Jun 11, 1951	3,400
Jun 18, 1951	1,950
Jun 25, 1951	3,400
Jul 2, 1951	1,950
Jul 9, 1951	3,400
Jul 16, 1951	1,950
Jul 23, 1951	3,400
Jul 30, 1951	1,950
Aug 6, 1951	3,400
Aug 13, 1951	1,950
Aug 20, 1951	3,400
Aug 27, 1951	1,950
Sep 3, 1951	3,400
Sep 10, 1951	1,950
Sep 17, 1951	3,400
Sep 24, 1951	1,950
Oct 1, 1951	3,400
Oct 8, 1951	1,950
Oct 15, 1951	3,400
Oct 22, 1951	1,950
Oct 29, 1951	3,400
Nov 5, 1951	1,950
Nov 12, 1951	3,400
Nov 19, 1951	1,950
Nov 26, 1951	3,400
Dec 3, 1951	1,950
Dec 10, 1951	3,400
Dec 17, 1951	1,950
Dec 24, 1951	3,400
Jan 1, 1952	1,950
Jan 8, 1952	3,400
Jan 15, 1952	1,950
Jan 22, 1952	3,400
Jan 29, 1952	1,950
Feb 5, 1952	3,400
Feb 12, 1952	1,950
Feb 19, 1952	3,400
Feb 26, 1952	1,950
Mar 5, 1952	3,400
Mar 12, 1952	1,950
Mar 19, 1952	3,400
Mar 26, 1952	1,950
Apr 2, 1952	3,400
Apr 9, 1952	1,950
Apr 16, 1952	3,400
Apr 23, 1952	1,950
Apr 30, 1952	3,400
May 7, 1952	1,950
May 14, 1952	3,400
May 21, 1952	1,950
May 28, 1952	3,400
Jun 4, 1952	1,950
Jun 11, 1952	3,400
Jun 18, 1952	1,950
Jun 25, 1952	3,400
Jul 2, 1952	1,950
Jul 9, 1952	3,400
Jul 16, 1952	1,950
Jul 23, 1952	3,400
Jul 30, 1952	1,950
Aug 6, 1952	3,400
Aug 13, 1952	1,950
Aug 20, 1952	3,400
Aug 27, 1952	1,950
Sep 3, 1952	3,400
Sep 10, 1952	1,950
Sep 17, 1952	3,400
Sep 24, 1952	1,950
Oct 1, 1952	3,400
Oct 8, 1952	1,950
Oct 15, 1952	3,400
Oct 22, 1952	1,950
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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portico St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, October 22, 1949.

NOTICES APPEAR ON PAGES 824 and 827.

Vol. CLVII No. 5540
THE ECONOMIST, 22, Ryder Street, St. James's
London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail
Matter at the New York, N.Y., Post Office.

A Policy for Efficiency

THE problem of British economic policy, as earlier articles have argued, is to restore to the public consciousness a lively concern with the efficiency of the economic mechanism without losing sight of the two other objectives, which can be summarily labelled full employment and social justice. It is the qualification that makes this a policy of the Left. So many political landmarks have disappeared in recent years that possibly there is a sincere attachment in all parties to full employment and to social justice; perhaps we are now all on the Left. But it is at least equally possible that the ideas of the Right are not quite dead. There may still be people who prefer a fluctuating economy to a stable one (or who, at least, are unwilling to pay any political price for stability) and who are not attracted by the ideal of diminishing the inequality of incomes and property. There is a great deal of logic behind such views. But they do not inspire the present inquiry. The purpose of the present series of articles is to try to reason out the policy that is best designed to preserve as much as possible of the gains of the Left in recent years. Indeed, they are inspired by the belief that this is the last chance of so doing, that if a radical solvent of the creeping paralysis that now frustrates the British economy is not quickly found, full employment and social justice will have to go to the wall in a mad scramble to secure, at any cost, enough efficiency to survive.

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The object is economic efficiency. This involves a high standard of productivity, but it involves much more as well, since a nation is hardly efficient if it is making enormous quantities of things that cannot be sold. Price comes into efficiency; but even productivity plus price is not a comprehensive definition. That economy is efficient which is patently in command of its market, which supplies goods and services at prices low enough (relatively to the incomes of the purchasers) for demand to be constantly tempted onwards, which is moving round the rising spiral of low prices, high demand, satisfactory profits, high investment, rapidly improving technology, high output per head, rising wages and still further expanding demand. This sort of economic efficiency arises from the most effective combination of the basic factors of production; it is secured by bringing labour, capital and enterprise together in ever more productive combinations. The one essential condition of its existence is mobility and adaptability of resources. Unless both labour and capital are free to move to where they can more productively combine, there can be no experiment and no progress. This, then, is the first condition of efficiency—freedom to move. But freedom by itself is not enough. There is no natural tendency for labour and capital to come together productively. Indeed, there is no natural tendency for human beings to put out the effort that produces labour or to practise the thrift that produces capital. In addition to freedom to move, there must also be some motive force to move in the right direction. A nation that wishes to be efficient must not only permit its labour and capital to move in search of efficiency, it must put pressure on them to do so. If the last four years have proved anything at all,

it is that neither Ministerial exhortation nor bureaucratic planning schemes provide sufficient pressure. This does not mean that the dream of the purposively directed economy must be abandoned; but it does mean that it cannot proceed either by prayer or by command. Self-interest is not the only motive that stirs in the human breast; but the attempt to get along without it has been a miserable failure and it will have to be recalled. The only way to get capital and labour to move to where they are wanted is to make it worth their while to do so. These incentives to movement are not wanted merely between one industry and another. It is just as important within each industry to get the work and the capital and the raw materials into the hands of those who work efficiently. The means to efficiency is, in every walk of life, to let the best man win.

This can be done only if there is freedom of prices and wages and incomes to move. This, then, must be the primary object of an economic policy that seeks efficiency. The price controls of all kinds, including the control on the movement of wages, are the enemy. The path to efficiency lies through the destruction of as many of them as can be contrived, without infringing the basic requirements of social security.

But simply to abolish all price controls while the present state of inflation continues would be to invite disaster. Inflation is, by definition, a state in which the demand for everything (or almost everything) exceeds the supply. To liberate prices in such circumstances would merely lead to an all-round increase and the inflationary spiral would go through several damaging revolutions before any substantial adjustment of resources to needs took place. Freedom of prices and incomes is a necessary condition of efficiency. But disinflation—enough of it to re-create a healthy state of competition in the economy—is a prerequisite of price freedom.

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Thus the two main pillars of a policy are, first, enough disinflation to bring total demand slightly below total supply, and, secondly, the removal of as many controls over prices, wages and incomes as possible—in short, the restoration of a competitive market. Perhaps it is as well to pause at this point and recall that this is put forward as part of a policy for the Left. It would undoubtedly be a bitter doctrinal draught for many on the Left to swallow. The imperfections of the market economy as an adjustment mechanism have been very well advertised in the last two generations, and it would be foolish to deny that it produces some very odd results, especially so long as inherited wealth can make as strong a claim upon the market as economic deserts. Indeed, it is hardly possible to advocate any restoration of the price economy without also proposing an even more severe set of restraints upon inheritance than exist today. But the essential point for the British Left to grasp in 1949 is this—that they are sorely in need of some adjusting mechanism, that the market economy does the job with more successes than failures, and that they have as yet utterly failed to find any workable alternative.

Disinflation and decontrol—in that order—are the

two essential elements of policy. But there is a condition attaching to each of them. Purely monetary action, designed to reduce the aggregate total of demand below the aggregate of supply, will not suffice to restore a competitive market if it is simultaneously frustrated by the whole vast array of restrictive practices, price rings, production quotas and general cartelism that has grown up in Britain in the past generation. There is little point in abolishing official price controls if the private price controls remain. Unless there is a real campaign against all these manifestations—except the minority that can prove a case in the public interest—a policy of monetary disinflation will either be ineffective, or else will have to go to extraordinary and damaging lengths of deflation before it can create the necessary flexibility.

The other necessary condition is that the offering of monetary incentives to efficiency (for that is what the liberation of prices would be intended to secure) will not achieve its object unless money is worth having—or, more accurately, unless additional money income has a sufficient real value to serve as an effective incentive. There can be no liberation of the economy without a substantial reduction in taxation.

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By this process of reasoning, a policy for efficiency can be built up consisting of five parts, separate but fitting in with each other. These five are here briefly recapitulated, in roughly chronological order, and will be further considered in later articles:—

1. A determined disinflation, sufficient to make a job worth holding and a profit difficult to come by. It is unlikely that this can be achieved without calling in aid the traditional weapons of the rate of interest and of credit control.
2. A substantial reduction of taxation, without any reduction of the budget surplus—that is, a really significant reduction in expenditure. As a target, the figure of 35 per cent of the total of private incomes should be aimed at as a maximum for all forms of taxation.
3. As many as possible of the present governmental restrictions on the free movements of prices, wages and incomes to be removed.
4. A really vigorous campaign against all forms of combination in restraint of trade. The old bias of the common law should be revised and re-stated, and the onus of proving a case in the common interest placed upon those who wish to practise any form of restriction.

5. The poorest sections of the people to be protected against any possible tendency of the liberation of prices to drive them below the subsistence level. The reduction of taxes on income to be accompanied by new restrictions on inheritance.

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The policy here sketched has been argued in terms of the domestic economy alone. This has been done in the double belief that Britain's failure to adjust itself to its external difficulties is largely or mainly due to rigidities and inefficiencies at home, and that anything that is done to restore economic health at home must also assist the restoration of the balance of payments. It may be as well, however, to relate the ideas here set out to the devaluation of the currency which provided the occasion for the debate.

Clearly no such policy as this could have been initiated, in its entirety, so long as the pound was held at an over-valued level. The liberation of prices, even after a real disinflation, is likely to lead, at least in the first stages, to many more price and wage rises than falls. Experience of the inter-war years showed how very strong and passionate are the defences that will be put up against any reduction in money rates of wages. This means that not many prices can fall very far, at least to begin with, and that any general liberation of prices is thus likely—again, at first—to mean a rise in the general indices. This need not occasion very much alarm, because at the second stage, as the compulsions to efficiency began to operate, costs—and therefore prices—would fall without dragging wages down with them. But so long as the pound was over-valued and reserves are low, the risks of waiting for the second stage would have been too great.

This is what is meant when it is said that devaluation provides an opportunity for unfreezing the British economy. It creates some elbow-room within which a policy of price liberation can be started and the risk of price increases run. The elbow-room would obviously have been all the greater if the new rate of the pound had not been determined until after the sorting-out process was over. But even with the new fixed rate, the margin should be great enough to allow the process to proceed—though it will probably be wise to push the disinflation rather farther, as a precaution, than would have been necessary with a floating rate. The one policy that is nonsensical is to have fixity of the exchange rate plus just as much fixity of prices and wages as before, just because the Cabinet cannot summon up enough courage to initiate an effective disinflation.



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The Future of OEEC

THE Organisation for European Economic Co-operation, the chosen instrument for turning the Marshall-aided nations into a prosperous entity, was, even at the original launching, a fragile craft. The sailing has never been smooth, but in the past few months OEEC has run into some really heavy weather. The first storm signals appeared with the effort last spring to evolve a new intra-European payments scheme that would bring more flexibility into the arrangements made the year before. After many weeks of tension, a compromise was finally reached, but not before the British Government's seeming intransigence in the matter had stirred up widespread bitterness on the Continent. There were fresh squalls throughout the summer as the participating countries failed to reach agreement on the distribution of the dollars to be provided by Congress for the second Marshall year. It was these difficulties that brought Baron Snoy, the chairman of the OEEC Council, and M. Marjolin, its Secretary-General, to the point of declaring that the dollar gap was "a problem for which our organisation can find no solution." Naturally, the crew did not take this cry to mean a call to abandon ship and they were, therefore, thoroughly shocked when it was discovered that the British bo'sun had slipped quietly over the side and made his way to Washington. There can, unfortunately, be no doubt that the secrecy and the unilateral character of the British devaluation—unavoidable though they may have been—have dealt European co-operation, and OEEC in particular, a crippling psychological blow.

This series of events has led some critics to proclaim that OEEC's usefulness is ended, and many even of those who take a more optimistic view do so only because they still regard the Organisation as a useful propaganda device for reminding people that European unity should be the ultimate goal. To understand why matters have come to this pass it is necessary to go back eighteen months to the time when the Organisation was formed and to recall what its founders had in mind. Their prime intention was to create a European body that would serve as an opposite number to the Economic Co-operation Administration (ECA) in Washington. Its actions were to be bound by the same objectives as those laid down for ECA when Congress passed the recovery programme. Thus the nineteen Marshall nations, working together at OEEC, pledged themselves to expand production, to reduce trade barriers with a view to restoring multilateral trade and to establish internal financial stability. These three objectives were straightforward, but much of the difficulty has arisen from the fact that there is a fourth objective which was not made explicit at the start, but has come to have an importance, at least in American eyes, equal to all the rest. To many Americans, the special contribution expected of OEEC has come to be that of securing a pooling of Europe's resources, some tangible proof of "mutual self-help" in the struggle to regain prosperity.

On the European side there has always been considerable foggy about what, in concrete terms, nineteen more or less bankrupt nations could contribute to each other. The American authorities were equally unsure by what exact steps Europe was to help itself, but they

were dead certain on one point. OEEC was to be the midwife attendant on at least the economic unification of Europe. This economic goal was part and parcel of a political hope, until recently very popular in some American quarters—the creation of a collective Great Power, embracing western Europe and, perhaps, Africa and the British Commonwealth, and strong enough to stand up to Communist encroachments without the constant need for American reinforcements, economic and military.

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In itself, the OEEC is simply a band of civil servants, whose authority does not run to policy-making or to innovation, and its functions have been limited to a very few—to those tasks the Americans have insisted that it perform, to those which the nineteen governments were willing to relinquish to it, and to the collection of statistics and the handing out of advice. Given these limitations, the achievements of the Organisation have been far from negligible. It produced last winter a workmanlike and courageous report on the nature and size of the problem of European recovery. It is now engaged in making an exhaustive analysis of production programmes in western Europe—though what success it will meet in curbing the more flagrantly uneconomic projects remains to be seen. By far its greatest contribution, however, has been in the realm of trade. It has helped to evolve a payments scheme for Europe which, though not ideal, has stimulated the flow of goods through long neglected channels, and it is now providing the focal point for the first postwar assault on the blight of import quotas. Paris should shortly be the scene of a conference where quotas instead of tariffs will be under negotiation by the majority of the Marshall nations.

At this juncture in the history of Europe, however, the failures of the OEEC are, perhaps, of greater importance than its achievements. These failures are due in far larger measure to the shortcomings of the governments themselves than to inadequacies among the individuals representing them at Paris, and even some of the bureaucratic timidity of which the officials in Paris are often accused only reflects the unwillingness of the participating countries to become involved in an adventure whose results cannot be foreseen. The economic unification of Europe has, in theory, been desired by most, but not desired enough for any positive steps to be taken to achieve it. It may be—the argument has been stated in these columns—that economic unification in Europe would contribute very little to the immediate crisis which arises out of a shortage of dollars. But if this is so, it should have been clearly stated and argued out. As it is, policy has drifted into the disastrous position of accepting an objective which it does not intend to achieve. As a result, for the Americans at least, the failure of the OEEC nations to move toward closer association has been a profound disappointment.

This disappointment might have been less sharp had there been more numerous signs of genuine co-operation short of union. The separate nations could surely have taken more energetic action individually to strengthen

the collective effort. It is a poor advertisement for the Marshall plan when the French nation can still claim to cover with its exports no more than ten per cent of its dollar imports. Another black mark has been the parlous state of French domestic finance, corrected early this year and now again threatening to get out of hand. Equally disquieting has been the tendency of some members to use the argument that union is not a feasible course as an excuse for making less than the maximum co-operative effort. Here Britain is—or at least appears to all its partners to be—one of the chief offenders. And its offence is the greater because Britain enjoys on the Continent and with the Americans a reputation for political wisdom and economic power far surpassing that held by any other European nation. Those who are on the inside of British policy claim that no European country has either done so much to put its own affairs in order or made as many practical suggestions for the expansion of intra-European trade as Britain—the recent initiative in the matter of import quotas is a case in point. Possibly this assertion could be documented; if so, it certainly should be, for British policy has left the universal impression, especially in the sphere of international trade and finance, that its attachment to bilateralism and airtight domestic plans is deeper than its determination to co-operate in a return to convertibility and multilateralism. As on the home front, tardiness and overstrain on limited staffs rather than any deliberate wrong-headedness may be the explanation. But when to this impression is added Britain's obvious preference—and often downright necessity—for dealing with Washington instead of with OEEC, it seems plain to most people on the Continent that Britain's heart lies elsewhere than in European co-operation.

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In themselves, the difficulties that have beset OEEC are a disturbing sign that something is radically wrong—either with the original concept for co-operation, or with its execution. These troubles and uncertainties can no longer be shelved, since there is a distinct risk that without more tangible and colourful evidence of co-operation in Europe, Congress will not vote a third instalment of Marshall aid. This fact explains the dejected stocktaking of OEEC and the earnest review of its functions now proceeding in Paris, Washington, and London.

Only the most tentative remedies have so far been advanced. The first is that OEEC should be relieved of the job of allocating dollars, which would be handed back to the Americans. There are also a number of proposals in the air for encouraging small groups of nations to move toward a monetary union with the view to securing convertibility among themselves at an early stage. The chances for success in these undertakings are thought to be greater if their membership is kept small—as opposed to the cumbersome numbers of OEEC—and if they are confined to the Continent, where there is a stronger antipathy against controls than in Britain.

Whatever decisions are taken, OEEC, as originally conceived, is moribund. This is a condition that the Council of the Organisation when it meets at the end of this month will have to recognise, examine and prescribe for. Whether or not "unification," or anything grandiose enough to deserve the title, was a practical possibility in 1947, there is no doubt about the disappointment that American opinion feels, and that Congress will express, at the failure to attain it. Whether or not the British Government has done all that it might have

done to advance the cause of co-operation, there is no doubt that the result will be profoundly harmful to British interests. For the reaction on American policy will either be towards writing Europe off as more trouble than it is worth, or else towards leaving Britain out of America's European policies. The third possible course, which British official opinion has always hankered after—that American aid should be addressed to the European states individually, leaving "unification" to be pursued as a long-term project—may have a great deal of logic behind it, but is by now psychologically out of court.

Is there nothing that can be saved from the wreck? The answer is that there is plenty of material for a fruitful compromise between the idealist, utopia-in-a-hurry attitude of many Americans, with which the Continentals agree in their speeches, and the practical, sceptical attitude of the British Government which (as Whitehall insists) is all that can be seen in the actual proposals of the Continental governments. One arm of this compromise would be a disposition to admit that, without prejudice to wider objectives, the subjects that are actually on the immediate European agenda are not projects of "unification" but rather an attempt to get back to the conditions of 1938, at least so far as concerns the convertibility of currencies and the liberation of trade from quantitative restrictions. If this be "unification," then Europe—west of Dr Schacht—was unified before the war.

The other arm of the compromise is that the British Government should put its heart, and its back, into achieving at least this degree of "unification"—"de-atomisation" would be a much more accurate and not much uglier description—over as wide a range and with as short a delay as possible. Not only should it do so; it should leave no room for doubt that this is its determination. It may be that the attempt has been made before—without success—though nobody appears to have noticed that it was made. In any event, it must be made again. Circumstances have changed. The pound has been devalued, putting a very large additional tariff barrier round the non-dollar world. Moreover, willingness, both in America and on the Continent, to accept more limited projects—that is, projects limited to the possible—has grown. Europeans are beginning to realise that Britain simply cannot afford to accept schemes that would have the effect of draining away its last reserves of gold and dollars, and that projects for the inter-convertibility of European currencies must therefore, at least for the time being, exclude their convertibility into dollars. Fortunately, the American insistence on maintaining the non-discriminatory provisions of the Loan Agreement and other treaties—provisions which, if enforced, would prevent any purely European arrangements for convertibility or freer trade that were not immediately extended to cover the dollar and American goods—is sensibly weakened and might even be tacitly withdrawn.

There are possibilities of making real progress in reviving European trade by co-operative action. One of the essential ingredients is a willingness in London to review the whole of British policy, and the attitudes through which it is expressed. There should be the greater willingness to undertake this because the alternatives are not merely the collapse of an idealist's pipe-dream, but the practical disaster for Britain of finding itself forced into an isolation that would be as poverty-stricken as it was inglorious.

The New Hospital Service

THE hospitals have, after all, been spared the axe. Although the cost of running them accounts for about two-thirds of the total spent on the national health service, there is not only to be no reduction in the Budget estimate for the present year, but that estimate is certain to be exceeded because, for one thing, of the increases in medical and nursing salaries that have taken place since it was drawn up. There may have been good administrative reasons why, at this late date in the financial year, no reduction could be made in the expenditure on the hospitals. But it should have been possible to introduce a small charge to patients to cover at least some of the cost of their food during their stay in hospital. Once the principle of making a charge had been conceded, by imposing a charge of up to one shilling for prescriptions, the opportunity should have been taken of relieving the taxpayer of part of the cost of board and lodging, which, after all, is not part of hospital treatment.

Exemption from the cuts will, however, relieve the minds of the hospital authorities considerably. After all the chopping and changing that have already taken place in their budgets for the present financial year, a cut at this stage would have upset even the best-established administration. The new hospital machinery, on the other hand, is still being run in and is still not running smoothly. How could it when it had to follow a number of such contradictory principles? For instance, the boards of governors of teaching hospitals, the regional boards and the hospital management committees are expected to have considerable freedom from departmental control. Yet the Minister of Health has to account to Parliament for the public money spent on the hospitals, which means that his supervision of their activities must be fairly close. Again, the management committees are appointed by the boards and are their agents for the day-to-day administration of the hospitals; yet, by the wish of Parliament, they are supposed to have a free hand in their own sphere—as is emphasised by the separate corporate status given to them. Again, the main reason for setting up regional boards was to enable the hospital services to be planned and co-ordinated; yet it can never be forgotten that the hospitals are there to serve the patients and not the planners.

The mass of circulars issued by the Ministry of Health to boards and committees since July 5, 1948, should be regarded in the light of these contradictions. A recent circular, for instance, dealing with this question of grouping and co-ordinating hospital services, goes a long way in the direction of unplanning. Strong public protest has sometimes been aroused when boards of governors or regional boards have declared their intention of changing the use of a hospital, and the Ministry has, therefore, declared that before taking such a step the boards would do well to hear the views of the public

particularly where it is proposed to use a small local general hospital for other purposes, since the local loyalty that such hospitals command must not be ignored even where re-organisation is expected to produce greater medical efficiency.

The same circular also attempts to reinstate the cottage hospital, staffed by general practitioners, which is so often despised by the planners; for the boards are asked

not to allow the organisation of regional consultant services to deprive the public of the opportunity of being treated by their family doctors in their local hospital.

Then there is the much deplored circular known, by its reference number, as “(49) 49.” This seemed to belie all Mr Bevan’s assurances in the House of Commons that the management committees were to have a large measure of independence within their own sphere. It laid down, in brief, that they were to obtain the consent of their regional boards before they incurred expenditure on specific items and increases in staff not included in their budget estimates, even though—here was the rub—the total expenditure for the particular sub-head of their budget would not thereby be exceeded. Interpreted literally, this circular meant that a management committee could not, without the consent of its regional board, engage an extra ward maid over and above the number it had budgeted for even though it could do so without exceeding its total budgeted expenditure on domestic staff.

In this country most things are eventually judged by how they work out in practice, and it may well be that the outcry which greeted the appearance of “(49) 49” will prove to be the last that is heard of it. It appears to have originated at the instance, not of the Ministry, but of one or more regional boards who wanted to obtain a tighter control over their committees’ expenditure because of the cuts imposed earlier in the year on hospital budgets. It also appears, however, to have been considerably modified in application, and probably many committees, with the tacit or open approval of their board, have filed it away and thought no more about it. What is certain is that, in so far as the need to keep a firm control on the finances of the health service allows it, the Ministry of Health has no intention of going back on the decision to allow the management committees as much independence as possible.

At the present time, however, the need to keep a firm control on hospital finances is all-important, and of all the criticisms of the new regime for the hospitals the most constant and sustained is against the methods through which that control is exercised by the Ministry. Under the present system, budgeting for the hospital service begins with the management committees, which submit estimates to the regional boards. The boards examine and criticise them, and submit them, with their estimates of their own expenditure, to the Ministry of Health. When they have been approved by the Ministry, they form part of the departmental estimates presented to Parliament.

The initiative in budgeting thus comes from the management committees—a fact which, on the face of it, ought to enhance their independence. But in practice, as the first year of budgeting has shown, the present system is not having the effect that was intended. One drawback is the time-table. For the first full year of the health service, that is, from April 1, 1949, to March 31, 1950, the management committees began budgeting in the autumn of 1948. The budgets were sent back to the

regional boards by the Ministry in February of this year with an instruction that they should be cut. The hospitals replied that they could not do this to the extent asked for except at the cost of their patients’ welfare. In June, therefore, the Minister asked for revised budgets—still for the year 1949-50—which, while making all possible economies, would not involve the closing of beds. These budgets had not been finally approved before the time came for the hospitals to start budgeting for the next year, 1950-51.

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It is small wonder, therefore, that the main burden of the management committees’ complaints against the present arrangements should be “If only we knew where we are. If only we were given a certain sum that was ours to spend.” As a result, it is being widely suggested that the hospitals should be financed in much the same way as the universities. Parliament, that is, should vote a certain sum of money—or one sum for maintenance and another for development over a period of years—which would be allocated by the regional boards among their management committees. There would be no detailed supervision by the Ministry of how the sum was spent, and none by the boards provided that the committees’ spending was consistent with the regional hospital plan.

The suggestion is attractive, but it is virtually certain that neither the Treasury nor Parliament would agree to it. Parliament, indeed, speaks with two contradictory voices. In the passage of the National Health Service Bill, the Commons could ask for assurances that the greatest possible independence should be given to the boards and management committees. But their Committee of Public Accounts can question the freedom from departmental control allowed to the universities by the system of block grants. If a block grant of under £20 million is criticised, it can be taken as certain that expenditure of £200 million of the taxpayer’s money would never be freed from annual scrutiny by the Treasury and Parliament.

Yet the existing arrangements are so unsatisfactory that some changes ought to be made, if only in the

interests of economy. The management committees claim that the old departmental principle, under which balances unspent at the end of the year have to be surrendered to the Treasury, is an incentive to extravagance. There can be no doubt that budgeting which is detailed to the extent that is required of the hospitals leads to the danger that management committees are more concerned about an item being in the budget than whether it is really worth while. Moreover, departments inside each individual hospital tend to put forward requests for, say, new equipment that they may not really need because once an item is in the budget, and the budget has been accepted, the subsequent ordering of the item is comparatively easy. “It is in the budget”—and the rest follows.

It is, in fact, impossible to budget accurately for hospital work so far ahead as the present timetable demands. Before the health service came into force public demand for hospital services was limited by economic factors. It was then slightly more advantageous financially for a household to keep a senile grandmother at home than to contribute to her maintenance in a local authority hospital. Now that she is maintained free, there is no incentive to keep her at home. The elimination of all charges for hospital services means that once new facilities are introduced in a hospital, a totally unpredictable demand is automatically created.

Budgeting for the health service, and the hospital service in particular, is very different, therefore, from budgeting for education. The number of schoolchildren can be estimated accurately, but it is quite impossible to estimate the number of people who will want to use one or other of the hospital services. Except in a few cases, the demand will be limited solely by the extent of the provision made, and there will be constant pressure, supported by all the humanitarian appeal that sickness arouses, for the provision to be increased. To keep this pressure within reasonable limits would be a constant and difficult task for a Minister of Health even in normal times. But to achieve it, and at the same time to keep the hospital service flexible and unbureaucratic, he needs a more efficient tool than the old departmental method of budgeting.

NOTES OF THE WEEK

Political Economy

The Chancellor’s speech at the opening of the two-day debate on the government’s economy measures was so similar to all his speeches since he took office—couched in the same harsh pseudo-technical language which is itself the mark of a crisis—that it might have been a recording of some previous debate. Once again the House heard about “frustrating production” and once again that verbal monstrosity “quantify” ousted its intelligible synonym “estimate.” To Mr Eden’s credit he brought the debate back into the realms of the King’s English and had the frankness to argue bluntly for further economies in government expenditure. Whether this is a politically successful line for the Conservatives remains to be seen, for Tory candidates may find their audiences highly unappreciative of the need for less government spending, but it is at least a positive line of action.

The economy measures have been accepted by the Labour back benchers with a docility which reflects the imminence

of the Election. Six months ago a charge for prescriptions or a cut in the food subsidies would have been regarded as sacrilege; even more significant is the way the Government have been able to escape with very little objection to a trivial cut in defence expenditure—once the favourite hunting ground of restive back-benchers. This docility is the result, partly, of the demand for solidarity, partly of relief that the cuts were less severe than the rumblings within the Cabinet Room indicated, and partly to a feeling that on the whole the economy programme has certain electoral advantages. It will, so many Labour members argue, plug the breaches in the British economic position until after the Election, and at the same time enable the Labour party to press home their cherished thrust that the Tory party in advocating more drastic economy measures is concerned not only with the national finances, but also with creating enough unemployment to keep labour in order. The Liberals, who can show that as far back as their Hastings conference they advocated reducing food subsidies and increasing family allowances and pensions, have also called for further re-

trenchment. The crisis is, indeed, an opportunity of which the Liberals could make effective use if they wish, for they are free enough to be able to state the type of bold policy which many people consider the electorate would follow.

TUC in Travail

Ever since the announcement of devaluation, the General Council of the TUC has presented an even more painful spectacle than the Cabinet of disagreement, procrastination and despair. Mr Vincent Tewson, the Secretary of the TUC, has been moved by this to declare that there is no split among trade union leaders over economic policy—but union leaders have spoken with different voices in their various union journals and some like Mr James Bowman, the vice-president of the National Union of Mineworkers, and an influential voice on the General Council, are known to be critical of the Government's policy. This week another union leader, Mr Willis, the secretary of the London Society of Compositors, has accused the Government of timidity and of failing to spread the burden of the cuts fairly between rich and poor.

The Council has now given itself another fortnight in which to make up its mind. If at the end of that time it produces merely a series of pious expressions about the need for continued wage restraint, it will very seriously have devalued its prestige in the eyes of the nation. Even if it cannot bring itself to advocate or accept a definite wages policy, it must at least define its attitude to certain urgent problems.

Foremost among these is the future of wage rates which are geared to the cost of living index, covering about one and a half million workers. It is significant that the representatives of unions with such arrangements have been called into the next meeting of the TUC Economic Committee. They are unlikely to be enthusiastic about a reported proposal that sliding scales should be suspended for a period of three years. Yet, if their wages are allowed automatically to increase with the retail price index, there cannot fail to be strong pressure from unions in industries without such arrangements. Already, the miners have decided to seek an adjustment of their cost-of-living allowance which will benefit the lower-paid workers. Technically, the National Union of Mineworkers is on strong ground, for their cost-of-living bonus has remained stationary at 2s. 8d. a shift since July, 1947, when the new retail price index was introduced. On the ground of the national interest, however, it is difficult to justify the claim, which would undoubtedly be followed by pressure from other groups who have not received as many concrete benefits as have the miners.

Three other important wage claims are now under consideration. The Confederation of Shipbuilding and Engineering Trade Unions will have to reply to the employers' appeal to them to drop their claim for a £1 a week increase. The National Federation of Building Trade Operatives, now in conference at Blackpool, have wisely decided to defer a claim for a 6d. an hour rise—a claim which would certainly strengthen the threat of unemployment in their industry. The Civil Service Clerical Association's application for a 15 per cent increase in wages and for parity between temporary and permanent clerks is now before arbitration, having been rejected by the Treasury.

Economies in Education

The Minister of Education is the first departmental Minister to give a detailed statement of the effects of the new cuts on the activities of his department. Last Wednes-

day he took the opportunity of the opening of a new village college near Peterborough to elaborate Mr Attlee's brief summary of what educational services are to come under the axe. Fortunately for him, the axe has been a light one and has struck in at least one place where economies were already overdue—the needlessly lavish lay-out and finish of some of the new schools—lavish, that is to say, for a nation living on the brink of the Marshalsea.

Mr Tomlinson's good fortune is as much due to the strength of his position as to the nervousness of the Cabinet. The educational building programme is already concentrated almost exclusively on meeting the effects of a rising birth rate and the needs of new housing estates which would otherwise lack schools altogether. With the prospect of a million more children in the schools by 1952 and in the presence of widespread complaint about the present size of classes the case for meeting these minimum requirements is very strong.

The cuts in capital expenditure are to be secured mainly by building the same number of schools at a lower cost per school. It may be that certain desirable education facilities will have to be sacrificed, but there are grounds for hoping that a good deal of the squeeze will be taken by reducing inessentials. When it is realised that the building costs of secondary schools providing the same ratio of classrooms, special rooms and teaching space per pupil can differ by as much as £300 per place the opportunities for squeeze are clearly considerable. Mr Tomlinson gave no figure for the size of the capital cuts involved beyond saying that a ten per cent reduction was the aim for 1950. At present £47 millions worth of building is actually under construction and another £8,000,000 worth is on the point of starting.

On current expenditure Mr Tomlinson has found his position just as strong and he has had to sacrifice a mere £5,000,000—principally by charging an extra penny (6d. instead of 5d.) for each school dinner. The real strength of his case lies, however, less in the value of any group of services rendered by the education authorities as by the fact that about 45 per cent of the educational expenditure is on teachers' salaries. The Burnham salary scales for teachers are not controlled by the Minister. The only way for him to make a large saving in educational expenditure would be to tell local education authorities to dismiss large numbers of teachers and to have larger classes. It would take a very ruthless Government to do that.

Low Bid from Berlin

The claims to special Soviet favour and virtual independence made by the Ministers of the Peck Republic when first appointed are already being scaled down. The Foreign Minister, Herr Dertinger, now denies having said that he expected a peace treaty with the Soviet Government within three months, and the latest utterances of his colleagues on this and related matters have become cautious in content and moderate in tone. This does not mean that the challenge of the new republic to Allied policy in Germany is less serious than was at first thought; it simply means that the auction for leadership of a united Germany starts with a bid from the Communists of the east that is lower than they had expected.

It is said that the Allied High Commissioners do not take seriously the news from Berlin, and that they are loth to advise their Governments to start outbidding the Russians for German favours. There is good sense in that view, provided it does not mean that the nature of the threat is misunderstood. It is not the Allied occupation that is in danger; what will be challenged from Berlin, by every means that Communist ingenuity and organisation can employ, will be the attempt of a moderate government in Bonn to rule by parliamentary methods and to co-operate in such ventures as the Council of Europe and the Atlantic

Pact. The challenge will be made by propaganda and pressure through the nationalists of western Germany, who are by no means all Communists. At the first sign that the challenge is having success there will be Soviet concessions to the eastern republic sufficient to make millions of ignorant Germans in the west think that "equality of rights" is being conceded faster in Berlin than in Bonn.

In such tactics the Communists will, of course, count on the Allied High Commissioners to help with the kind of delays, differences and confusion of purpose that have marked their first few weeks of authority. They will hope to see repeated a situation in which there is no government in France, in which a British Foreign Secretary is weakly obstinate, and in which the American High Commissioner lets it be known by indiscretions that he either disagrees with or looks ahead of his colleagues with regard to policy matters of fundamental importance.

Repeated these things will be unless Mr Bevin and his colleagues recast their German policies and decide to make, now or within a fixed period of time, those concessions which can alone give prestige and authority to a moderate German government. If they do this there need be no bidding and counter-bidding with the Russians, who will find the price raised too fast or too high. If they do not, they will drift gradually into the very auction for Germany which they now disdain—and be forced to bid too little and too late.

The Passing of JEIA

A landmark on the path back to German sovereignty was passed on October 15th, when the Joint Export-Import Agency (JEIA) handed over all its administrative functions, with one exception, to the German foreign trade authorities. Until it is dissolved, JEIA will retain advisory and supervisory rights, and will control, or attempt to control, the export of restricted goods to the Russian sphere. After it is dissolved, a committee of the High Commission will assume this limited role in the sphere of German trade.

During its lifetime, JEIA was regarded by Germans as the sinister embodiment of Allied ill-will, and by traders of all nations as a synonym for red-tape. In justice to JEIA it must be said that its task was extraordinarily complicated. At the outset, German exports had to be forced out of a prostrate economy. Prices had to be fixed at a level which would both secure contracts and yet satisfy British and American competitors that the Germans were not dumping. Until the currency reform of June, 1948, the German mark and the internal price level bore no relation whatever to external conditions, and the Agency had to operate a complicated system of individual price-fixing which gave full scope for bureaucratic muddles and national suspicions. The tangle became still worse owing to the American insistence on decentralised government, which gave the local German State Ministries the right to put a finger into the foreign trade pie. Lastly, the obligation to settle balances in dollars, which until recently formed the basis of all JEIA's trade pacts, acted as a brake and irritant on all sides.

Nevertheless, German exports have multiplied under the JEIA regime. In 1947, they totalled only \$222 million; in 1948, they reached nearly \$600 million, and during the first six months of this year they had already passed the total for 1948. In 1947, Germany was paying for only a third of its imports; it has now doubled that proportion, in spite of the fact that imports have risen from \$734 million in 1947 to \$1,400 million in 1948, and to over \$1,000 million in the first six months of this year.

During this time, the American and British heads of JEIA have constantly cut their own red-tape. Exports have been largely freed of licensing controls, and the importing pro-

cedure has been simplified. JEIA's last work has been to negotiate new types of bilateral trade pacts, which, it is hoped, will serve as a model to the Organisation for European Economic Co-operation. In the last few months, agreements have been concluded with Switzerland, Holland and Norway which go a considerable way towards freeing German trade from quota limitations. The latest German pacts specify commodities—a small but important list—which are still restricted, leaving the rest free; and in the agreements with Holland the dollar clause is eliminated altogether.

The manner of JEIA's passing is therefore becoming to an organisation in which the American vote predominated. Already German merchants are finding that the local bureaucracy which has taken its place is the worse of two evils.

Three Peace Treaties in Search of a Judge

The United Nations Assembly has now referred to the International Court of Justice the legal points arising out of the charges that Hungary, Rumania and Bulgaria have been violating the clauses of their postwar peace treaties providing political and civil liberties for their peoples. The Court will not, at this stage at any rate, be asked to decide whether these three states have violated their treaties or not, but simply to rule whether a real dispute exists under the terms of the treaties and whether the three states are bound to take part in the three-member commissions of inquiry which the treaties require for the settlement of any issue arising out of them. When the three states rejected the protests of the western Powers at the treaty violations, the cases should automatically have been referred to the commissions, on which each party was to nominate its representative and the third member was to be appointed by the Secretary-General of Uno. But Hungary, Rumania and Bulgaria have so far refused either to nominate representatives to commissions or to acknowledge the competence of commissions formed without them; and they have been supported in their attitude by Russia on the ground that the charges concerned matters of purely internal jurisdiction.

It is, of course, quite true that suppression of opposition parties, denial of freedom of speech and the staging of political trials *à la russe* are acts of domestic policy which would not normally be regarded as suitable for official protest by other nations or for the jurisdiction of an international court. It is also true that the offences of Hungary, Rumania and Bulgaria, arising out of the Communist system of totalitarian rule, are in no important respect different from the practices of the Soviet Union, Poland or Czechoslovakia against whom no charge is brought. But it so happens that Hungary, Rumania and Bulgaria fought in the war on the side of Nazi Germany, and that the peace treaties imposed on them by the victors, including Russia, have bound them to observe certain principles in their internal policy, so that they cannot plead that any foreign concern at their violation of these principles is an infringement of their domestic jurisdiction.

The treaties they signed are a part of international law, and the Governments of the three nations which have so cynically ignored the obligations they undertook are liable to whatever processes of law exists for the judgment of treaty violation. The realist may say that all this fuss cannot lead anywhere, as the erring states are under Russian protection and cannot be compelled to mend their ways, whatever the International Court may decide. But, as in the case of the Corfu Straits, it is good that claim and counter-claim in the cold war should, wherever possible, be taken out of the arena of mere propaganda contest and submitted to an independent judicial procedure.

Progress in the Gold Coast

The chief interest of the report of the Coussey Committee on constitutional reform in the Gold Coast lies, first, in its reception by the Colonial Office and, secondly, in the reception given in the colony both to the report itself and to the Secretary of State's comments upon it. The committee was composed entirely of Africans. It might, therefore, have reasonably been expected that recommendations would be put forward which would have proved unacceptable to the British Government. As it turns out, the committee has produced a report which, though proposing big steps towards responsible government—so much would indeed have been proposed by any committee—is yet couched in moderate and sensible terms. The result is that Mr Creech Jones can say at the outset in his despatch to the Governor that the Government

accepts the proposals . . . as providing a workable plan within the framework of which constitutional development in the Gold Coast can now proceed.

Those who will claim that the proposals are too ambitious and cannot be justified by the progress made by the African to political maturity should ask themselves what would be the result of refusing to accept them.

It is on the position of the proposed new Executive Council that the Government makes its most important dissension from the Coussey Committee's report. It agrees with the proposal that the Executive Council should have a majority of African members elected by the Legislative Assembly, the others being three *ex-officio* members with the Governor as chairman; that most of these members should have responsibility for the administration of departments; and that the Council would be responsible for formulating policy and the principal instrument of policy. Whereas, however, the committee recommends that the Council should be collectively responsible to the Legislative Assembly and not to the Governor, the Secretary of State declares that it must be responsible to both.

The point is that the transfer of power proposed by the committee is—to its great credit—not complete. By its recommendations the Governor would still have ultimate responsibility for the government of the Gold Coast and would have reserve powers of certification and veto—though in the modified form that holds in Trinidad and Jamaica. But it is worth noting that eight members of the committee, among them Dr Danquah, a prominent Gold Coast nationalist, put forward the reservation, first, that there should be no *ex-officio* members of the Executive Council and, secondly, that the Governor should have no power of veto. By his very reasonable insistence that the Council should be responsible to the Governor, the Secretary of State may provide an excuse for extremists to stir up opposition to the proposals as a whole.

* * *

Second Thoughts on National Parks

The National Parks and Access to the Countryside Bill, which had its second reading in the House of Lords last week, has been considerably amended during its progress through the Commons in order to strengthen the powers of the National Parks Commission—the body which is to designate the areas of the parks and to advise on their layout. The Bill still commands general acceptance, but events have tempered the enthusiasm which its objectives once aroused. It is clear that the threat to amenity comes not from private spoliation which is now effectively controlled, but from industrial projects and the schemes of government departments. Before the national parks have even been constituted, areas which they are to cover have suffered such blows as the partial occupation of Dartmoor by the services, the extension of quarrying in the Peak District and the hydro-electric proposals for North Wales; others will probably follow. A government spokesman in the Lords

made clear that the new Bill will provide little defence against such encroachment.

The declared aims of National Parks are, in the words of the Dower report, to preserve their characteristic landscape beauty and to provide ample facilities for public access and enjoyment. With regard to the second objective, popular taste over holidays, perhaps fortunately, does not lean so strongly towards these rather wild and remote areas as to justify heavy expenditure at the present time on turning them into "people's playgrounds." New roads and hostels and transport facilities can only be forthcoming very slowly; and it may be just as well that some of the cost of these improvements will fall on the local authorities who will count their pennies carefully.

But in relation to the task of preservation, a further doubt exists whether it is worth while having a National Parks Commission taking endless pains over the design of farm buildings, petrol pumps or tea shops, when large and irreparable disfigurements can occur without serious obstruction. The problem is not peculiar to National Parks, since the preservation of the nation's cultural prestige—of Wells and Oxford—is still more important than the salvation of Snowdonia; but if the Commission can put the case for protecting its own special regions effectively before the Government, then and then only will it be worth having.

* * *

Another New Town

Corby in Northamptonshire, for which Mr Silkin has made a draft designation order under the New Towns Act, is a town where this Act can be invoked to good advantage. Its purpose is different from most of the new towns, since it is not required to relieve population congestion elsewhere; the congestion is in Corby itself. Corby is one of the few remaining examples of the "company" town, since its whole economy revolves round the large steel works of Stewarts and Lloyds, which removed there in 1934. The town has grown quickly, and at the end of the war the steel company owned 2,300 of its 2,900 houses.

To make Corby a satisfactory town, a large number of houses must be built quickly, some alternative employment—especially for women—must be introduced, and social facilities provided. This is a job beyond the resources of a small local authority; but the proposed Development Corporation, which possesses the necessary powers, will have to move delicately to avoid offending local feeling and good sense by top-heavy and expensive administration.

Corby is a case where town planning may accomplish a useful task of tidying up in the wake of industry. There have been some recent planning schemes, however, which make the mistake of laying down the future course of industrial development in considerable detail. Industrial growth is subject to far too many economic variables for plans of this nature to be desirable or workable. Town planning powers can do something to guide the location of industry, and can do much to civilise its impact; but the need for a flexible economic basis must remain.

* * *

Israel's Dependence on America

Within the week, an Israeli economic periodical has told its readers that "unless we succeed in attracting big money, we must radically lower our standard of living" and Dr Weizmann has informed a group of visiting Americans that "our best defence is to fill the country with people. Physically our resources are being taxed. Help from America in ample measure is vital." The two quotations are juxtaposed in order to show that from whatever angle thinking starts it proceeds inevitably to the same conclusion: Israel is over-

whelmingly dependent on American Jewry for at least a generation.

Israeli optimists sometimes argue in terms of self-support within a decade, but home statistics, as well as the foreseeable outlook in the world's markets, seem to belie them. The Israeli balance of payments starts at a handicap. The ratio of Palestinian exports to imports, always seriously adverse, has naturally worsened under the impact of 305,000 immigrants. Foreign trade statistics for the first five months of 1949 show an unbalance which is even graver than it looks because three of the months (January to March) are those in which the seasonal citrus harvest accounts for something over three quarters of all exports:

	£ millions, 1949	
	Exports	Imports
January	1.5	4.1
February	1.5	4.6
March	2.0	6.7
April	1.0	5.3
May	.76	8.2

Now an immense and laudable effort is being made to improve it by internal means—in particular by reducing production costs. By means of an austerity programme that is severe though not as severe as Britain's the cost of living has been driven down from 371 points (August 1939 = 100) in April to 350 points in July and 334 points in October. As the national wage level includes a cost of living bonus, two wage reductions of £2 per month have been made. But the index of wholesale prices in Israel stood, at the end of 1948, at 421 (1937=100) as compared with 191 in the United States and 202 in the United Kingdom. It is clear that these herculean efforts, though important internally and psychologically, are insignificant when viewed in terms of improving the nation's total international balance of payments. Only foreign charity and foreign investment can fill the gap.

Hence this month's anxious visit to Israel of twelve of America's leading Zionist campaign organisers. Hence last week's emergency two-day conference in Washington to discuss the means of arresting the drop in American charitable contributions. Hence the Jewish Agency's onslaught upon multiple campaigns for sectional or minor purposes. The United Jewish Appeal in the United States, which had collected \$131,262,000 by mid-October of its 1948 campaign, has collected only \$96,681 in the same period of this year and has had to borrow to meet its commitments. Its target for 1950, which will, no doubt, be announced when it holds its national conference on November 25th, is said to be at least \$200 million.

* * *

General Franco in Lisbon

General Franco has at least retracted none of his proud views. Out of his visit to Lisbon this week has come a provocative statement which can do nothing to promote his cause among democratic western sympathisers. Speaking about the fight against Communism, he is reported to have said that the only way to wage it is to count on countries "which have a social unity and a regime like Portugal and Spain—which I assert are models for the world." Unfortunately, "models for the world" is just what they are not. A reasonable case can be made out for the enlightened rule of Dr Salazar, and indeed for the peace and order which General Franco himself has brought to his own troubled land. But the strength of both arguments depends on the special circumstances prevailing in the two countries. Neither regime should be for export.

The comparative isolation in which Madrid finds itself provides the key to the Generalissimo's historic visit to Lisbon. Portugal's hospitality is in repayment for that

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welcome accorded to the President, Marshal Carmona, by King Alfonso as much as twenty years ago. But there can be little doubt that Spain rather than Portugal attaches the greater importance to the visit. Franco is seeking to strengthen Iberian solidarity at a moment when, by joining the North Atlantic Pact, the Portuguese have taken their first plunge for a great many years into the waters of international alliance. They have not done so, however, without looking back over their shoulders. And it must be accepted as an axiom that any part allotted to Portugal in western defence will not be accepted, on the one hand, without the Spaniards knowing a good deal about it, and, on the other, without Spanish interests being considered.

Spanish foreign policy is based on a tradition of neutrality. One of Franco's greatest achievements in the eyes of his countrymen was to keep out of Hitler's war. Today, Madrid is looking away from Europe—except for Portugal—more determinedly than ever; it believes that its future lies in as close an association as possible with the United States and with the cousinly nations of Latin America. In particular, the Generalissimo's speech at the opening of the Cortes on May 18th seemed to mark the end of any further Spanish efforts to get along with Socialist Britain, as the major European power. Up till then, he indicated, Spain had been "dreaming that our nation might be allowed to make a constructive contribution to a Europe hitherto divided and astray."

"Europe," Franco said this week in Lisbon, "is living in an antechamber of war." It is natural that there exists a strong Iberian wish to keep out—unless, perhaps, a complete and unlikely reversal of western policy were to bring Spain right back into the comity of nations and allot it a leading role. One of the least helpful effects of Franco's visit to Lisbon, therefore, could yet be to weaken Portuguese willingness to participate actively in the Atlantic Pact.

* * *

Timber from Eastern Europe

The International Bank announced last week a loan of \$5,000,000 for Yugoslavia and Finland to finance a timber development project sponsored jointly by two Uno bodies—the Economic Commission for Europe and the Food and Agriculture Organisation. Yugoslavia is to receive \$2,700,000, Finland \$2,300,000.

The project has been brewing for a year and a half. As originally conceived, it called for a World Bank investment of \$8,000,000, and the recipients were to include three additional nations: Poland, Austria and Czechoslovakia. Poland has since declared that it can expand output without the aid of dollars—and also without the financial supervision which a bank loan requires. Negotiations are still in progress

over a loan to Czechoslovakia, and Austria is said to have indicated a "desire to participate."

The loans are part of a novel arrangement for expanding European supplies of timber and at the same time encouraging east-west trade. With their new credits Yugoslavia and Finland are to buy dollar equipment which will in time produce timber exports for western Europe worth many times the original dollar investment. On the basis of the original loan of \$8,000,000, it was calculated that the Eastern producers could by 1950 raise the value of their timber exports by \$120 million.

In the course of prolonged negotiations the two eastern nations have guaranteed to export timber of a specific quantity and at reasonable prices to six countries in western Europe. The latter in turn have agreed to make part payment in dollars directly to the World Bank until the loan is repaid. Wherever possible, the western European nations will also make available non-dollar timber equipment to Yugoslavia and Finland and may extend further credits for that purpose in their own currencies. Those taking part in the agreement with Finland are Britain, Belgium and Denmark, and those signing up with Yugoslavia include Britain, the Netherlands, France and Italy.

It is hoped that the spur to production will be enough to enable western Europe to curtail sharply its imports of dollar timber—not in the immediate future, but gradually throughout the next two years. By spending a few more dollars now Europe can augment its own supplies of timber, which are still very much lower than before the war. Europe's major softwood exporters shipped only 2,000,000 standards last year as compared with nearly 4,000,000 before the war. A serious pinch has been averted only by abnormal timber imports from western Germany, which have rapidly dwindled, and by importing from the western hemisphere for scarce dollars.

* * *

The Rise of Malenkov

The *New York Times* has recently collated some indications of the growing importance of G. M. Malenkov in the Soviet Union. It has propounded the theory, long current in diplomatic circles, that Malenkov and the late A. Zhdanov were close rivals for the "succession," and that Malenkov has been replacing Zhdanov's supporters in the party with his own men. The theory rests on the interpretation of some recent changes in the Soviet hierarchy (notably the removal of N. Vosnesensky, head of Gosplan) and amongst the party leaders of Leningrad, where Zhdanov was in charge during the war. There are other signs of Malenkov's high prestige, as for instance that his picture now appears alongside that of Stalin, and that Stalin and he recently signed jointly an important decree. Something could be said against each of these indications; but on the whole it seems that Malenkov's chances are at present better than those of any other Soviet leader.

Malenkov, like many Soviet personalities, is little known. His age is forty-eight, so that he is almost entirely a product of Soviet times. He has had little experience of the outside world. He has been a member of the Politburo since 1946. Like other members of that body, including Stalin, he has risen from obscurity not by brilliance, personal leadership, or authorship, but by hard work in party posts.

Because Stalin's power and prestige are unique, and because those under him—even the greatest—are subject to checking, counter-checking and, occasionally, removal, and never express publicly any individuality, it is tempting to suppose that mediocrity and subservience are the main requirements for survival in the entourage. It is certainly difficult to conceive of Malenkov, or any other member of the Politburo, ever being able alone to replace the master. If, however, Malenkov were eventually to succeed Stalin by

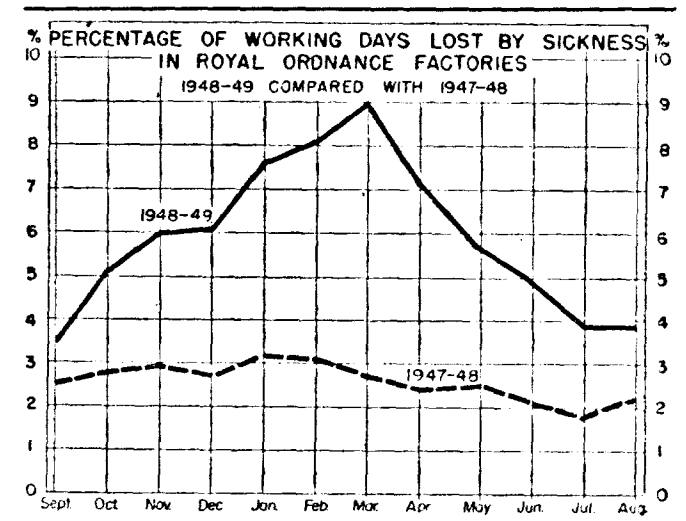
some more or less constitutional means, it seems likely that he would seek to keep the Soviet state in the form that we know today. There would be no real alternative. Modern Russia owes its might, and Malenkov would owe his power, to the centralised control of the Bolshevik party, to Soviet ideology, to the "Stalin Constitution." Some enemies or rivals might disappear, but it would be in the interests of the new ruler to avoid major upheavals.

Besides necessity there is inclination. Malenkov, who has formed his political ideas almost entirely in Soviet times, and while working over twenty years in the Bolshevik party, would surely be as unlikely to introduce, say, English democracy as he would be to revive the Tsardom. As regards foreign policy, Malenkov has not made the violently anti-western speeches of his late rival Zhdanov; but it can safely be assumed that he is solidly behind the present Soviet line, both because of his high position and because of his association with the Cominform. Speculation on Malenkov's chances, interesting though it is, reveals no prospects of a Soviet attitude substantially different from what now exists.

* * *

Sickness in Royal Ordnance Factories

An article in *The Economist* of August 20th (page 391) discussed the rise in sickness absenteeism in Royal Ordnance factories after the scheme for allowing employees full pay in sickness was introduced in September, 1948. This chart,



which is drawn from figures given by the Minister of Supply in answer to a Parliamentary question on October 24th, speaks for itself.

* * *

Punishment and Reform

The addresses at the annual general meeting of the Magistrates' Association last week emphasised once again the distinction between deterrence and reform, a distinction which was also brought out in the report, published at the same time, of the Scottish Advisory Council on the treatment of offenders. The criminal code, as Dr Bowlby of the Tavistock Clinic pointed out to the magistrates, is largely drawn up in terms of punishments for offences. Reform, on the other hand, is concerned with the offender. The difficulty, as is well known, is to undertake the reform of the offender within the existing prison system. Even those who believe with Dr Bowlby that reform is more important than mere deterrence recognise that while it is being undertaken the public may have to be protected from the offender, which may well imply detention of one kind or another;

but the Scottish Advisory Council does well to emphasise that the punishment consists in being sent to prison. Once an offender is in prison, punishment should not be increased but should give way to reform.

The distinction between the two is also illustrated in the present cleavage of opinion on what to do about the increase in delinquency. There are those who, like Dr Bowlby, advocate long-term research into the causes of delinquency and the effectiveness of the various methods of dealing with delinquents—either by punishment or reform. There are others who say that it is the policy of dealing more leniently with delinquents, by placing them on probation instead of sending them to prison and by treating them more humanely once they are in prison, that may be the cause of the increase in crime, and that what is wanted is action—i.e., punishment—now. The trouble, of course, is that most prisons are totally unsuitable, too overcrowded and too short of staff, for reformatory treatment to be very effective. But those who ask for research at least have this in support of their views. The latest report of the Prison Commissioners shows that, of 28,970 convicted male prisoners, 13,733 had been in prison before; of these, 1,368 had over 11 previous offences recorded against them. These statistics do not support the view that punishment is an effective deterrent.

A Greater Plague than Cholera

After inflicting much suffering—particularly on the lower classes—the cholera seems entirely to have departed. All the nuisances of unflushed sewers, intramural burials, collins bursting and pouring forth poisonous exhalations, are continued. . . . But though all the supposed causes of cholera, which have called forth such torrents of eloquence, are still in existence, the disease has happily disappeared. . . . To live closely packed together—to inhabit towns, if continuous dwellings be towns—must obviously become more and more the condition of our people, and probably of the whole human family. It is most desirable that this fact should be always had in remembrance, and that we should study how to make towns convenient, comfortable, pleasant, and healthy. But, in our present condition of ignorance as to the causes of diseases, such as cholera, we are likely to do a great deal of mischief if we allow the terror it has excited to become our legislator, and impede the future exercise of useful industry. We shall be a far greater plague to each other than the disease itself, if every idle man—and our wealthy community abounds in such—be encouraged to look out for amusement, in denouncing occupations as injurious to health that may be offensive to him. Under the influence of terror, and following the example of one or two persons who have unfortunately been authorised, by a Legislature not over-learned in such matters, to meddle with what they seem as little to understand as the vulgar herd, the disposition of one person to interfere with others is, we are afraid, very much on the increase. Amongst us there is an immense number of persons who have nothing else to do than correct their neighbours. Cholera seems to have called them into redoubled activity, and given them, in the care for the public health, a patriotic motive for their exertions. Believing, for our part, that it is not the business of every man to take care of every other man—believing, too, that the present perpetual interference, both of individuals with individuals, and of the Legislature with most of the business of life, is extremely injurious, we conclude that, if the cholera bequeaths to us as much interference as it has begotten in its progress, it will inflict on us a far heavier plague than itself.

The Economist

October 27, 1949

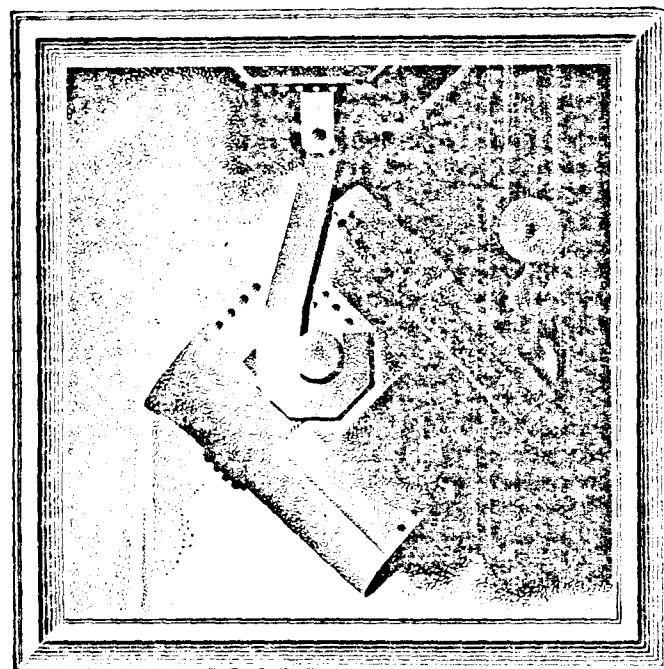
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Letters to the Editor

Rescuing the Left

SIR,—On page 820 of a recent issue of *The Economist* there is an argument about the market for cars—an argument on which a great deal is made to hang. It seems to be derived from a statistical mistake. Before the war, as the National Income White Papers show, there were not 2,000,000 (or even 1,000,000) people with net incomes of £550.

It has been more usual to regard £250 as the critical level for the car manufacturer; there were 2½ to 3 million people with gross incomes of £250 or more a year. Since the number of cars was still increasing at an annual rate of about 120,000 in 1939, when more than 2,000,000 were already in use, it seems that too much importance cannot be attached even to the £250 thesis.—Yours faithfully,

16 Queen Anne's Gate, S.W.1

FRANK DAVIDSON

[Owing to a slip in copying, the figure of £550 should have been £350, which would involve consequential alterations in other figures. But the argument, of which these figures were merely illustrations, does not need any alteration. The price of the cheapest British car is more than 2½ times what it was. Whoever may have been the critical income level before the war, above which the 2,000,000 car owners were to be found, it is quite certain that the uppermost 2,000,000 people do not now have 2½ times the net income they had before the war. If the number of people who could afford £125 (or the corresponding second-hand price) in 1938 was 2,000,000, then the number of people who will now be able to afford £325, even after second-hand prices fall back into their proper relationship, must be only a fraction of 2,000,000.—EDITOR.]

SIR,—Your article "Rescuing the Left" is a brilliant analysis of the economic impasse caused by the interplay of apparently immovable doctrinaire political thought and constantly moving economic factors.

What is to be done? Those of us who, in your words, "wish to correct the mistakes of the past few years without abandoning our ambition" do not want to "save the Labour Party from itself." As trustee of liberal principles the Labour Party has failed. It is indeed incumbent on progressive, radical, liberal opinion to gain influence on the machinery of the state. This it can only do if it rallies to it now, before it is too late, all those many Labour Party followers who share the liberal objectives, which you, Sir, defined so well; the right to a minimum standard of living, reward for services to the community, the state's purposive direction over the development of economy—all these combined with the efficiency of the national economy. It must also rally to itself all those enlightened men of the Right who, sharing the liberal belief in the liberty of the individual are already inwardly convinced that the welfare of the many must be the concern of the state and must rank before the welfare of the few, but who can not yet bring themselves to sever old loyalties to conservatism.—Yours faithfully,

R. S. DETSINY

2 Neville Drive, N.2

The Leisure Incentive

SIR,—Among the many who never read what I write, and could not understand it if they did, I have a hearsay reputation as a paradoxmonger. One of my so-called paradoxes is classing *The Economist* as foremost among the few advanced press organs that know with any precision what they are writing about. I read it religiously.

But I miss from its articles one prime factor in the national economy. That factor is not labour, not product, not ability, but leisure. Yet to be a sweated proletariat, overworked and underpaid for centuries past, more leisure is a stronger incentive than more money. It is the only reality of freedom, and is

made possible by division of labour, invention, mass production and scientific management of which last only 5 per cent of the human race are born capable. Its distribution is as fundamental as the distribution of income.

At present, when labour becomes, say, for instance, twice as productive as before, the skilled piece-worker takes his share of the gain not in earning twice as much, but in working from Monday to Wednesday, and from Thursday to Saturday lying late in bed in the morning and loafing for the rest of the day. And when the piece-work rate is reduced by half to compel him to put in a full week's work or starve, he strikes and stops production instead of doubling it.

To correct this, continuous industrial service should be made as compulsory as military service, and employers who now pay for holidays on full wages in days of casual leisure, compelled to pay it in weeks, fortnights or months, duly staggered (in short, banking it on deposit), thus abolishing absenteeism.—Yours faithfully,

G. BERNARD SHAW

Ayot Saint Lawrence, Welwyn, Herts

[Whatever the arguments for or against Mr Shaw's totalitarian solution, the problem is not as he states it. In most industries workers are more interested in earnings than in leisure. Nothing brings an employer into greater odium than a failure to distribute the overtime equitably. Moreover, in a free and expanding economy, the only conceivable one in which labour is likely to become twice as productive, the incentive to earn becomes greater than ever.—EDITOR.]

Dollar Exports

SIR,—Your American Correspondent in London (*The Economist*, October 15th) suggests inherent deficiencies in the average British manufacturer. He infers that (a) the US market is too vast for the small British firm, (b) the British business man is complacent and unwilling to accept risks or Government assistance.

I would like to see the formation of a company under the 1948 Act having a share capital and called, say, "British Dollar Exports, Limited," the objects of the company being (1) to promote dollar exports and (2) the purchase of sterling manufactures for marketing in North America. The company would exist to purchase from invited manufacturers, other than large organisations, a fixed percentage of their outputs (on an agreed basis) for a minimum period, and concentrate solely upon making a drive into hard currency markets. The company could operate upon preference share capital offered to the public and ordinary shares offered to manufacturers. Later, perhaps, additional capital could be raised by the issue of debentures secured upon stock. The board of directors would be captains of industry, working in close contact with Government departments. An under-board would make recommendations and be responsible for general administration.

Such a company, staking its solvency upon earning dollars, fired with British business sense, might offer direct incentives to the manufacturer. A defined sale for a defined period; clean-cut sterling transactions relieving the small producer of risk, distribution charges, personal representation and administration expenses; a possibility of dividend income. Exceptional orders from dollar markets would be passed back to the manufacturer or handled on his behalf by the company. "British Dollar Exports, Limited," need not be publicised unless in slogan form, such as "Britain Delivers the Goods."

The Government, on the other hand, would have the advantage of dealing with a specialist company instead of with numerous small companies. There could be no suggestion of a subsidy to manufacturers to give grounds for higher American

tariffs. A saving of the nation's indirect labour, in addition to helping the full employment policy, might well result. Storage, with the exception of facilities in Canada, should present no unusual problem. Surplus stocks could be turned over by the company to the Government as representing exports not required in hard currency areas and, therefore, freely available for the reduction of sterling balances.—Yours faithfully,

30 Gordon Street, W.C.1

COLIN A. PERRY

Comparative Labour Costs

SIR.—The first point made in Mr Wiles's letter seems to be based on a misinterpretation of your brief note on page 775. As I read it, your note did not imply that "all items in indices of production are based on value calculations," but merely that an index of production which uses postwar weights based on relative values of output discounts, instead of reflecting the increased productivity and relatively lower prices of the expanding industries.

This is broadly correct. In the case of the official Interim Index the problem actually arises from changes in unit labour cost (not overall cost or even output per worker), since the 1946 weights are calculated by adjusting the 1935 weights for estimated changes in the total wage bill of each industry. As

the Central Statistical Office has explained, the results yielded by the 1935 weights and by the 1946 weights differ from each other because "changes in wages per unit of output between 1935 and 1946 were negatively correlated with changes in output. In industries, that is to say, in which output has increased, relatively to the average change in output, wages per unit of output have, in general, shown a relative decline, and vice versa." ("The Interim Index of Industrial Production," p. 45.)

The relative increase in output of the more rapidly expanding industries must have tended to increase the relative size of their wage-bills in the same proportion, but this tendency has apparently been more than offset by the relative reduction in the unit labour cost of these industries—a reduction symbolised by the letter B in the equations on page 19 of the publication quoted above.

As regards Mr Kaldor's assertion in your issue of October 15th that "the question of whether prewar or postwar weights are used is wholly irrelevant to comparisons between different postwar years," this is only true in the sense that doubts about the relative merits of using prewar or postwar weights can only arise in comparisons between prewar and postwar years. But it is not true in the sense that the choice of weights has no effect on comparisons between different postwar years.—Yours faithfully,

P. WYKEMAN

1 Stanley Gardens, W.11

Books and Publications

Search for a Liberal Credo

"The Vital Center." By Arthur M. Schlesinger, Jr. Houghton Mifflin. 274 pages. 83.00.

CONSIDERING the long tenure of power which American liberalism has enjoyed—from the Hundred Days of 1933 down to the present day—it is surprising how little it has evolved of a philosophy of action—even of that most familiar of philosophies, the *ex post facto* rationalisation. The historians of the New Deal are hard put to it to find reasoned expositions of its purposes and policies. They are certainly not to be found in the rather synthetic oratory of its founder-President, still less in the eloquence of its electoral campaigning. Seldom can a reform movement have held office so long and, despite all setbacks, so successfully, without a coherent body of expositors, apologists, political philosophers or social theorists. No doubt there are good reasons for this and a full explanation of the phenomenon would lay bare some of the most characteristic and significant features of American life. But a price has been paid for it, a price which mounted steeply when the death of Roosevelt and the dissolution of the New Deal fraternity coincided with the emergence of the Kremlin as an open enemy of the west. Deprived of the shelter of the great empiricist, their ranks thinned by the defection or the enfeeblement of many of his ablest lieutenants, and exposed suddenly to deadly doctrinal sniping on a virtually unprotected flank, their left, American liberals have had to re-form, purge their Quislings and discipline their Pattons, and, above all, learn from their enemies the need not only for a faith but also for a theology.

This process has been long and painful, but the turning-point came with the elections of 1948, the exposure at the conventions and the defeat at the polls of the Wallace movement. Even if Truman had lost to Dewey the re-establishment of liberal integrity would have been the great gain of 1948. As it is, the events of that year have proved that clarification of purpose need not mean deprivation of power.

Mr Schlesinger, watching all this with the dual vision of an historian of Andrew Jackson and an organiser of American's for Democratic Action, has sought in "The Vital Center" to

tell the story of his generation's American liberalism and, with that as a pointer, to work out the philosophy which it needs if it is to stand up to the harsh tempests of the roaring 'forties and 'fifties. Both the story and the analysis make "The Vital Center" an exciting and important book, uneven perhaps, but eloquent, timely and far-reaching. The story describes searchingly but none too harshly the failure both of plutocratic conservatism and of "doughface progressivism," the menace of the featureless industrial leviathan and the totalitarian-communist crusade, the squalid intrigues of the American Communist Party and the gradual evolution of an American "Non-Communist Left." It is a story hitherto untold, at any rate with the clarity and penetration displayed here. It deserves to be widely read in Britain, especially in those quarters where depreciation of New Deal liberalism and exaltation of American fellow-travellers have very often gone hand in hand.

The virtuoso brilliance of these chapters perhaps makes inevitable a certain sense of disappointment when Mr Schlesinger proceeds to his final task, which is to outline a credo for his new progressivism. Inevitable or no, there is recognisable a certain loosening in the argument when the historian gives place to the prophet. Certain clarities emerge, but they are negative. Social security, like innocence, is "not enough." Civil liberties are not to be infringed. Imperialism will not stop Communism. Democracy cannot "be transformed into a political religion, like totalitarianism." But how does the Non-Communist Left transform the negatives of liberty, the insufficiencies of mere security, into the positive "fighting faith" which Mr Schlesinger desiderates? "How to produce a vigilance that never falters? How to strengthen the human will?" Here we are in the Himalayas of inquiry and if Mr Schlesinger cannot show us as neat a route for the ascent of F6 as some of our prewar guides perhaps we should not complain. But in fact, having brought us so far, Mr Schlesinger virtually abandons us to our own devices and contents himself with asking us to be our age and to recognise that there is no funicular railway to the summit, that indeed the summit is less important than the climb. "We are forced back on the reality of struggle. The choice we face is not between progress with conflict and progress without conflict. The choice is between conflict and stagnation."

The new radicalism, in fact, turns out to be a secular Niebuhr-ism. Barth has ousted Marx. But if one accepts the continuing reality of conflicts, one may still ask, as indeed Mr Schlesinger very properly inquires, how it can be made to issue "not in excessive anxiety, but in creativity." His own answer seems to one reader to take refuge in an optimism which may or may not be justified but which certainly is not substantiated on the same cool and persuasive level of argument as the rest. Yet unless someone can find a solution to this problem the totalitarian fanatics will still be left with all the tactical advantages that accrue to those who maintain the offensive, even when it is the offensive of nihilism and self-abasement.

End of a Story?

"Promise and Fulfilment—Palestine, 1917-1949." By Arthur Koestler. Macmillan. 335 pages. 12s. 6d.

HERE is the first story of Israel's birth-pangs and growing-pains to be published in Britain. It is a story, not a history, for it leaves some substantial gaps in its record of fact. To read it with profit demands a knowledge of thirty years' events in Palestine which relatively few Anglo-Saxons possess. But all who do possess that knowledge should read it. Although maddened by Mr Koestler's rasping style, they will gain benefit from the salutary douches that he pours upon the smug Briton who thinks that "we did all we could" as upon the embittered Jew who sees no difference between the British camps in Cyprus and Hitler's camps in Germany or Stalin's in Russia.

Everyone will agree with some parts of the story as here told—that the stipulations of the mandate were impossible and acted as a permanent irritant; that the mandatory, often in spite of itself, defended the backward Arab against the pushful Jew; that the Jews were goaded, as much as anything, by British incomprehension of the news from Germany when they resorted to terrorism; that the British, when they threw up the sponge, ought not sulkily to have wrecked their edifice and left a vacuum that made war inevitable. But the record is spoilt by palpable exaggerations and untruths. The worst is the statement (page 166) that when the British stopped pumping oil to Haifa they diverted the flow to Amman to "make sure" that the Arab armies should be "well supplied with fuel." This is a physical impossibility. Israelis in the know (the reviewer is not one of them) say that there are mistakes of equal magnitude in the account of relations between Hagannah and Irgun.

The reader who simply scores these errors, and keeps his temper, will be rewarded for his perseverance by the book's final pages, which deal with the effect of the creation of Israel upon Jewry as a whole. Mr Richard Crossman, writing after the Commission of 1946, of which he was a member, said that the state would solve the Jewish problem only for the Jews inside it. For the rest—the contented and the assimilated westerners—it would entail insecurity, because it would create

a constant fear of being told to "go home." Mr Koestler skates over this consideration to take a different, perhaps only a longer, view. He contends that the Jew's differentness from his Gentile compatriot has been based on the sense of exile and of longing for return that is a mainstay of the Jewish faith. Termination of the exile has, he believes, deprived that faith of the quality that made it different from its fellows. If the Jew of today is not to expose himself to a charge of divided national loyalty he must forgo the luxury of differentness formerly justified by his religion. "Now that the mission of the wandering Jew is completed he must discard the knapsack and cease to be an accomplice in his own destruction." But Mr Koestler, in the mood of critical analysis untinted by the affection of a citizen for his own country gives no sign that he himself will follow this advice.

Roads

"The King's Highway." By Rees Jeffreys. Bletchworth. 320 pages. 18s.

MR REES JEFFREYS is one of the great men of the road. He has here recorded the experiences of a lifetime spent in the development of the administration of roads and of road-building and he can throw light on many of the less prominent chapters of road history because he was personally concerned with virtually every one of them. Starting as a cyclist fighting the dust nuisance, Mr Rees Jeffreys succeeded in convincing the highway authorities of the need for better roads, and the motoring community of the need to accept special taxation as a contribution towards the cost of improving the country's roads. After this work had been achieved, many of his creations, such as the Commercial Motor Users Association and the Institute of Automobile Engineers, developed and grew until the pressure of events caused them to be merged into still larger institutions. Through force of circumstances, Rees Jeffreys was on the outside, rather than the inside, during the great organic changes in the structure of the road transport industry of the past decade. For this reason, his account of the fluctuations in the Government's views on the function of roads, which have culminated in the passing of the Special Roads Act and the acceptance of the principle of motorways, is less than complete and, for instance, omits any reference to the valuable work of the British Road Federation.

Shorter Notice

"Introduction to Sweden." By Ingvar Andersson and others. The Swedish Institute, Stockholm. 311 pages. Kr. 12.50.

This book is a model of what such surveys should be. Well-balanced, lucid and accurate, it provides a most useful account of all aspects of Sweden and Swedish life. It is tastefully produced—the wrapper and binding deserve particular mention—on good paper with apt and often beautiful illustrations and a coloured relief map. It never degenerates into a guide-book or a potted history and assumes throughout a refreshingly high level of intelligent interest in the reader.

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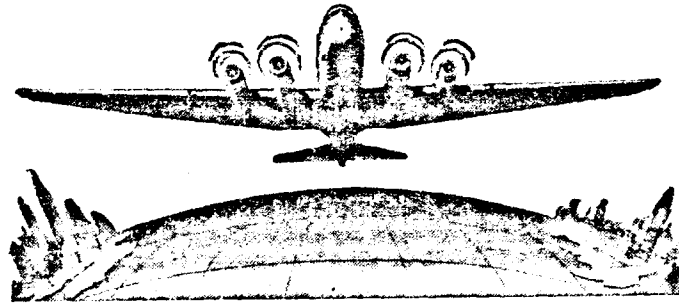
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U.S. Government Insured F.H.A. Mortgages	13,440,616.36
State and Municipal Bonds	36,272,271.33
Stock of Federal Reserve Bank	3,150,000.00
Other Securities	17,566,121.87
Loans, Bills Purchased and Bankers' Acceptances	555,237,000.89
Mortgages	14,431,852.68
Banking Houses	10,179,102.03
Other Real Estate Equities	450,815.40
Customers' Liability for Acceptances	4,016,079.69
Accrued Interest and Other Resources	6,547,518.02
	\$2,268,280,156.47
LIABILITIES	
Capital	\$45,000,000.00
Surplus	60,000,000.00
Undivided Profits	32,093,716.47
	\$137,093,716.47
Reserve for Contingencies	4,505,491.12
Reserves for Taxes, Unearned Discount, Interest, etc.	8,905,314.01
Dividend Payable October 15, 1949	1,350,000.00
Outstanding Acceptances	4,552,297.88
Liability as Endorser on Acceptances and Foreign Bills	2,584,796.63
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AMERICAN SURVEY

Dr Nourse and the Budget

(From Our American Staff)

THE departure of Dr Nourse from the President's Council of Economic Advisers, of which he was chairman, marks another milestone on the hard road travelled by many of those who try to formulate economic policy. The open split in the Council between Dr Nourse on the one hand, and Mr Keyserling and Dr Clark on the other, has for over a year made it likely that Dr Nourse would resign. Their disagreement is merely the latest of a series over economic policy and practice which has plagued Washington since the scope and responsibilities of government began to grow under the impact of the great depression nearly twenty years ago. It can be predicted with confidence that this disagreement will not be the last.

It was in a speech last week that Dr Nourse most bluntly outlined the reasons for his determination to press his resignation, and made it inevitable that the President should accept it. This broadside spared no one, not even the President or, by implication, Congress. Dr Nourse confessed himself uneasy over a farm policy which stimulates produc-

appropriate. The proper character of the new organisation has therefore also been an issue.

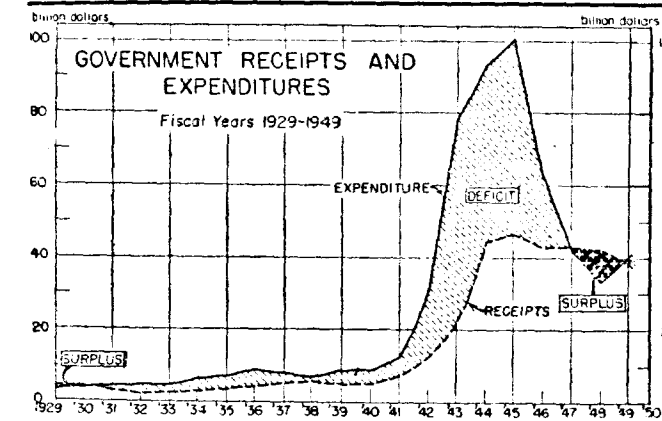
Consequently, Mr Truman's selection of a successor to Dr Nourse will be unusually significant. If he chooses—and if the Senate confirms—a man sharing Mr Keyserling's views on policy and the council's functions, the CEA will become—certainly in the public eye and almost certainly in fact—substantially an arm of the Administration instead of the objective analytical body many hoped for. And even the moderates will feel that their views have not been considered. The President has the power to make such an appointment, and the decision it implies, but it is fervently to be hoped that he will not exercise it. For if he does, the Council will lose what power it may have to reconcile divergent groups.

It is not surprising that the most notorious cause of the split—though by no means the only one—should have been the budget. For it is in the budget that most differences in economic thought finally meet head-on. State policy on revenue and expenditure decide the extent of its influence on, and intervention in, the economy. And they greatly influence, if they do not actually dominate, most others, such as monetary, agricultural, construction, foreign, or defence policies—to specify only a few. Through its revenue and expenditure policy the state can, and increasingly during the past two decades has, reached into and pervaded every nook and cranny of the economy.

The budget is attracting attention at present because expenditures are rising and a substantial deficit—perhaps \$5 billion—is in prospect for the current fiscal year ending on June 30, 1950. This follows a deficit of \$1.8 billion last year. Before that, there were two years of surpluses, following 16 consecutive years of deficits. The prospect has caused the President to declare that he will ask the Congress in January for a substantial increase in taxes—as he did last January. This has evoked a cry of anguish from business and caused some apprehension elsewhere, exposing the full width of the disagreement over economic policy.

But even the current budget figures do not reveal the problem in its entirety, for it runs all the way from techniques to theory. In simple, unvarnished language, budgetary policy is an unmitigated muddle. For 16 years every attempt to overcome it—and there have been many—has been routed, and the only attitude toward the budget on which there is any agreement whatever is one of lively dissatisfaction.

For years the country has been treated to a variety of concepts about the budget. There are proponents of the annually balanced budget, the budget to compensate for cyclical fluctuations or for secular trends, the budget to supply incentives for this and that. There is the concept of a budget to provide full employment, a budget to ensure the greatest possible efficiency in government, a budget to reduce the war-swollen public debt, a budget to alter income distribution. All these, and variants of them, and still others, com-



tion by high prices and then, to avoid oppressive surpluses, has to resort to restriction. He was "filled with apprehension" by the defeatism of management, which led it, on occasion, to prefer banked fires to price cuts which would stimulate demand; he deplored the spectacle of labour leaders demanding both shorter hours and larger pensions. But his bitterest criticism was reserved for the apparent willingness to accept deficit financing as a "way of life" at a time when high production and employment dictated financial prudence and made it relatively painless.

The Council of Economic Advisers, established in 1946 by the Employment Act, is the newest of a number of super-agencies created to formulate economic policy. That it should split was perhaps inevitable, but is nevertheless regrettable. Dr Nourse is far from a proponent of *laissez faire*, but he has a caution as to the extent of government activity which is not shared by the other two members, Mr Keyserling and Dr Clark. He likewise holds the conviction that a council appointed to advise the President should do exactly that and no more, while the other two believe its functions should include open advocacy and lobbying for policies felt to be

mand considerable followings. But not one commands general acceptance.

For years Congress has struggled to develop a technique to master the budget, so that Congressmen should know how much money they were voting and, in some detail, for what. But no member of the Congress which adjourned in mid-October—nor anyone else—knows within billions of dollars how much expenditure has been authorised for any given period, or can make an accurate and detailed breakdown of the huge total. The Budget Bureau has been reorganised over and over again and new systems of account and summary and analysis have been tried, but there is as much confusion as ever—if not more. For years, private, public and quasi-public bodies have studied the budget and published weighty reports without making much impression.

The fact is that, since the twin concepts that budgets should be balanced annually, and that a government should be deemed the best when it did least, ceased to command general acceptance and support some decade and a half ago, no authoritative alternative has taken their place. What has happened—and to say so is no disrespect to the many who labour diligently and in the best of faith on the subject—is budgeting by opportunism and expediency. There really is no budget: what exists is a sum of special interest and necessities appropriation Bills and a revenue system compounded of tradition and malice, and governed by the maxim, "the most feathers for the least squawk." Since it is more attractive and less painful to spend than to tax, expenditure customarily exceeds income.

All this is not to say—though some do—that public credit is necessarily going to be destroyed and the currency obliterated as a consequence of profligate public finance. There are powerful checks in the very extensiveness of the present disagreements; and a strong inhibition exists in the widespread feeling of guilt over the deficit. Moreover, the productive power of the country has shown it can survive a great deal of abuse. But until there is a broader agreement than exists at present over economic objectives and the kind of budget which will best implement them, many faithful public servants will be doomed to frustrations similar to those of Dr Nourse.

American Notes

Fair Deal Postponed

Mr Truman has bidden Congress *au revoir*, but not goodbye, with far more cordiality than seemed possible this spring, and with the heart-felt wish that two months at home will strengthen Congress for the renewed assault on controversial legislation, postponed until the shorter session next year which will precede the Congressional elections. This first session has sat—or been held in place—longer than any Congress since 1922, and appropriated more money than any of its peacetime predecessors. But only Mr Martin, the leader of the Republicans in the House, could compare it to a "tree bending before the gale of statism." Before the threat to peace would be more exact: the great achievements, and the heaviest spending, have taken place in the field of

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foreign affairs. Congress passed the second year of the Marshall Plan, accepted the Atlantic Pact and military assistance to buttress it, approved a \$15 billion defence budget, ratified the Wheat Agreement, and renewed, without any jokers, the Reciprocal Trade Agreements Act.

Of these, only the last was passed without Republican support; and of the two foreign affairs measures lost for this session, the DP Bill was buried chiefly by Senator McCarran, a Democrat. Point IV—providing investment guarantees and technical assistance for a global fair deal—has been shelved until next year. The score on domestic legislation also tends to support Senator Taft's observation that few of this session's achievements bear the exclusive "Fair Deal" tag under which Mr Truman campaigned. The farm Bill is in the old, bad tradition of pressure politics, a victory for the President only to the extent that it seems likely, by its cost, to push both consumers and taxpayers towards his alternative, the Brannan plan. The long-range Housing Act—the session's welfare peak, with its final approval of slum clearance and low-cost housing—owed as much to Senator Taft as to Mr Truman.

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A number of victories, as well as one outstanding defeat—that of the proposal for a Department of Welfare—were registered on the reorganisation of the Government: the pay of public servants was raised, though by less than Mr Truman had specified; military unification was tightened (to such an extent that the Navy blew up); a Reorganisation Act was passed, and Congress accepted the bulk of the minor reforms submitted under it by the President. On minimum wages, the Administration won an increase from the outmoded 40 cents to 75 cents an hour, but lost—to what extent only the courts can determine—in reduced coverage. Rent controls were extended, but weakened by a heavy dose of local option. Perhaps the chief change of heart from the preceding Republican-dominated Congress was shown in the favourable action on public electric and reclamation projects and transmission lines—though this took a piece-meal, rather than the broad regional, form favoured by admirers of the Tennessee Valley Authority.

Of the Bills which failed to get through, the two most embarrassing to the Administration are the one to repeal the Taft-Hartley Labour Act, and the one to advance Negro rights. Administration supporters console themselves with the reflection that these two first-class campaign issues are still on tap, but they may be so forever if future handling is as maladroit as it was this year. Already it is suggested that the Administration means once more to alienate the South by giving priority to its least acceptable civil rights proposal—that for a Fair Employment Practices Bill.

Two corner-stones of the Fair Deal are halfway to their places. The Bill for federal aid to education passed the Senate, but foundered on religious prejudice in the House, while the promised increase in social security benefits passed the House, but stuck in the Senate. On the other hand, business which, unlike labour, fared better in general than

it expected, was bitterly disappointed by the failure of the Senate to legalise freight absorption.

* * *

The Navy Torpedoed?

The Navy's case against the way unification has worked was summed up for the House Armed Services Committee by Admiral Denfeld, Chief of Naval Operations, with more vigour than had been expected, and certainly more than the Secretary of Defence considered becoming in a member of the Joint Chiefs of Staff. Admiral Denfeld professed his own, and the Navy's, belief in unification, and took no part in the blitz of the naval aviators against the Air Force or its B-36 bomber. But he emphatically supported the complaint of other witnesses that the Army and Air Force had no understanding of the crucial part the Navy would play in another war, and that the Navy was at the mercy of arbitrary decisions as to its armament and functions. No unification, in his view, would be better than the present monstrosity.

Stung by what he considered disloyalty, General Bradley, chairman of the Chiefs of Staff, flung himself into a full-scale offensive when his turn came to testify, ranging from heavy artillery to mere nuisance raids. He upheld the Air Force's case and, by suggesting that amphibious operations were a thing of the past, firmly relegated the Navy to the high seas and away from land offensives. He was sceptical that large Marine forces would ever be needed, and made it clear that, in his view, the concept of "balanced forces" was far from identical with dividing the defence dollar into three equal parts. He refused to guarantee the Navy its third of the defence budget. The Navy, its hopes torpedoed, drew what comfort it could from the fact that General Bradley, usually a healer of disputes, had lost his temper and his head. Accusations that the Navy was made up of "fancy dans" (show-offs) who would not play unless they could call all

the signals, his personal references to Admiral Denfeld, and his sarcastic tone lent some colour to the allegations of bias and partisanship which the Navy had made.

From that moment on, General Bradley and the Admirals were not on speaking terms, a difficult position for the man who presides over the Joint Chiefs of Staff. Mr. Johnson, who followed General Bradley, while conceding no part of the Navy's case, and insisting it had built a "straw man" of push-button warfare, in which no one believed, adopted a tone of calculated moderation. General Eisenhower went even further to pour oil on troubled Admirals.

The Committee, the storm over and its hearings concluded, has until January to consider its recommendations. But there is some doubt in Washington whether, before then, Mr Truman may not have to drop at least one of the pilots who have run unification on the rocks. General Bradley, for all his unfortunate outspokenness, has the support of Mr Johnson. It seems more likely that Admiral Denfeld may be retired, if the President can be certain he will not be added to the Navy's roster of martyrs.

* * *

Congress Courts the Farmer

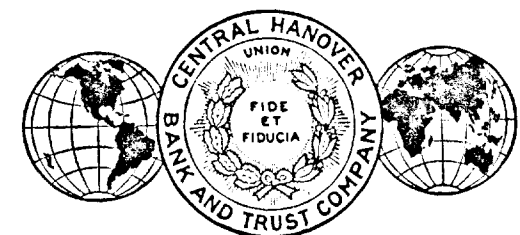
The Democrats, who had long ago given up any attempt to reconcile their differences on labour legislation, did not dare adjourn without agreeing on the line to be taken when courting the fickle farmer, who is always liable to vote for the Republicans. At the last minute, a compromise on agricultural legislation averted the threatened split in the Democratic party and gained the support of a number of Republicans—although not those who represent the cities where housewives are more plentiful than farmers. At first glance the new Gore-Anderson Bill looks like a victory for flexible supports for farm prices, which would reduce the

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Government's financial commitments and encourage farmers to grow crops that end up on dinner tables rather than in storage bins. But on further examination the Bill is seen to be as handsome and expensive a bouquet as any that has ever been presented to the farmer, with a carefully chosen bloom in it for every type of agricultural interest.

Prices of the six basic crops—wheat, maize, cotton, rice, peanuts and tobacco—will be supported at 90 per cent of parity during 1950, as it has long been obvious they would be; then, if the Secretary of Agriculture so decides and if Congress can break its habit of postponing the evil day, support levels can be reduced, for all except tobacco, to 80 per cent of parity in 1951 and to 75 per cent in 1952. But parity—the price which gives the farmer an equitable return for his crops in terms of the things he buys—will be calculated according to two different systems and until 1954 support prices will in each case be related to the higher. One system uses the historic basis of comparison, the years 1909-1914, the other takes the last ten years and includes the cost of labour among the things the farmer buys.

The new system will be kinder than the old to most non-basic commodities and is the only one to be used for them. Price supports are now mandatory for far fewer of these commodities than under previous legislation—only tung nuts, honey, milk and its products, wools and mohair and the notorious potato, at 60 to 90 per cent of parity. But the Secretary of Agriculture is permitted to support any other commodity at his discretion; in an election year the temptation to sweep hog and poultry farmers, soya bean and raisin growers and all the rest into the embrace of the Government's generosity, will be hard to resist. Congress has left another, nearly as invidious, responsibility to the Secretary. Perishable commodities acquired under price supporting operations can now be given away for charitable purposes, both at home and abroad, also at the discretion of the Secretary, who will certainly need more chairs in his waiting room.

Stronger Dose for Shipping

The never very robust health of the American shipping industry has taken a turn for the worse. Shipyards will finish most of their present orders by 1951, few new contracts are coming in and the amount of repair work is falling. The shortage of dollars and the availability of foreign vessels has reduced the proportion of the nation's trade that is carried in American ships. But at the same time it remains essential that the invalid should be kept sufficiently resilient to make its vital contribution to the defence of the United States and of its Allies. Shipping's head nurse, General Fleming of the US Maritime Commission, has therefore had no difficulty in persuading President Truman that, if the industry is to withstand the devaluation of sterling, it must have larger doses of its old medicine, the Government subsidies which offset lower ship-building costs abroad.

At present the Commission can pay up to 50 per cent of the cost of ships, and it is suggested that the subsidies may now have to be raised to over 60 per cent. The industry itself, however, might not welcome a subsidy so large that the Government would have a deciding voice in its policies. Yet in the past the Commission has been very ready to see things from the industry's point of view—too ready, in the opinion of a Congressional committee, which has just convicted the Commission of using improper procedures and unjustifiable assumptions when determining the subsidies for the large passenger vessels now under construction. The Commission's excuse was the difficulty of finding any realistic basis on which to assess comparative costs, owing to the secretiveness of foreign shipbuilders; it is now sending technical experts abroad to gather data.

Meanwhile, the Congressional specialists have been strengthening old remedies and devising better ones for the patient's debility. Half the military cargoes under the Mutual Defence Assistance Act must travel to Europe in

American ships and the similar stipulation in the Economic Co-operation Act has been made more specific, instead of being abolished as ECA asked. A Senate Committee is considering what new medicine would suit the case; it is particularly concerned because the present merchant fleet, almost entirely built during the war, will all become obsolete at the same time. The House Merchant Marine Committee has already written its prescription, on lines suggested by the patient itself. It proposes a number of changes in the treatment and would make subsidies available for tramp ships as well as for those operating on regular routes.

More Taxes?

When Congress returns in January, it will find under the "Welcome" mat the same request for higher taxes it picked up last year—and banished to the back of its deepest pigeon-hole. President Truman, who in July conceded to Congress that, with a slight business recession, it might not be wise to grease the skids, last week revived his demand for higher taxes to meet the cost of government and avoid increases in deficit financing. Presumably he has concluded that business looks healthier, while no one can ignore the pallor of the federal budget this year.

Mr Truman blames the \$1.8 billion deficit in the last fiscal year on the reductions in the "rich man's tax Bill" passed by the Republican Eightieth Congress. Arguing that 80 per cent of the budget is in fixed charges, he professes to see no alternative to a tax increase. Many Congressmen hotly disagree, but the session just concluded failed conspicuously to cut spending significantly below the President's estimates. Time—and deficiency appropriations—may swell it further.

It is manifestly undesirable that in prosperous years the United States should incur heavy deficits. But aside from the natural reluctance of a Congress of any political complexion to raise taxes in an election year, the first tax step Congress would like to take is a reduction in the wartime excise taxes, and for this it has the Administration's support. When they were last increased in 1944, it was promised that these taxes would be eliminated six months after the end of hostilities. They were imposed, not only to increase revenue, but to lighten the load on certain facilities—transport, telegraphs, telephones—and discourage luxury spending. Like all sales taxes, they are discriminatory and repressive. High rates apply, for example, to jewellery, furs, leather goods, electric light bulbs, tyres, theatre admissions, and transport of freight and persons. Retailers, who did not chafe too greatly when there was a seller's market, found the levies becoming painful this year as consumers began to count their pennies. Indeed, the yield on retailers' excises has been declining since 1947. Their spokesmen, and some Congressmen, regard the repeal of these taxes as a valuable weapon against unemployment and the recession. The recession appears to be retreating; not so the retailers.

The second call for relief is in the interest of equity capital and consequently is less imperious. Business was pleasantly surprised when in August Mr McCabe, chairman of the Federal Reserve System, urged that the capital gains tax be modified, double taxation of dividends reduced, and income taxes in the higher brackets lightened, to encourage saving and investment in equities. But equity capital casts few votes; and for any relief granted, alternative sources of revenue must be found. Mr Truman, recommending in July that the excise tax on freight bills be repealed, suggested that increased levies on estates and gifts might fill the gap. Business men would like to see the co-operatives taxed, while the Treasury is said to be eyeing other tax-exempt institutions, particularly when they run profit-making enterprises, such as the macaroni company owned by New York University. A postponement of the evil day of tax increases might also be secured by requiring corporations to pay their taxes more punctually. Indeed, if there is to be any substantial increase in taxes next year, corporations may well bear the brunt.

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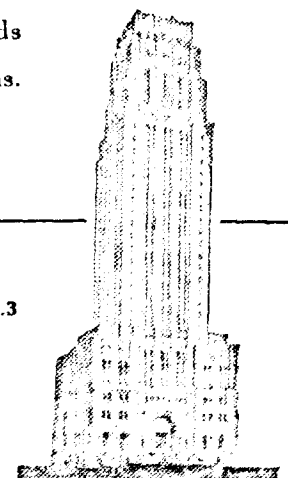
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THE WORLD OVERSEAS

First Aid for Berlin

(From A Special Correspondent)

AT a first glance, western Berlin is a much happier and more prosperous place this autumn than it was last. Nobody's sleep is disturbed by the interminable, ominous coming and going of aircraft. The shops and street markets are selling fresh and varied food and consumer goods of all kinds. People are better dressed. The Kurfuerstendamm twinkles again by night. There are more trams and buses. You do not see grey men and women wearily dragging home tinder from the Grunewald.

But the appearance of better times is illusory. It is maintained at the cost of a municipal deficit of eighty million marks monthly, caused largely by the payment of unemployment relief. At the beginning of the blockade there were some 40,000 unemployed persons in west Berlin. A year ago, in the most critical phase of the blockade, there were 100,000. Today, six months after the lifting of the blockade, there are 250,000. Unemployment, originating from lack of capital to resuscitate industry, is the cardinal complaint.

Berlin lost its capital in 1945 and has never got it back. Bombing and shelling, followed by the dismantling of eighty-five per cent of plant and the confiscation of 5,000 million marks in the banks, reduced the city's earning power to the minimum possible for bare survival. In its reduced circumstances, and as an uncertain battleground for Four Power politics, it also lost the confidence of those who were in a position to help. Berlin firms have consequently had to rebuild their businesses on short-term credits, never knowing whether they will be renewed.

Three currency reforms and the blockade simply aggravated these conditions. While the big electrical industry has deftly scraped along, most of the smaller undertakings in west Berlin have been brought to a standstill one by one. When the blockade was lifted, the Berlin market was immediately flooded with consumer goods from the waiting West before local firms could get going. Half of these goods could have been made in Berlin.

West German Attitude

Nor did the raising of the blockade revive western Germany's confidence. Western German firms are still shy to place contracts in what they consider so insecure an outpost. Only the other day a Ruhr firm invited tenders for the construction of a turbo-generator. A.E.G. of Berlin offered to make the generator at the cheapest price—950,000 marks—and promised delivery two months earlier than anyone else. The Ruhr customer informed the next-best bidder in the west, who promptly came down to 930,000 marks and obtained the contract. A.E.G., who were ready to come down to that extent, were not consulted again.

Until the establishment of the Pieck Republic, with its headquarters in east Berlin, west Berlin's leaders imagined that the only way to restore confidence in the outpost's future was to proclaim west Berlin the twelfth land of the Federal Republic. They have modified their claims since it became apparent to them that such a move might provoke the Russians to consider the four-power agreement on Berlin at an end. In its present isolation western Berlin cannot forego the protection that the agreement affords. So, with an eye on east Berlin's new status as *de facto*, though not *de jure*, capital of eastern Germany, the west Berlin leaders have

asked that west Berlin shall be *de facto*, though not *de jure*, an integral part of the Federal Republic. They envisage an economic and financial *Anschluss*, such as that of the Saarland with France—the political issue being similarly left open until another, more convenient day. For the time being, it is enough to let Berlin's earning power be restored.

Bonn Officials Expected

Such a proposal suits the book of the ruling west German politicians, who view Socialist Berlin's potential political influence with some misgiving. The plan of help to which Dr Adenauer and the Federal Minister of Finance, Dr Schaeffer, have now committed western Germany promises Berlin substantial credits and government contracts. Private firms likely to place orders in Berlin are to be encouraged by Federal Government guarantees. Goods manufactured in Berlin are to be exempted from certain indirect taxes. Those supposedly lost banking accounts, the so-called *Uraltkonten*, are to be revalued at five per cent. A common west German and west Berlin banking system is to be introduced. Western Berlin is to be an equal, if not favoured, partner with western Germany in receiving Marshall aid. There is still some tentativeness about these proposals. The details of their application are being worked out in Frankfurt and Bonn. The important thing is that western Germany has committed itself to help Berlin. It will be spared additional expense later if it acts swiftly and generously now.

Dr Adenauer did not promise immediately that any federal departments would be moved from Bonn to the former capital, but there seems to be little doubt that some departments will be coming. The British are clearing Cumberland House for the purpose, and all is set at the Berlin end to receive them. President Heuss will probably have something to say on the subject when he comes to Berlin next week. The arrival of part of the federal service will contribute not only towards restoring confidence in Berlin, but also towards repairing the city's finances. It is reckoned that forty per cent of Berlin's invisible exports before the war derived from its services as the German capital.

It is not fair to western Germany to see only lack of vision or selfish calculation in its hesitations over Berlin. Western Germany is militarily powerless, and cannot be expected to have much confidence in the future of the bankrupt, rump city, at the far end of 102 miles of Autobahn, unless the western Allies firmly display their own confidence in Berlin's future and their determination to stay there as long as may be necessary to secure its independence. They did this magnificently during the blockade. They have not made their intentions so clear since, unlike the Communists, who see in Berlin the key to the domination of Germany, and therefore western Europe. From the west there have been fine words, culminating in the Allied High Commission's latest statement that "it regards and will continue to regard Berlin as being confided to the care of the western Occupying Powers in a special manner." In practice the western Allies are giving the impression of a general evacuation at the very moment when east Berlin has been elevated to the status of a capital. It may be more comfortable, convenient, and economical back in the Rhineland. But is it worth while in the long run to give even the appearance of losing interest in Berlin?

Can the Arab Refugees Survive?

WHENEVER the United Nations discusses the Arab refugees politics and emotion vie for first place on the rostrum. Broadly speaking, three streams of thought are vented. The first comes from the anti-communist states with interests in the Middle East. These are all anxious, for political as well as humanitarian reasons, to get the cancer treated quickly. The second comes from the refugees themselves, who rend the air with cries for repatriation. The third stream comes from Israel, which agrees with the West in wishing for quick settlement, but not at the price of disturbing its own Jewish immigration arrangements. Can the West invent a bridge between the Jewish and the Arab views?

The dimensions of the problem are not lessening with time. A few refugees have found jobs and settled to a life not unlike their old one, but their disappearance from the total number of the indigent is offset by the appearance at the relief stations of once better-to-do families who have now exhausted their means, or whose foreign visas have expired, or whose permits to work, granted in a first flush of sympathy, have now been rescinded by some neighbouring Ministry of the Interior.

Neighbours cannot tender succour for ever. But the day is round the corner when the United Nations and its agencies will say that they, too, cannot handle relief indefinitely. Murmurs to this effect are already audible in the offices of the Red Cross. Present arrangements are as follows: The United Nations Relief for Palestine Refugees Organisation (UNRPR) which was set up by the Assembly in 1948, is still responsible for overall financing and organisation. The actual administration of the relief has been transferred to the International Red Cross, to the League of Red Cross Societies, and the American Friends. These contracts expire in January. In any case they are linked to a fund that is approaching exhaustion—the Special Fund collected last year by means of an appeal to the better feelings of States Members. This was intended to total \$32,000,000 for nine months, from December 1, 1948, but on August 15th last only \$21,524,016 had been contributed in cash and kind. To this figure must be added \$6,000,000 contributed by UNICEF (the International Children's Emergency Fund) without which aid numberless refugees would have died since it produced supplies at a time when no other help was in sight.

By following a policy which has at times looked inhuman, but has turned out to be laudable, the American director of UNRPR, Mr Stanton Griffiths, has spun this fund out to cover far more people, for a far longer time, than was originally intended. The intention was to feed and succour 5,000,000 people for the nine months. But Mr Griffiths allowed no spending till the cash was in the bank. As he has organised matters, the fund will last till mid-December in cash, and till mid-January in foodstuffs. It is feeding crowds whose exact numbers are almost impossible to compute on account of the refugees' practice of moving in search of better conditions, of registering at more than one station, and of refraining from recording deaths and departures in order to draw larger rations. All told, just over 1,000,000 are registered with the three societies administering relief, but all know this number to be too high. Only 940,000 rations are being distributed. This figure is again thought to be an overestimate because entitlement to relief encourages exaggeration. The most reliable guess is that there are at present some 820,000 refugees in all, distributed as follows:

Palestine and Jordan	344,400
Syria, Lebanon and Iraq	262,400
Gaza strip	206,000

As things stand, both UNRPR and the agencies are greatly to be congratulated on the work they have done upon the means available. About 33 per cent of the refugees are in

their camps. All are getting on an average at least 1,500 calories a day; the figure for Syria is 1,730. Under-nutrition is therefore common, but malnutrition is rare. No disease has reached epidemic proportions. The death rate can only be guessed; many deaths go unreported for the reason already specified; but it is certainly not above 20-25 per 1,000—that is, about equivalent to the average death rate in Egypt. Nevertheless the refugees, in their poverty stricken condition, with their lowered resistance to disease, and low morale, remain "a public health menace of the first magnitude."

Since no authority, national or international, can continue relief indefinitely, the chances of work or settlement that are open or opening ought to be in every Arab mind. But they are not because the refugees, out of ignorance, and the Arab politicians, out of an obtuse belief in the possibility of collapse in Israel, are bent upon standing out for repatriation, come what may. So far, therefore, only negligible numbers have found what they consider to be a possible way of life. Of the plans so far made for self-help on a large scale, only two are worth mention. The larger is the Jordanian Government's scheme for using part of its £1,000,000 loan from Great Britain to convert the present extensive cultivation of cereals in the Jordan valley into intensive cultivation of early fruits and vegetables. Such a plan, for which there would be a perpetual market in Jerusalem and Tel Aviv, might enrich Jordanians as well as employing some of the practised vegetable growers who used to live in the Palestinian coastal plain. The smaller is a laudable scheme whereby Musa el Alami—the most broadminded and balanced of the former Palestinian Arab leaders—is using funds originally contributed to the Arab Office's "constructive scheme" for buying land to keep it out of Jewish hands in order to establish refugees in permanent homes in an area near Jericho.

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Uncle's hands. Its officials estimate that a vote of a further \$6-8 million would enable them to carry on with relief till the end of March. But what then? Will the Arab governments by that time have accepted the proposals that Mr Clapp is expected to make for employment of the able bodied upon public works schemes financed at international expense? If so, some further two hundred thousand might shift and become candidates for absorption. If not, how are the United Nations to persuade the Arab temperament that wholesale return is impossible, that international aid is not eternal, and that to accept something that is second best is better than to lie down and die.

Western Union in the Field

[BY A MILITARY CORRESPONDENT]

DURING the first two weeks of October the British Army of the Rhine with the Royal Air Force, two Belgian brigades and units of the armies of the United States, France and Norway, carried out combined manoeuvres in the area around Paderborn. The exercise, appropriately called "Agility," was in two parts; the purpose of the first, to exercise the British armoured division and one Belgian brigade; the purpose of the second, to exercise the 2nd Infantry Division and the other Belgian brigade, each supported by armour.

During the manoeuvres, the troops practised the occupation of a defensive position, a night withdrawal, defence and counter-attack, and the attack from a defensive position. The 2nd Division's front varied from 4½ to 7 miles in rolling country which, with its woods and a few steep hillsides, occasionally forced tanks into defiles but contained no major tank obstacles. It is not difficult to estimate that, even if the Western Union countries have at the start of a war 30 divisions available to man their eastern frontiers, the frontage of most of these divisions will be nearer 25 miles. It was not surprising therefore to hear General de Lattre de Tassigny ask that BAOR should train on 25 mile fronts during the next year. But that was not a criticism of these exercises. It is doubtful if any division operating on such a front could, even for a short time, have held up an enemy equipped with armour in the country chosen for these manoeuvres. Moreover, a narrow front saves petrol and produces better lessons in night movement, concealment by day, battle procedure and staff work in co-operation of all arms.

These manoeuvres inevitably taught spectators, commanders and troops many purely military lessons, but they had a wider importance also which cannot have escaped the inter-Service Committee which is considering the future shape of the British armed forces. Co-operation between the army and the air force, co-operation between allies and the equipment and organisation of a British division were once again on trial. Co-operation between army and air seems to have lost nothing, save a little practice, since 1945, and the RAF is now better equipped with faster aircraft. The US armoured cavalry unit which took part in both parts of "Agility" received nothing but praise both for its dash and for its wholehearted co-operation.

Co-operation at unit level with our other allies is not so easy to attain because of language difficulties, but French and Belgian infantry attacked successfully with the support of British tanks, and the Norwegians worked well with an infantry brigade and the US armour.

But this co-operation on unit level was but a token of Western Union and Atlantic military unity. How much, one wondered, is going to be done and how soon, towards standardisation of equipment, supply and staff procedure? How much is the military thought, on which the occupation forces and reserves for the European theatre will be trained, to be led from Fontainebleau rather than from each individual War Office? Or is it to be led from Washington? Ultimately the success or failure of united defence rests on the degree of mutual confidence that exists between British,

American and French field commanders particularly, but also between commanders of all the forces of the participating countries. General de Lattre de Tassigny's presence at these manoeuvres was, therefore, important. What is his real status as Commander-in-Chief, Western Union Land Forces? Will he soon have authority to tell British and Belgian commanders how their training is to be conducted or their formations to be organised? At present there is no directive known to the public, and all seems to depend upon the relations between commanders, a strain upon them which they bear with a loyalty to several masters and a skill that their diplomatic colleagues might envy. On this particular occasion General de Lattre de Tassigny, if he arrived with some reservations about the tactics of a British infantry division, appeared to leave in an ecstasy of delight at the excellence of British armoured and infantry co-operation.

Most of the "Agility" exercises were carried out by infantry and armour in close co-operation. It is now difficult to imagine any operation in a war in Western Europe or in the Middle East in which infantry operate without tanks. The balance between infantry and armour will, it is believed, soon be adjusted in BAOR to give all the infantry full armoured support without interfering with the armoured division. But much, surely, has to be done to achieve the same balance in the British Army as a whole. Armour is expensive not only in tanks but in the high standard of mobility and communications that it demands for its co-operating arms. There is a need to look elsewhere for increased fire power, for swollen infantry sections of nine or ten men—which national service allows—may be wasted if more infantry weapons and more artillery than BAOR can boast are not to be available. If infantry must have armour, then it is probable that the numbers of tanks and skilled technicians, including wireless operators, and not the numbers of recruits and national servicemen, may form the limiting factor to the size of the really effective army which Britain can maintain.

Conscripts Well Trained

The importance of equipment emphasises the importance of the professional element in the army. Few national servicemen can be trained to fill many of the technical positions; for example, the grave shortage of wireless operators cannot be eased by them. Everywhere it was said that there are too few regular officers, N.C.O.s and men, too few to form an efficient mobile army, and too few to train the National Servicemen without overstraining their own limited strength.

Yet the national servicemen are clearly being well trained. These young men, some of them with only four months' service, form about seventy per cent of some fighting units. More than half the tanks on training were driven by them, and no tanks broke down in the presence of the spectators. But twelve months hence many tanks will have different crews and perhaps most infantry sections will have no more than two survivors with "Agility" experience. This imposes a great strain on the regular whose task it is to be both the schoolmaster to ever changing pupils and the competent battle leader with pride in his team.

The full effect of the national service scheme, as now organised on an eighteen months' basis, will not be felt until mid 1950, when the army will have lost the last national servicemen with more than eighteen months' service. It is fair to say, however, that even with the present number of regulars the national serviceman in Germany does not waste his time. It is harder to prophesy the effect that the continuation of the present scheme will have on the regular element; unless their number increases it seems their efficiency and their own incentive must decrease. This does not, however, constitute a sufficient reason for abandoning conscription of some kind. All the lessons of these manoeuvres went to show that some form of national service scheme must remain for some years if reserves are to be given that very necessary basic training.

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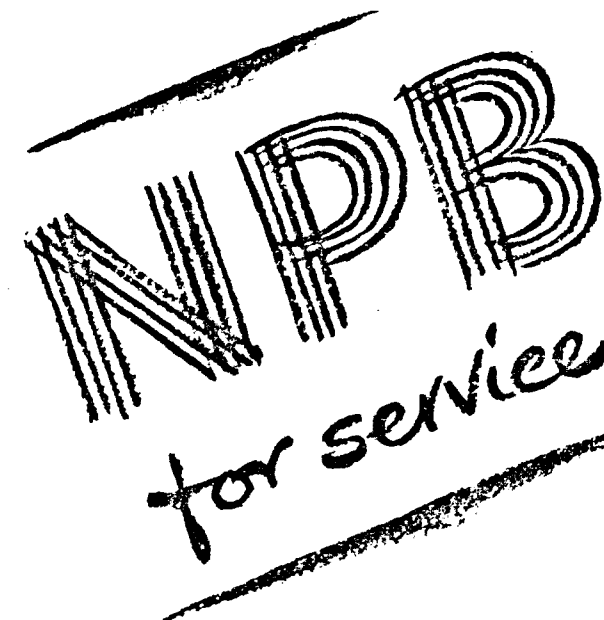
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Cuts Without Policy

IN the long series of pronouncements on economic policy issued by the Government since 1947, none has been more perplexing and unsatisfactory than the Prime Minister's statement last Monday. The country had been warned to expect something unpleasant and was keyed up to receive it. It now feels let down by a statement so diffuse, so inadequate, and so fabian that the Chancellor's unpremeditated outburst at the time of devaluation about crises being followed by expedients has been given new meaning. The Chancellor of the Exchequer had his opportunity on Wednesday to rescue these grave matters from the level of commonplace. His performance, unhappily, was pedestrian and unconvincing.

There was a time in 1948 and even last April when economic policy was submitted to a sincere test whether it fitted the broad diagnosis of the state of the country's economic health. The wisdom of such tests is proved by the improvement in economic conditions in 1948. Disinflation did work: and an "overall" balance of payments was achieved. For several months past, all the evidence has pointed to rising inflationary pressure. Devaluation has worsened the terms of trade, and of itself has heightened the existing pressure. It has caused a wholly new situation in the balance of payments and major shifts of internal and external prices. The first starting point in any attempt to measure by how much the British economy is once again being distorted by inflation and by how much the total of expenditure needs to be cut is to do two sets of sums—first to recalculate the scale of new investment and the means by which it is being paid for, and secondly to discover what effect devaluation is having on the balance of payments. The first objection to this week's statements is that they lack even this foundation of factual data.

Such facts as there are show only too clearly the extent of the deterioration which has taken place since the Chancellor budgeted for his ordinary revenue surplus of £470 million last April. Those who thought that the "true" surplus, together with private savings, would be insufficient to finance the capital investment programme without further inflation have proved to be right. But quite apart from original miscalculations of the true savings which were required at the time, the plain fact is that the crude revenue surplus will not be nearly so great as the Chancellor expected. Soon after he set his face against any Supplementary Estimates, one was presented for £21 million, and there are additional bills to come in for defence, the health services, and to finance stocks at higher prices held by the trading departments. In short, the Chancellor has not kept his part of the bargain to fix Government expenditure at the level budgeted last April. So far as the investment programme can be measured, it appears to be running close to the intended level.

But apart from the Government's failure to provide its share towards financing this programme, there is clear evidence that personal savings, too, have not been making a sufficient contribution.

The second point is that devaluation, by altering the terms of trade, calls for a larger volume of exports to secure a given volume of imports. If these extra exports are to be found without inflation, domestic demand must be correspondingly reduced. A note on page 962 examines (in default of official estimates) the new arithmetic of the deficit. Such calculations have no absolute accuracy; the assumptions are wide and the quantities are constantly changing. But they are a more reliable guide to the adequacy of policy than the Chancellor seemed disposed to admit on Wednesday:

No one has ever imagined that the degree of inflation in our economy could be calculated or measured with mathematical accuracy. It is much more a matter of broad judgment than of calculation. . . .

The Government had made the best review that was possible, and the cuts announced by the Prime Minister on Monday were believed to be enough "to produce the conditions that we need for our renewed export drive." If the judgments were wrong, there was always the Budget "before very long."

But it is hardly necessary to wait as long as that to say, with positive certainty, that the measures proposed are wholly inadequate to get rid of inflation in the economy and to promote energetic salesmanship in the dollar markets. The total economies which are contemplated will, according to the Prime Minister, have a total disinflationary effect when in full operation of about £250 million a year. Some £140 million towards this sum is to be found from cuts in next year's investment programme, while reductions of Government expenditure, coupled with the increase of Profits Tax already announced, should produce "well over £100 million for next year's Budget." The rest is to come from savings on defence. It would have been possible to double this total saving without running any risk of driving the economy into a condition of deflation. The Government propose perhaps half of what is necessary to get back merely to the condition of last spring.

The Investment Programme

Sir Stafford Cripps's speech on Wednesday filled in some of the missing details about the investment programme. This is, in any case, a field in which the intention to cut is a very different thing from actual cutting. The autumn crisis of 1947 produced the same intention, but total investment in the following year in fact rose by £300 million. Perhaps the clearest way of setting down the intended cuts is to compare them with

the estimated rates of fixed investment given in the "Economic Survey" for 1949:—

ESTIMATED GROSS FIXED INVESTMENT, UK (£ Million)		
	1949 Econ. Survey Estimate	1950 Proposed Cuts
Fuel and power.....	220	25
Transport, communications and shipping.....	360	10
Agriculture.....	95	25
Other industries.....	450	
Houses (including repairs).....	420	35
Other social services.....	105	8½
Defence and administration.....	70	...
Northern Ireland.....	35	...
Miscellaneous investment.....	370	35
	2,125	140

It is something that industrial investment has not been treated on a basis of less eligibility, though it is true that aggregate reductions of "not more than 4 or 5 per cent" which are proposed should produce £25 million, which is far from negligible. Once again, the 1947 doctrine has emerged that plant and machinery must be diverted to hard currency markets. How is "some curtailment in our use of these goods in the home market and the removal of some pressure of demand" to be translated into effective policy? Of the £25 million to be cut from fuel and power, electricity (estimated at £115 million this year out of the total of £220 million) takes the biggest reduction. The main blow will be felt by distribution. It was explained by the Chancellor in terms which suggest that the original plans were themselves adrift:

We cannot afford to provide new supplies of electricity as rapidly as we would have liked, and some check must be imposed on the rate at which new connections are made and schemes of rural electrification are implemented. With the present shortage of generating plant, it is in any case undesirable for the industry to take on heavier and heavier consumption loads, which are bound to aggravate the problem of closing the gap between demand and capacity.

Gas is forbidden to make a start on the improvement of supplies and the lowering of costs; since "these schemes would not in any case have matured for a very considerable time" the conclusion appears to be that the Government was over-hasty in nationalising an industry to which it now denies hope of any immediate improvement. The oil refining programme is largely spared, on the ground that it promises a "quick and substantial saving in dollars"—which in the short-run, at any rate, is open to argument.

In transport and communications, a saving of £10 million is looked for. Once again, an attempt is to be made to divert into the export market a large number of passenger and goods vehicles that are now entering the home market. This was proposed in 1948 and failed; it was proposed again for 1949 (to effect a total cut of £20 million) and is still failing. By what means is the diversion to be secured in 1950?

It is perhaps on the proposed housing programme that the greatest doubts arise about intentions and performance in 1950. In 1948, the modest cut proposed was quickly forgotten. In 1950, perhaps, the proposed cut may be more effective because it is deliberately aimed at private building and leaves the local authorities' programmes to proceed without substantial reduction. The reduction of investment which is intended amounts to £35 million, and will mean "during the course of next year" a reduction in houses under construction from

200,000 to 175,000. This is capable of producing a sensible degree of unemployment in the building trades, and the test of the Government's intentions (or of the strength of the Government which succeeds the present administration, for that is the one which will be involved) will be its reaction to the cries of an industry which has more manpower than can be justified either by its efficiency or by the needs of the economy as a whole.

There remains, finally, a sweeping cut of £35 million in "miscellaneous investment." This is perhaps the most doubtful of all the items in the 1950 programme. Much of this miscellaneous total consists of repair work, not at present subject to building control, and never very effectively controlled when the exemption limit was lower. In the Chancellor's view, this is "less essential work," and resources must not be allowed to move indiscriminately into this field. Once again, therefore, the volume of miscellaneous building work is to be "kept within bounds" by tighter controls and a lowering of the exemption limits.

What is the total effect of these cuts in the investment programme? Whatever it is, its impact on the economy will not be felt until quite late next year. "Early results should be obtained where machinery and vehicles are being diverted to the export market." But of the machinery which would compel such diversions, or the economic pulls which might attract them, nothing was said. Over much of the field, only a gradual reduction at best will be possible. And past experience has shown that before a reduction in capital expenditure becomes translated from plan into fact, the surrounding circumstances which ordered the plan have themselves changed out of recognition. It is impossible to put great faith in capital investment which are proposed. To accept them as a reliable forecast of a reduced pressure on resources even in twelve months' time is to ignore all the lessons of past experience.

Government Savings

If the investment programme is unconvincing, the reductions in the Government's non-capital expenditure are plainly inadequate. That conclusion stems inevitably from the area of action which the Chancellor permitted himself—not to injure the main scope of the social services or impose any major reduction of the food subsidies. Given such limitations, it is quite obvious that economies could only be confined to trimming the odd frills from a range of miscellaneous Government activities. Savings on these less essential services are put at between £40 and £45 million a year—which, for practical purposes, means the financial year ending in April, 1951. Some £6,000,000 will be saved by the Ministry of Supply—"this widely-spreading Ministry"—and £1,750,000 by the Ministry of Food. And so the total is built up by a process of departmental snipping, which suggests that much more could be done with a greater will. Curtailments of information services, a penny on school meals, the postponement of de-requisitioning in order to save on building new accommodation for the Ministries, the raising of the qualifying acreage to rank for potato acreage payments—these are some of the examples which the Chancellor quoted.

The second group of measures do involve changes in policy. They are expected to produce £53 million, of which the bulk will come from the ending of



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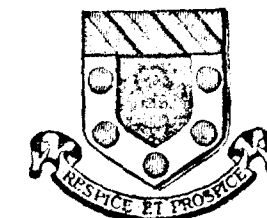
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the subsidy on animal feeding stuffs yielding £36 million. The shilling prescription under the Health Service (if a token charge is now admitted, why not also for spectacles and dentures?) should produce £10 million; and increases in food prices will save £7,000,000 from the subsidies. The third class of saving is on defence, where £12½ million is to be found in the present financial year and £30 million in the next.

No estimate is offered of the effect of all these savings on the current year's budget. In terms of disinflationary policy, therefore, they are largely notional savings, of which the true effect cannot be calculated until next year's budget is under review. It is, of course, impossible to make changes in capital or Government expenditure quickly. To produce a quick effect, it is necessary to do what the Government have so obviously shrunk from doing—to propose cuts in expenditure which, even though their full effect is inevitably delayed to some future date, produce in the present a sense of urgency and shock which is capable of making the private sector of the economy behave as the Government would wish. As it is, Sir Stafford's claim that "it will be no less necessary for the private individual to exercise a control, too, or all the good that can be done by the Government economies would be countered and negated by the action of private individuals" merely becomes fatuous, for the Government's economies are inadequate and putative.

Imports and the Balances

Equal confusion arises about the dollar import programme. Last July, the Chancellor announced that the anticipated programme of dollar imports (apparently for the year from mid-1949 to mid-1950) was to be cut to \$1,200 million. That rate was confirmed by the Prime Minister on Monday (though it now appears to refer to 1950). In July, a standstill on new dollar expenditure was imposed, but despite this fact and because of a great increase in dollar imports in the second quarter which had to be paid for in the third quarter, the total of dollar imports for 1949-50 is expected to reach \$1,400 million, instead of the intended \$1,200 million. Here is a good illustration of the fallacy of salvation by import cuts. First, the cuts are simply not being achieved, and the Chancellor's repeated intention on Wednesday that "we should be down to \$600 million in the first six months of 1950" is, in the light of past experience, no guarantee that this will in fact happen. Even so, to put the dollar import programme as high as \$1,200 million a year involves, as the Chancellor recognised, taking a risk about the growth of dollar exports. Even with Marshall Aid, dollar earnings are insufficient to cover this programme of bare necessities.

The cut in British dollar imports was paraded last July as a specific contribution which Britain would make, in concert with the other Commonwealth countries. If it is now clear that British intentions have not yet been fully borne out by achievement, it is doubtful, too, whether the cuts which were then hoped for from the leading sterling countries are being realised. Devaluation has called for a recalculation of sterling area arithmetic and sterling area policy, but of this there was no sign in the Chancellor's speech, except in his reference to the grievous difficulty which is now being caused by an unduly generous release of the sterling balances in the past. Admittedly, the Chancellor did not put

the problem of the balances in those terms, but he did most specifically distinguish for the first time between the reserves which the sterling area countries need to keep in London to meet their current and future needs and the "special considerations" which arise in the case of the wartime sterling balances. Unfortunately, this distinction is too belated to be translated into quick and effective action. It is only a few months since generous releases from the wartime balances were agreed with India and Egypt; and it is a mere matter of weeks since the Chancellor observed that nothing could be done about the sterling releases until the middle of next year. Yet, at one point in his speech, he was prepared to hope that some of the necessary increase in exports to the dollar countries may come from unrequited exports. How can this possibly be so, if investment in the Colonies (which absorbs unrequited exports of capital goods) must be maintained, and if nothing can be done, in the next nine months at least, to reduce the demand for exports which has been generated by this year's agreed releases from the sterling balances? The acceptance of the principle of differentiation takes the problem of the balances very little further at present.

There remain for consideration the domestic consequences of the new programme. The Chancellor claimed that he had been very moderate in meeting the claim of the worker that some of the burden imposed by devaluation should be borne by the profit earner. He described as a fallacy the argument that the raising of the tax on distributed profits would act as a disincentive in the export drive, but the entrepreneur who is being exhorted to increase his production or to undertake the risks of opening up new markets in the dollar countries is unlikely to see the matter quite in this light. Indeed, the whole question of incentive was left aside by the Chancellor. If increases in wages are to be limited to "very low-paid workers" (which admittedly is most improbable) where is the incentive to the craftsman? What kind of response can the Chancellor really expect from an appeal to management to consider whether it cannot help the national economy by "a sustained policy of lower prices rather than by the maintenance of a high level of prices"? This is really as much out of touch with the reality of the market as the decision to suspend bonus issues is out of touch with economic facts. Similarly, although the Chancellor concluded that on balance there was no advantage in raising short-term rates, he left for answer the further question whether the Government are prepared to make an ally of interest rates, instead of trying vainly to suppress their effects. How otherwise can the banks be expected to interpret the Chancellor's request that "inflationary pressures should be held in check"?

What is the conclusion of the exercise which the Chancellor set himself, within so rigid a framework of policy? His own words are sufficiently reserved to justify all the doubt which has been cast on the adequacy of the programme:

It is, I believe, enough, but no more than enough, to create a favourable climate in which we can work. It will cause difficulties and hardships in many quarters but we have done our best while preserving the necessary volume of cuts to make them as little painful as possible. These economies like devaluation, are not in themselves any remedy for our difficulties. . . . They are the passive conditions and not the dynamic energy that will win through our difficulties.



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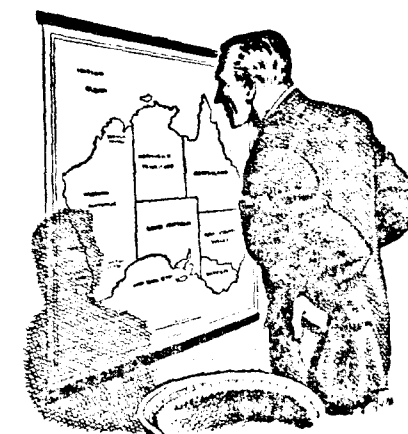
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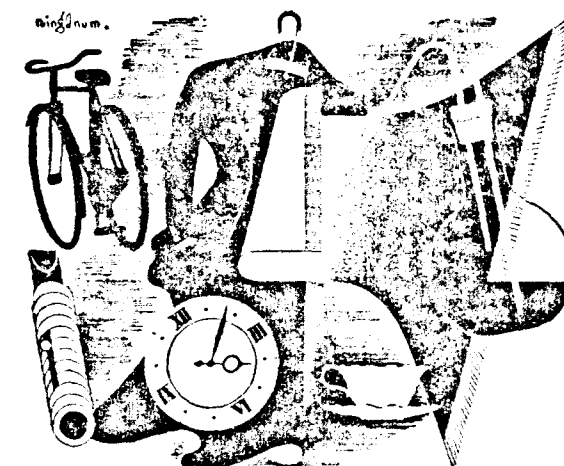
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are some of the goods bought from Great Britain by Australia and New Zealand. What other imports do they require? What can they export to this country? The answers to such questions can easily be supplied to businessmen by the Overseas Department of

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This is true. Where then is the dynamism? How is it possible to rely on asking people to work harder, to export more, to reduce their prices, unless the condition of the economy is itself brought into the right shape to make these things possible? What changes in the total of employment and its distribution are required? What shifts in prices and wages and profits are needed? On this Sir Stafford was completely silent, except in a passage, self-evident to all but his own followers, that full employment did not mean that an individual could be guaranteed his particular job or even his particular trade.

Business Notes

Four per cent

The Cabinet's half-hearted crisis proposals have left the city in a distrustful mood, most evident in the gilt-edged market. None of the imagined new blows against investment have eventuated, except curiously enough a ban on bonus issues which few had expected. But any sense of relief for this reprieve has rapidly given way to grave misgivings on the adequacy of the proposals to curb inflation and reduce costs. The quietude of Tuesday's reflective markets, proved to be merely a lull before the storm. On Wednesday the gilt-edged market was well and truly in the toils with losses of up to 2 points, and next day its discomfiture was nearly as acute.

GROSS REDEMPTION YIELDS (Per Cent.)									
Stock and Redemption Dates	Cheap Money Yield Nov. 14, 1945	Gas Stock Issued Mar. 2, 1949	Gold Reserve Crisis June 27, 1949	Eve of Devaluation Sept. 16, 1949	A Week Ago Oct. 19, 1949	Latest Oct. 27, 1949			
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts									
11% Exch. Bds, 1950.	1 5 6	1 6 8	1 15 0	1 2 3	0 18 10	0 17 4			
2½% Nat. W. Bds, 49/51	1 7 9	1 8 1	1 17 0	2 3 0	1 19 1	1 18 2			
Middles									
3% Nat. Inv. Bds, 54/58...	1 18 8	2 8 1	2 11 11	2 14 8	2 13 8	2 16 1			
3% War Loan, 55/59...	1 19 7	2 8 3	2 12 7	2 15 6	2 14 4	2 16 3			
4% Consols, 1957	3 0 9*	2 13 1*	3 2 6*	3 7 5*	3 12 6*	3 19 11*			
Medium Longs									
3% Sav. Bds, 55/65...	2 5 11	2 14 9	3 1 4	3 0 10	3 3 8	3 5 3			
4% Funding, 60/90	2 18 5*	2 11 7*	3 0 8*	3 3 1*	3 5 1*	3 9 8*			
Longs									
2½% Sav. Bds, 64/67...	2 3 8	2 10 8	2 17 9	3 1 9	3 2 7	3 3 11			
3% Sav. Bds, 65/75...	2 5 11	2 17 7	3 2 4	3 7 5	3 9 0	3 11 0			
3% Trans. Stk, 74/88...	...	2 18 11	3 4 1	3 8 7	3 10 11	3 12 3			
3½% Gas Stk, 90/95	...	3 0 0	3 4 7	3 8 9	3 10 5	3 11 8			
"Undated"									
3½% Conv. Loan, 1961	2 5 8	2 18 0	3 9 28	3 12 8	3 15 18	3 17 28			
3½% W. Loan, Jan. '52	2 1 0	2 10 5	3 9 88	3 13 108	3 16 18	3 17 118			
2½% Consols...	2 10 68	3 1 58	3 6 108	3 9 18	3 12 18	3 14 08			
2½% Treas. Stk, Jan. '75	2 10 08	3 1 98	3 7 58	3 10 98	3 13 28	3 15 28			

* To earliest date. † Shorts and middles to earliest date, others to latest date.
‡ To latest date. § Flat yield.

Selling has been fairly heavy, without perhaps recalling quite the proportions of late June. Yet the institutions have apparently contributed little to it. Weakness is most pronounced in the long dated and irredeemable stocks, and here private and industrial sales have predominated. Refuge has again been sought in the "shorts," but only the very earliest dates have sufficed to meet the urgent quest for liquidity. Certainly the middle dated issues have failed to pass the test of a safe haven. In particular the vulnerability of 4 per cent Consols (redeemable at the earliest in 1957) and 4 per cent Funding 1960-90 has been exposed. A yield of £3 19s. 11d. per cent on 4 per cent Consols signals a new stage in gilt-edged calculations. The present downward movement has thus reached the point at which 4 per cent Consols are following 3½ per cent War Loan 1952 into the ranks of the "undated," proclaiming the reality of a 4 per cent long term interest rate.

This tentative and half-hearted piece of "planning," which brings out for an airing all the old clichés which have done service since 1947 and all the proposals which past experience has shown not to work, cannot be accepted as a realistic contribution towards solving the country's difficulties. A Government which lacks the courage to do any better than this has no right to expect that the country will repose any trust in the central direction of economic affairs. The responsibilities of the next six months are too great to make this week's proposals acceptable as a serious contribution towards their solution.

Bear covering of industrial issues was a natural sequel to Monday's innocuous announcement. The fear of repressive measures on profits and capital such as a much higher profits tax, a capital gains tax, increased stamp duty and even a capital levy, had been acute last week, when prices receded to their lowest levels since the June crisis. Tuesday's recovery was therefore sharp, but the mid-week slump in gilt-edged exerted its inevitable downward pull on equities in general. Kaffir shares were the only group to show appreciation of the Prime Minister, for here the spectre of a capital gains tax has departed—at least for the moment—and the expected new wages demands on the Rand have not yet crystallised.

How Big is the External Deficit?

Among the many vital omissions from this week's speeches by Mr Attlee and Sir Stafford Cripps, by far the most glaring was the absence of any estimate of the size of Britain's overseas deficit. The missing figure is the natural starting-point for any statistical diagnosis of the malady for which the new measures are the Government's sole prescription. Moreover, the omission becomes the more flagrant when it is realised that the rate of deficit in the pre-devaluation phase was many times the tiny balance disclosed (for the first half of this year) in a White Paper released only a fortnight ago. Obviously, the doctors are anxious to avoid telling the patient too much; and, in the circumstances, whether intentionally or not, they may have actually misled him. Admittedly, comprehensive estimates of the balance of payments cannot be made without an appreciable time-lag, but in view of the big swing which has occurred in the balance during the course of this year, it was surely the Government's plain duty to make the best guess it could of the position on the eve of devaluation, and then to make a further guess of the impact effects of devaluation itself. The fact that any estimates may be falsified by later data is no excuse for not revealing the guesses which must have been made if the policies about which the Cabinet wrangled last week had any rational foundation at all.

The Balance of Payments White Paper covering the first half of the year, it will be recalled, disclosed an "overall" deficit of no more than £10 million. But this apparently reassuring result concealed the marked deterioration which occurred between the first and second quarters of the year. The figures for visible trade given in the White Paper can be roughly broken down into quarterly periods by adjusting the quarterly totals from the trade returns by percentages equal to the differences between the half-year's totals from those returns and from the White Paper. This adjustment allows for the change from c.i.f. to f.o.b. valuation for imports (14.9 per cent difference) and for the different definition of exports (1.7 per cent). On this basis the visible deficit of £48 million in the first half of the year, given in

the White Paper, would be made up of a visible surplus of just under £9,000,000 in the first quarter and a visible deficit of just under £57 million in the second quarter. By coincidence, a similar calculation for the third quarter gives virtually the same result as that for the second. Thus, as between the first three months of the year and the ensuing six months, there was a swing, expressed in terms of annual rates, from an overall surplus of about £35 million to a deficit of no less than £227 million.

The invisible account, unfortunately, cannot be either estimated or apportioned on any such rational basis; and, as between quarters, there may also be strong seasonal variations—notably, of course, in tourism. But, for the present purpose, no attempt need be made to guess the seasonal changes, since what is required is an average annual rate, not the seasonally distorted annual rate of a particular quarter. After excluding the net effect of special capital transactions with India from the figures given in the White Paper, and roughly apportioning the remainder between quarters—in line with the trend shown by the official figures over a period of eighteen months—the net invisible credits received in the first and second quarters of the year might be put at £28 million and £20 million respectively. On such a basis there would have been an overall surplus at an annual rate of about £147 million in the first quarter, but an almost equivalent annual rate of deficit in the second quarter. If invisible credits for the third quarter are taken as the same as in the second (i.e. ignoring, in effect, the seasonal change in tourism), this would mean that in the six months before devaluation the overall balance was running at an average annual rate of £130 to £140 million in deficit.

This is a very marked contrast from the latest available official figure—the £10 million deficit for the first half-year, or an annual rate of £20 million; yet in his speech on Wednesday Sir Stafford Cripps merely remarked that "there is not at present an overall balance." Moreover, the present position must certainly be very much worse than that on devaluation eve. If the transitory effects of the covering of short positions in sterling goods are ignored, the immediate effect of devaluation was to increase the gap by worsening the terms of trade. Obviously, there is no means by which the extent of this deterioration can be reliably estimated. But if account is taken not only of the loss on hard currency proceeds from existing exports but of the increase in prices which has occurred (in terms of local currency or in sterling) in supplying countries which have also devalued, it becomes clear that the additional strain on Britain's position must have been very substantial. A conservative estimate might put it at £100 million a year at present prices, without taking account of such special possibilities as those inherent, for example, in Argentina's demands under the meat contract. If this is so, the deficit might now be running at an annual rate of perhaps £250 million, while on similar assumptions the corresponding actual deficit for the calendar year 1949 would be about £100 million.

No Stiffening of Short-Term Rates

Sir Stafford Cripps's statement about the future of short money rates should set at rest such doubts as had been raised by recent discussions in banking circles. The Chancellor said:—

Many people are concerned on the question of the credit policy that is now being followed and the possibility that the whole of our policies of disinflation may be frustrated by inflationary credit. I have carefully considered the question of short-term money rates. . . . I have reached the conclusion that in present circumstances, and on the balance of considerations, there is no advantage to be gained by raising the short-term money rates.

Although many—but by no means all—advocates of a rise

in interest rates believe that this should extend to the whole structure of rates and, in particular, should embrace the banks' rates for advances, the question of short-term money rates, strictly so-called, has not been a matter of acute controversy. It is recognised that medium and long-term rates of interest can rise substantially (as, indeed, they have already done) without necessitating any change in the rates at which floating debt is placed in a strictly professional market. Partly for this reason, the Chancellor's announcement had no discernible effect either in the bond market or the discount market. Short bonds, which recently have been virtually immune from the heavy pressure encountered in the rest of the gilt-edged market, remained steady. Indeed, since the Chancellor's assurance did not extend beyond the sphere of money rates, it seems possible, given present uncertainties, that the switching process from medium and long-dated securities into shorts may proceed a good deal further.

This demand for shorts lends added point to a suggestion made recently by the chairman of one of the discount companies—Mr G. M. B. Portman, of Allen, Harvey and Ross—that it might be advantageous "to all parties" if the Treasury's preference for bonds with an optional maturity date were diluted in future operations by bonds carrying a single redemption date. This proposal, of obvious interest to Lombard Street, at least merits consideration, since it might give added flexibility to the whole bond market structure. Since the technical mobility of this market now depends very largely upon the activities of the discount houses, any development which reduces the bond-carrying capacity of Lombard Street or makes dealers there more reluctant to absorb bonds in times of selling pressure is, in principle, undesirable. It appears that, except for times when the trend of the market is plainly "one way" and seems well founded, a preponderance of "double-dated" bonds does have disturbing effects of this kind, since uncertainty about the effective life of very short bonds raises disproportionately the risk of loss (or profit) to the professional dealer.

Control of Bank Advances

The speed with which the Government is preparing to tighten up its various devices of physical and directional control is perhaps the clearest indication of its awareness of the insufficiency of its disinflationary measures. The first instalment of these new directives is, however, relatively innocuous. It takes the form of a new request by the Chancellor to the Governor of the Bank of England, asking him to impress upon the banks and accepting houses the importance of their co-operation in resisting inflation and requesting them, "in their credit policy to use every endeavour to ensure that inflationary pressures are held in check." On this occasion the text of the correspondence between the Chancellor and Governor has been published, and reveals that Sir Stafford Cripps when writing to the Governor was no more specific on this matter than in his speech in Parliament.

The only definite request is the one quoted above, and no indication is given of how the authorities wish it to be construed. It will be read by the banks, however, in conjunction with earlier requests the precise terms of which have not been made public. It is known, however, that apart from requesting the banks to observe, in their lending operations, the same principles as those followed by the Capital Issues Committee, the authorities have drawn particular attention to the need to avoid any lendings which might encourage speculation—notably in commodities, shares, or real estate. As there is no reason to suppose that any of the big banks has been other than punctilious in observing these earlier requests, it is improbable that this new and vague exhortation will have any significant effects. It certainly does not rule out any category of advances which

has been legitimate and eligible hitherto—though it is conceivable that it may lead to a slightly more stringent treatment of the border-line cases which are bound to arise under any system of control such as this.

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Action on the Balances?

The Chancellor of the Exchequer, in his speech last Wednesday, gave notice to Britain's sterling creditors that they must expect less generous treatment in the release of their sterling balances than they have received in the past. This is welcome news, but its like has been heard before, and hopes built on it have been disappointed. Sir Stafford Cripps stressing the obvious, explained that the release of these sterling balances "added to the inflationary pressure in Britain just as much as did internal expenditures." He added that Britain could not afford unrequited exports on the recent scale and hence could not continue to make releases from the accumulated sterling balances to the same extent as previously. These assurances were, however, shot through with considerable reservations. Any edge which the warning to the creditors might have was immediately blunted by the assertion that

we must retain a sense of proportion and responsibility. Though we are anxious about our own position, we are also most anxious as to the general world situation and particularly that of some of the large, less developed areas which should be able to contribute much more than they do to their own support.

The Chancellor, therefore, pointed out that the ban on overseas loans would not apply to Colonial development. Even on the problem of the sterling balances the Chancellor went out of his way to pull his punch by explaining that "the very nature of the sterling area's system is that its members should be able to draw on the reserves which they keep with us in sterling when they are in need." Sir Stafford went on to point out that the wartime accumulations of sterling balances deserved special consideration and that releases would have to be reduced when such agreements came up for reconsideration.

The creditors have been warned. It remains to be seen how the intentions of the Chancellor will survive the inevitable horse trading which develops in these bilateral negotiations. The time has perhaps arrived when third parties should be brought into these discussions. They might include the other members of the sterling area. They are highly interested parties, since any undue perference shown to one redounds to the detriment, not only of Britain, but of the other members of the sterling club. The United States also are not without considerable direct interest in the matter, since a substantial part of the assistance they are giving to Britain is in fact canalised to other members of the sterling area through the releases of sterling balances. The problem of the balances was raised in the recent triangular talks in Washington and was remitted for further study to a special committee of British, American and Canadian representatives. This is one of the offshoots of the Washington meeting to whose work and recommendations the highest priority should be given.

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Bonus Issues Ban

The only "swipe at the rich," if it can be so called, in this week's unfolding of economic policy is the ban on bonus issues. "In the light of existing circumstances and to avoid abuse and misunderstanding," the Chancellor has asked the Capital Issues Committee to suspend for the time being all applications for permission to make bonus issues. This reply was the more remarkable because it was given in answer to a question which concerned itself not with the general question of bonus issues but with the particular question whether they were being exploited as a means of evading

dividend limitation through the issue of bonus preference shares. A few examples of this not very sensible but not very venial practice have recently come to light. But as the Chancellor pointed out, the issue of preference bonus shares would not necessarily imply a breach in the principle of dividend limitation "which is, at present, a voluntary scheme which covers bonus issues as well as existing capital."

From this rather narrow point of technique, the Chancellor proceeded to lay down the general ban. It is, of course, illogical and purely a sop to political sentimentality. But because some of his followers do not understand these matters, is there any excuse for the Chancellor himself to darken counsel by referring to "the capitalisation of huge profits and their distribution as bonus shares to shareholders"? The orderly relating of issued capital to real capital invested in the business is of no more than bookkeeping importance, whatever the critics of the left may say, and whatever excitement may be aroused in the breast of the less expert shareholder when a bonus is in prospect. In plain fact, Boots this week are in no way inferior because a bonus is now ruled out; and Woolworth, whose bonus was agreed almost at the last minute, is in no way superior.

The ban, it should be understood, relates only to free bonus issues. For issues on "bonus terms," the CIC will continue to pass judgment as it has been doing and no change in its immediate view on what constitutes a reasonable "bonus element" is to be expected. The worst thing that could happen is a return to the artificial notions on this question which so impeded the proper working of the capital market two or three years ago. Fortunately, that, at least, does not seem to be intended. Nor does the ban apply to bonus issues of less than £50,000.

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Oil Prices Raised

The Ministry of Fuel and Power have at length announced the increases in oil prices which have been expected since devaluation. They came into operation last Tuesday, except for the new bunker prices which take effect on November 1st. As the accompanying table shows, the full effects of devaluation have not been passed on to the consumer. The difference between the old prices and the new maximum prices shown in the second column gives the full reflection of the change in the dollar-sterling rate. But the Ministry has asked the oil companies to charge a price in all cases slightly lower than the maximum which devaluation would justify:—

PRICE PER GALLON FOR BULK DELIVERY IN INNER DELIVERY ZONES

	Old Price	New Maximum	Actual Price
Motor spirit (bulk).....	s. d. 1 9	s. d. 2 0½	s. d. 1 11½
Motor spirit (ex pump).....	2 0½	2 3½	2 3
Diesel oil for road vehicles (Derv.).....	1 6½	1 8½	1 8½
White spirit (London zone).....	1 10½	2 2½	2 1½
Kerosene:—			
Burning oil, paraffin oil—ordinary grade	19s.	1 1½	1 0½
Superior grade.....	1 0½	1 3	1 1½
Vapourising oil.....	11½	1 2	1 1½
Gas oil:—Diesel oil.....	9½	11½	11½
Fuel oil.....	7½	9½	8½
Heavy fuel oil.....	7½	8½	8½
Aviation spirit (100 octane).....	2 3	2 8½	2 8

For some months, discussions have been going on between the Ministry and the oil companies about the amount which could fairly be included in the selling price of oil products to cover the cost of distribution. The official view seems to be that distribution costs have fallen sufficiently to justify some slight reduction in prices to the consumer. The oil companies are prepared to admit that distribution costs show some difference as between companies, but they do not agree that the differences are large enough to justify a general price reduction. The talks are still in progress, but the Ministry appears to have anticipated their conclusion by

choosing this moment to impose by request what amounts to a net price reduction.

It will bring little comfort to the consumer. Fuel represents 40 per cent of the total operating costs of an oil-burning ship, and at least 25 per cent of the operating costs of an airline. The new bunker prices, 112s. 6d. a ton for fuel oil, 172s. a ton for marine diesel oil and 208s. a ton for gas oil, represent a 40 per cent price increase, enough to offset the advantages of oil-burning ships over coal-burners. For such a large airline as B.O.A.C. the increased price of aviation spirit will add roughly £750,000 to operating costs in a full year. This extra burden, together with the increased landing and other charges incurred in dollar countries, will go a long way towards offsetting any advantages the airlines might have gained from devaluation. The cost of fuel in road transport operation represents a less significant proportion of total operating costs; there has been some murmur that the extra cost may have to be passed on to the consumer, but in terms of costs per passenger mile or per ton mile it is not heavy.

There seems to be little fear that higher oil prices will lead to any reduction in demand. The possible exception is fuel oil—certain types of oil-burning equipment could be altered to use coal or some other form of energy, if oil should now be regarded as too dear. But in general the raising of oil prices is a valid adjustment of prices which have hitherto been too low, because of an artificial dollar exchange rate which was, until September 18th, too high.

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Improvement in Exports

The improvement in Britain's overseas trade in September was analysed in these columns two weeks ago. Exports rose by nearly £5,000,000 to £142 million, the daily rate during September being 3½ per cent higher than in August and slightly above that for July. The trend in the value of exports during the past year can be seen from the following table, which recalculates the individual monthly totals on the notional basis that each month has 26 working days.

BRITISH EXPORTS					
Monthly rates, assuming 26 working days.					
	£ mn.		£ mn.		£ mn.
Sept. 1948	... 131	Jan. 1949	... 159	May 1949	... 151½
Oct. "	... 140	Feb. "	... 152½	June "	... 155
Nov. "	... 147	Mar. "	... 154	July "	... 141½
Dec. "	... 151½	Apr. "	... 149	Aug. "	... 137
				Sept. "	... 142

The recovery which took place last month was largely seasonal at the end of the holiday period. What has now to be seen is the effect of the devaluation of sterling as a stimulant to exports by the end of the year. The volume of exports in September has been provisionally estimated at 144 per cent of the 1938 level compared with 138 per cent in August and 143 per cent in July. The quarterly average has declined since the beginning of year from 156 per cent in the first three months to 146 per cent in the second and 142 per cent in the third. The September figure at least holds out the possibility that this downward trend is in process of being reversed.

Exports of most of the main groups of manufactures increased during the month. The vehicle group rose by over £1,000,000 to £24.4 million, thanks to a record shipment of cars and chassis totalling 24,590 units. The number of commercial vehicles sent abroad was exceeded only in May of this year. Exports of machinery increased by £900,000 to £23 million. Textiles, on the other hand, showed a surprising drop. Cotton goods at £12 million were £1,000,000 lower than in August and were the poorest for nearly a year, while wool goods fell by £500,000 to £8,000,000, the lowest figure since June, 1948. Shipments of coal and oils and fats increased and there was a sharp rise in refined sugar.

Imports in September were valued at £181 million or £19

million less than in August. Imports of grain, dairy produce, fruit and vegetables were substantially smaller, while meat imports were well maintained. Arrivals of tobacco, however, increased by nearly £7,000,000 to £9,700,000. Imports of all categories of raw materials declined. Owing to the smaller imports, the adverse balance of trade fell to £35½ million in September—the lowest figure since last March.

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Steel for Cars

The motor industry's steel allocation is to be increased next quarter on the understanding that the extra steel will go to those manufacturers who can use it to increase their sales in hard currency markets. At present the industry is producing at the rate of over 400,000 private cars a year. Shortage of plant limits the amount of sheet steel which can be produced at home, and if more cars are to be built, additional sheet steel must be obtained from the only country with an export surplus—the United States. In the first nine months of this year, 15,098 tons of steel sheet have been imported and were allocated to those manufacturers whose exports have gone well. This is enough sheet to make 30,000 cars. Recent discussions between the Ministry of Supply and the motor industry have turned on whether the industry can be sure of earning more dollars than have to be spent on importing American sheet.

It is not easy for the industry to give such an assurance. If the export quota of 75 per cent of total output had been rigidly observed, only 100,000 cars would have been sold on the home market this year; the actual figures will be nearer 150,000. During the early summer, when hard currency buyers waited for devaluation and the soft currency markets imposed import restrictions, many cars intended for export were diverted to the home market. The quota system proved unworkable, as it had in 1948.

It will be even more difficult to enforce any discrimination of shipments between hard and soft currency markets. For some months ahead, the prospects should be good. Several hundred cars a week are being sent to the United States, although few manufacturers would care to speculate on how long this will last. Canada is now importing well over 2,000 cars a month, and in the first nine months of the year bought nearly 15,500. South Africa imported more than 600 cars in September, and is soon expected to modify its restrictions on imports. But it is not easy to make the industry cut supplies to the home market, reduce deliveries to soft currency markets, and concentrate its energies on the hard currency countries. Moreover, it seems to be the fact that the discrimination in steel allocations between firms exporting to hard and to soft currency markets is intended to apply to all steel, and not only to the dollar element in supplies. This revives a notion with which the Minister of Supply has flirted before. It is unlikely to work, and it will produce only friction and abuse. In practice, such a system would put half the manufacturers out of business. The industry's prices depend on a large volume of production and its stability on a large number of markets. The success of the scheme depends on getting more sheet steel from America. Is this quite certain, in view of the American steel strike and the high level of demand from the American automobile industry?

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Australia and the Fund

The announcement this week that the International Monetary Fund has agreed to an initial purchase by Australia of \$20 million from the fund (which is \$30 million less than the maximum annual drawing which the Commonwealth quota permits) raises two points of special interest. In the first place, it puts an end to the rumour that the Fund was to extend its ban on dollar drawings by E.R.P. countries to drawings by nations participating in the sterling area

dollar pool (in effect, to Australia and India, since New Zealand and Pakistan are still not members of the Fund). Such a ban would have been illogical in any case. In the second place, it raises the question of how Australia has convinced the Fund that its dollar deficit is the result of a "short term disequilibrium," for the financing of which drawings from the Fund are reserved. Australia has always had a dollar deficit and, since the war, despite the growth of a considerable active balance with other countries, this deficit has increased largely because of the expansion of Australian secondary industry.

Apart from a few basic items such as oil, tobacco, films and newsprint, most of Australia's imports from the dollar area consist of capital equipment and industrial raw materials. So many licences were already outstanding for these latter that Mr Chifley had already announced that the full 25 per cent cut in Australia's dollar imports, agreed upon at the London conference, could not be carried through in 1949-50. It is charitable to assume that Mr Chifley's recent statement (that this drawing from the Fund is an "alternative" to the cut in dollar imports) means that it is a device to allow the contractual cut in dollar drawings from the sterling area pool to be carried through this year after all. If Australia has justified its plea to the Fund by arguments of this sort, it will still have to carry through the cut next year, which will entail a reduction in the rate of high cost industrial production. But the Australian Labour Party's sensitiveness to any suggestion of "international financial control" (a sensitiveness which even delayed Australia's entry into the Fund itself until March, 1947) may mean that the world will have to wait some time before it knows whether any such bargain has been struck.

* * *

Trading in Tin

The Government seems determined to win both on the swings and on the roundabouts in its tin dealings before handing over to private trading on November 15th. Last July the Ministry of Supply agreed, after much heart-searching, to fix the domestic selling prices for non-ferrous metals at levels equivalent to "world prices"—that is equivalent to those ruling in the New York market. It was shrewd—or fortunate—enough to choose a moment when American prices were on the point of recovering, and thus it turned the change of policy to good account in its own trading results. After sterling was devalued, the Ministry duly raised its selling price for tin in this country from £569 to £750 a ton, and reduced its selling price in New York from 103 cents a lb. to 95 cents. Until this week, however, the Ministry had kept silent about the price it was prepared to pay to producers. Now the Ministry has stated that Malayan smelters will get the benefit of the new price—during the period since devaluation and until the metal market reopens on November 15th—only when the Ministry's purchases are matched by sales. To the extent that the Ministry's purchases go into stock, they will be paid for at the pre-devaluation price of £553 10s. a ton.

Smelters will apparently receive £728 a ton—the current selling price is £739 a ton ex-smelter at Penang and Singapore, and the difference is to cover the Ministry's warehousing costs. Until the final price realised by the Ministry's sales is determined, an interim payment to producers of only 80 per cent of the agreed purchase price will be made. The Ministry's new policy is thus to act as a commission agent, and to limit its risks. But producers have no alternative but to sell to the Ministry. Buyers are firmly convinced that when the market is reopened the price will be much lower than £750 a ton and are holding back, so that most of the Ministry's purchases will go to stock. The Ministry of Supply is justified in trying to reduce its losses but the principles it is pursuing are wrong. It has raised the selling price for tin to a level which purchasers are plainly not prepared to pay, unless their demands must be

met immediately despite the cost. Its interest is clearly to dispose of its stocks at a handsome profit, and in doing so it shows no great concern for the interests of producers.

When the London tin market reopens in a fortnight's time, dealings in copper, lead and zinc will remain in Government hands. Trading in tin will, of course, be subject to exchange control but there will be no export licensing. Buyers within the market will be able to import tin freely under open general licence. A minimum contract for five tons will be in force to prevent speculation; five tons at the current price would require an investment of £3,750. The international tin allocation scheme though still officially in operation, is unlikely to limit the market.

If the new tin market is to have any chance to function properly, it must, at least for the time being, remain unhampered by any form of output or price restrictions. Many months will be bound to elapse before the market can expect to function smoothly. Any discussion on international control at this stage is academic at best, and at worst damaging to the whole conception of what a free market should mean.

Shorter Notes

In a written reply to a parliamentary question Sir Stafford Cripps stated this week that there had been no sales of gold shares by the Government since September 19th, apart from shares held by the Exchange Equalisation Account, "the transactions of which it would be contrary to the public interest to disclose."

*

The minimum wage rates of African (native) labour working in the mines of the Transvaal Chamber of Mines have been increased by 3d. per shift for underground workers and 2d. per shift for surface workers. The African Mine workers are pressing for a 30 per cent increase in basic wage rates and it is also the intention of the South African Mineworkers' Union to solicit a further 15 per cent increase in basic wages and the introduction of a 40-hour week.

*

Coal output last week totalled 4,398,700 tons, 56,000 tons more than in the week before. By October 15th, the number of men on the colliery books had fallen to 710,600, some 2,000 fewer than at the beginning of the month. The labour situation is not so serious as these figures might suggest, because the number of face workers has remained fairly steady. Total output for the first 42 weeks of the year is now 171,836,700 tons. Of this total, 161,496,600 tons is deep mined coal, a little over 4,000,000 tons more than was produced in the same period of 1948.

*

Tea prices in the Colombo market recovered this week and increased by between 2d. and 4d. a lb. After devaluation prices rose by as much as 6d. a lb. under pressure of renewed American buying. But this high level was not maintained. Buyers from the sterling area, who provide the major support to the market, found prices too high and reduced their purchases. Prices, accordingly fell back to approximately the pre-devaluation level. The new recovery is attributed to the smaller offerings and the sharp rise in coffee prices owing to the general shortage of supplies.

*

The Wool Textile Delegation has set up a bureau, called the Wool Industry, Bureau of Statistics, to collect and publish monthly statistics on the British wool textile industry. During and since the war, firms had to render returns to the Wool Control which is ceasing to operate as from the end of October. In future the collection of statistics will be on a voluntary basis, but as the industry has readily agreed to co-operate, the coverage is expected to be as complete as formerly.

INTERNATIONAL BANKING SURVEY

This survey, and the accompanying special 16-page selection of International Banking Statistics which appears in this week's issue of the RECORDS AND STATISTICS supplement, is complementary to the similar survey and statistical analysis of banking in the British Commonwealth published on May 28th last. These new half-yearly features supplant the wartime shortened version of THE ECONOMIST Banking Supplement which has appeared annually in recent years. The latest selection of statistics, which extends and improves the traditional form of the prewar banking supplement, relates to international banking institutions, British banks operating overseas, and central and commercial banking in eighteen territories outside the British Commonwealth.

The New Exchange Structure

THE devaluation of sterling set in motion a realignment of currency values which has completely altered the topography of the sphere of foreign exchanges. The greater part of this readjustment has been effected by members of the International Monetary Fund and has occurred with the consent and through the machinery of that institution. In a statement made after the movement had nearly completed itself, the Chairman of the Fund, M. Camille Gutt, referred to it as "the most extensive realignment of exchange rates ever carried out in a short period of time." M. Gutt also claimed that these adjustments had been achieved "with far more international agreement than the major currency adjustments in the past," heralding them as "a convincing demonstration that international co-operation in this field is beginning to be a reality." This claim, it may be noted, is contrary to the impression which might have been given by certain comments made elsewhere about the initiative which provoked the whole movement.

However that may be, the statement made by the Fund on the reasons for and objectives of this realignment of exchange rates deserves fuller quotation, as a useful exposition of the underlying factors and problems: "The members of the Fund are making these currency changes to help reduce the very large deficits in international payments resulting from the war. For nearly all countries this has taken the form of a dollar shortage, of an inability to sell sufficient goods to the western hemisphere to meet their dollar payments. This gap has been, still is, and will for some time be, large. Hitherto it has been closed by grants, credits and loans. Now the deficit countries are adjusting their exchange rates in order to lower the prices of their goods and increase their sales to the western hemisphere. . . . We must not expect the depreciation which has taken place to solve the payments problem of Europe and the rest of the world. . . . These countries will need continued aid until their export position has been sufficiently improved. The purpose of devaluation is to increase exports. This means that a country must make goods available for export by restraining home demand. . . . The effectiveness of the measures which have been taken will depend also on the policy of the United States and other countries in the dollar area. . . . They must increase

their imports of raw materials and finished goods from all countries which offer them at competitive prices. The Fund considers that the exchange measures which have been taken were necessary to the countries that have devalued and that if appropriate related measures are carried out the exchange adjustments will benefit the peoples in all the countries concerned."

The new pattern of rates has now taken shape, and although all the more important changes have been explained in *The Economist* as they occurred, it may be useful now to survey the pattern as a whole—especially as this gives an opportunity to record some of the formal data which could not be presented at the time.

*

It was on Sunday, September 18th, at 4.30 p.m. Washington time, that the International Monetary Fund announced that the United Kingdom had proposed and the Fund had concurred in a change in the par value of the pound sterling from US\$4.03 to US\$2.80. In terms of gold the new rate gives the pound a parity of 2.48828 grammes, or £12 10s. per troy ounce. The Fund also concurred in the proposal for a proportionate change in the par values of the separate currencies of all territories in respect of which the United Kingdom has accepted the articles of agreement of the Fund (except British Honduras). These include West Africa, Southern Rhodesia, Cyprus, Gibraltar, Malta, the Bahamas, Bermuda, Jamaica, the Falkland Islands, East Africa, Mauritius, Seychelles, Fiji, Tonga, Hongkong, Malaya, Sarawak and British North Borneo.

The other members of the sterling area (or scheduled territories) automatically followed Britain's initiative. Identical statements about their changes in parity were made by the International Monetary Fund at the same time as it issued that covering the United Kingdom and the dependent territories. The one exception was provided by Pakistan, which has maintained the dollar value of its rupee unchanged, so that its sterling parity has been raised from 1s. 6d. to 2s. 1½d. The only other country in this group about whose attitude there had been some doubt was Australia, which, it had been thought, might take advantage of the opportunity pro-

junction and thus to ensure the maximum of stability for the Belgian economy under the impact of the world-wide readjustment. It is probable that Belgium, given the hardness of its currency and the size of its reserves, would not have devalued had the depreciation of sterling not been as large as it was and had the Netherlands not chosen to go virtually the whole way with sterling.

Among the other countries which have chosen to devalue, but to a smaller extent than Britain, Canada has decided to reduce the parity of its dollar by 9.3 per cent against the US \$ and gold. This changes the Canadian dollar parity in London from the former figure of 4.03 dollars to 3.075 dollars to the £.

★

France also chose this opportunity to make some important changes in its exchange system. It has eliminated the former multiplicity of exchange rates and has established a uniform exchange rate for all transactions with every currency. The basis of the new structure is the dollar rate in the free market in Paris. The uniform rate for each currency, therefore, is not a fixed rate but varies in accordance with a rate quoted from time to time on the free market. Previously, financial transactions in dollars, Swiss francs and escudos took place entirely at the free market rate while commercial transactions in these currencies and all transactions in other currencies were based on the average of this free market rate and the former official dollar parity of 214.392 francs to the \$. The extent of the devaluation of the French franc will thus depend on the action of the free franc. The International Monetary Fund has welcomed this reform as a measure of unification of the French exchange system. The immediate effect of the move has been to establish what was formerly the free rate for the dollar in the Paris market (which was 330 francs on September 16th) as the new rate applying to all dollar transactions; this rate stands at 350 francs. The sterling rate in Paris, which previously stood at 1,093 francs to the £, has moved to 980 francs to the £, thus conforming to the new cross rate of 2.80 dollars to the £. At the same time France consulted the Fund on two changes in the exchange system of French overseas territories. The franc in the French Pacific possessions, which until recently was linked to the US dollar at the rate of 49.627 CFB francs to the dollar, is henceforth to be pegged to the metropolitan franc at a rate of 5.50 metropolitan francs per CFB franc. The par value of the rupee in the French possessions in India has been changed in the same proportion as the change in the par value of the Indian rupee, that is, it has been devalued by 30.5 per cent.

In the case of Italy the arrangement under which official rates are fixed monthly on the basis of the previous month's quotations in the free market, is to continue. This leaves Italy's reaction to sterling's devaluation wholly undefined. The problem will be solved *ambulando* with complete freedom of action reserved by the Italian monetary authorities, whose control of the Italian free market is fairly effective. The Italian authorities have, however, undertaken to maintain orderly cross rates in the official rates fixed month by month, and their present intention seems to be to stabilise the dollar rate at around 625 lire, compared with 575 lire before September 18th, representing a depreciation of 8.1 per cent. The immediate effect of the devaluation

of sterling has thus been to shift the sterling parity from 2,340 lire to 1,755 lire to the £.

The Portuguese monetary area has devalued the escudo by 13.3 per cent against the US dollar, involving an adjustment in the sterling rate from 100.60 escudos to 80.50 escudos per £. Siam has devalued the tical by 20 per cent against the US dollar and the sterling rate has moved proportionately, from 40 to 35 ticals to the £. The currency in western Germany has been devalued by 20.7 per cent against the dollar; the sterling rate of the mark has thus moved from 13.43 to 11.76 marks to the £.

Two countries, Argentina and Spain, while maintaining their official parities with the dollar, have widened the range of differential exchange rates which they have been operating for some time past. In the case of Argentina, the effect, expressed in sterling, has been to cause an appreciation of the basic export rate, that is the rate applying to exports of meat and other essentials, from 13.53 to 9.40 pesos to the £. At the other end of the scale, the so-called free rate applying to financial remittances and operations of a capital nature has moved in the opposite direction, namely from 19.37 to 25.25 pesos to the £. At a number of intermediate stages the peso has kept pace with sterling. The basic import rate remains at 17.04 pesos to the £, and the preferential "B" export rate at 16.04 pesos to the £. In the case of Spain, the basic rate remains at its previous dollar parity, and in terms of sterling has therefore moved from 44.50 to 30.66 pesos to the £. Lists of adjusted special rates for various classes of imports and exports have yet to be published in Madrid. Two other countries, Uruguay and Chile, have also made—or are understood to be making—alterations in their structure of differential rates.

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There remain the countries which have decided not to devalue, and these are a somewhat heterogeneous group. Heading it, of course, is the United States, whose currency in effect determines the value of gold. In its widest sense, the US monetary area includes not only the Philippines but also those central and south American countries which have maintained their currency values in terms of the US dollar. Moreover, in Europe, Austria remains within the dollar area, while in Asia, Japan can be counted in the same category. Switzerland is, as usual, clinging to orthodox hard currency principles and has adequate reserves with which to stand a fairly prolonged deflationary siege. Iran has also chosen to keep its currency unchanged and in this respect has the help of firm dollar or gold exchange guarantees for the substantial amounts of sterling due to it as oil royalties. Finally, there is the group of Communist countries, the USSR and its satellites, which have prided themselves on their ability to withstand the forces which have caused other countries to devalue their currencies. To them, however, exchange rates are of little significance. Most of their international trade is transacted in terms of the currencies of their buyers or sellers, and the figures at which these foreign currencies are ultimately converted into roubles, zlotys, levas or lei, are problems of Soviet accountancy and not of international equilibrium.

To herald the process by which this new pattern of exchange rates emerged, "a demonstration of international co-operation" may be an overstatement. But at least the new structure bears a closer resemblance to economic realities than could be claimed for its predecessor.

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Credit Policy in the United States

THE economic background in the United States has changed significantly since last autumn, when the Federal Reserve Board's index of industrial production (1935-39=100) reached its postwar peak of 195. Early this year, the Department of Commerce could record that the closing months of 1948 saw "a rather impressive shift away from an inflationary position." But in January of this year, when the Presidential Budget message was delivered, the level of output was falling only slowly, and Government spokesmen were, therefore, still pre-occupied (as in 1948) with the problem of providing curbs upon inflationary pressure, including the mildly restrictive monetary curbs that were detailed in *The Economist Banking Supplement* twelve months ago (*Records and Statistics*, October 30, 1948).

The Budget Message called for an additional \$4,000 million of taxation, and insisted once again upon the need for the pattern of "selective" anti-inflationary controls already rejected by Congress. In the sphere of monetary policy, Mr Winthrop Aldrich, chairman of the Chase National Bank, was reasserting his demands for more flexible interest rates, and insisting that higher long-term rates would not bring about depression. And the President's Economic Message to Congress (also sent in January) called for "continuing authority to the Board of Governors of the Federal Reserve System to require commercial banks to hold supplemental reserves up to the limits requested last August." At that time (in August, 1948) Congress had authorised a fairly substantial advance in reserve requirements, though to a level much below that set by the President. The Reserve Board had taken partial advantage of these emergency powers, but was reluctant to enforce them fully because the restraints applied only to member banks of the Reserve System. The Board was therefore pressing for its authority to cover all banks insured by the Federal Deposit Insurance Corporation, a development which would have involved the regulation of those banks then, as now, under the control of state authorities.

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Until the close of February, therefore, the President and most of his economic advisers, including Mr John Snyder, Secretary of the Treasury, and Mr McCabe, chairman of the Federal Reserve Board, held that business activity would probably continue at high levels, with the definite risk of a renewal of inflationary pressure. By early March, however, conditions had changed sufficiently to make inevitable an early reversal of official policy. The Reserve Board first announced its decision to relax the controls on consumer credit (or instalment purchases) which formed part of the emergency powers granted in August, 1948. It followed this step within a week or two by sharp reductions in "margin requirements" for stock market transactions, and shortly afterwards announced the first general relaxation of bank reserve requirements since 1941.

Although these moves were at first represented as being, to some extent at least, merely tactical steps in a campaign for a permanent extension of emergency powers over both reserve requirements and consumer credit, it was soon apparent that they reflected an

abrupt change in the official assessment of the economic situation. Mr Marriner Eccles, who was formerly chairman of the Board of Governors of the Reserve System, and who now ranks as a senior member of the Board, was declaring in March that while recession had "developed for many months past" it was no part of the Government's task to stabilise the economy at such a high level. Only a week or so later, however, Mr Thomas McCabe, as chairman, was declaring the relaxation of obligatory reserve requirements to be "in furtherance of the Board's policy of adjusting all of its credit regulations in accordance with changing economic conditions, and the credit requirements of the current business situation."

This relaxation, which took effect in April, released approximately \$1.2 billion from the cash reserves of the commercial banks. A further reduction in reserve requirements took place at the end of June upon the expiration of the emergency powers—for the extension of which the Board was no longer pressing—and released a further sum of about \$800 million. At this stage, while production and employment were falling sharply from peak levels, the inevitable effect of the cash releases was to cause buying pressure in the Government Bond market; the commercial banks, faced with a continuous fall in advances, had no profitable outlet for new funds beyond the Treasury Bond market. This brought into the open a latent conflict between the Board's objectives. In the past its guiding aim had been to maintain the stability of the bond market, with reflationary measures subsidiary to that aim. But the banks' demands for bonds meant that the Board had to choose between the two objectives: if it wanted to check the fall in interest rates for the sake of stabilising them, it had to meet the demand by selling bonds; but that meant simply mopping up the additional credit which it was setting free in the interests of reflation. In the event, the Board chose reflation. At the end of June, a statement by the Open Market Committee of the Federal Reserve System forecast a more flexible policy—which may ultimately have significance in relation to rising, as well as falling, interest rates.

The statement declared that:—

The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds in the market to meet the needs of commerce, business and agriculture, it will be the policy of the Committee to direct purchases, sales and exchanges of Government securities by the Federal Reserve Banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the Government security market will be continued. Under present conditions, the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased.

Bank reserves were reduced again in August, in three successive stages, releasing cash to the extent of \$1.8 billion. Over about four months, therefore, the legal reserve requirements of the commercial banks had been cut by almost \$4 billion. Instead of being held at a high level authorised only by temporary legislation, they had moved to a point at which they were actually some way below the maximum limits permitted under the permanent authority of the Board.

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Throughout this period the reserve balances of the member banks have fallen steadily, a movement which is in sharp contrast to the substantial gains which occurred in the latter part of 1948, when the Reserve Board, despite its efforts to curb inflationary pressure by raising short-term rates and reserve requirements, was obliged to add steadily to its total bond portfolio in order to protect the long-term Treasury rate of $2\frac{1}{2}$ per cent.

The following table shows the way in which the Reserve authorities sought to keep control of the interest rate structure through open market operations. These have reduced their security portfolio by the unprecedented amount of more than \$6 billion within a period of nine months.

FEDERAL RESERVE POLICY, 1948-49
(In Billion Dollars)

	Reserve Bank Credit	Member Bank Reserves Total	Member Bank Reserves Required
1948:—			
Dec. 29.....	24.1	20.2	19.2
1949:—			
Jan. 26.....	22.9	20.0	19.0
Feb. 23.....	22.8	19.4	18.7
Mar. 30.....	22.4	19.0	18.5
April 27.....	21.7	19.0	18.5
May 25.....	20.0	18.0	17.3
June 29.....	19.9	18.0	17.3
July 27.....	19.0	17.5	16.6
Aug. 24.....	18.1	16.5	15.5

The steady pressure against the volume of bank reserves throughout this period is at first sight in direct contradiction to the aims of the reflationary policy announced by the Federal Reserve Board. Over most of the period, however, commercial bank loans—following the trend of production—were falling sharply from the highest levels reached at the peak of business activity in the closing months of last year. At the end of December, 1948, the volume of loans held by the weekly reporting member banks totalled \$25.5 billion, with commercial and farm loans amounting to \$15.6 billion. By the end of August, the total had fallen to just above \$23 billion, with commercial and farm loans some way below \$13 billion.

The German Banking Reorganisation

WESTERN Germany's new banking system, launched under Allied auspices shortly before the currency reform, has been working for nearly eighteen months, yet even now few people outside the German banks have become familiar with the far-reaching changes which have taken place. The purpose of this article is to describe the new structure, to explain why changes were made, and to indicate some of the problems with which the system is confronted.

It was apparent from the outset that the postwar condition of German banking necessitated a radical reorganisation. Since the bulk of their assets were in German Government bonds, the German banks had become insolvent upon the collapse of the Reich. Their continued operation was made possible only by the support of Allied authority and by various military government instructions restricting cash withdrawals. Financial considerations, though necessitating drastic reconstruction, did not, however, dictate the very complex pattern of structural changes which has in fact been imposed. This was designed to conform with the

The consequential diversion of new banking resources to the government bond market has been substantial. Between the end of April (the month in which the Reserve Board began to cut reserve requirements) and September 21st, the weekly reporting member banks increased their government portfolios by more than \$3 billion. In the early part of the year, buying pressure was mainly directed towards intermediate and longer-term issues. For technical reasons, short-term rates came under particular pressure following the June announcement by the Reserve Board. Within a month, the market rate for one-year certificates had fallen from $1\frac{1}{4}$ to 1 per cent—whereupon a vigorous open-market policy was undertaken in order to put the yield back to the level of $1\frac{1}{2}$ per cent. The yield on the longest Treasury maturities over the past year has narrowed from 2.45 to 2.30 per cent.

Presumably, the authorities have acted on the assumption that a sudden reduction in the one-year rate to 1 per cent would leave them with little or no scope for manoeuvre. The 1 per cent rate was effectively pierced during the spring of 1946, when the pressure towards low interest rates reached its postwar peak; but it probably marks the effective limit to which the authorities are now likely to go—at least in the absence of a trade depression on a scale far greater than the recession so far witnessed this year. Meanwhile, for some weeks before the development of the strikes in the coal and steel industries, the index of industrial production was rebounding quite sharply from the low point of 162 touched in July—and bank loans were rising with it.

By modifying its interest-rate policy and thus permitting a general credit expansion, the Board may well have had in mind the necessity of achieving a more flexible position and technique in case a revival of business activity brings a renewal of inflationary pressure. In this event, if the Board has indeed thrown off the self-imposed fetters of interest-rate stabilisation, and would be prepared to face a rise as well as a fall, an important weapon would be restored to it to buttress the device of stiffening reserve requirements.

political reconstruction of western Germany, after federal lines and to create, therefore, a federal central banking system and a parallel system of commercial banking. Given this objective, a break-up of the old nation-wide commercial banks became inevitable.

The new central banking system, though founded on the United States Federal Reserve system, bears some resemblance to that which was based around the old German Reichsbank. It is a two tier system. Each of the eleven Laender in the German Federation has its own autonomous central bank (Landeszentralbank), responsible for banking in its region. These regional central banks, in turn, hold the entire share capital of the Bank Deutscher Laender, the central bank of the federal government. The BDL acts as banker for the regional central banks, possesses the sole right of note issue and is the ultimate source of credit for the entire central and commercial banking system. Its policy is decided by a board which sits at Frankfurt and which is composed of the Governor and the chairman of the management committee of the BDL and of the eleven

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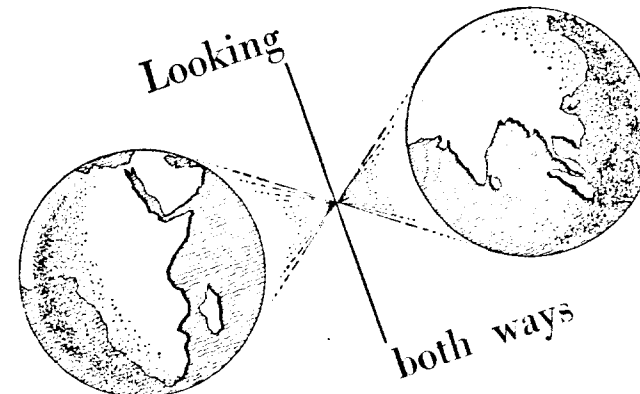
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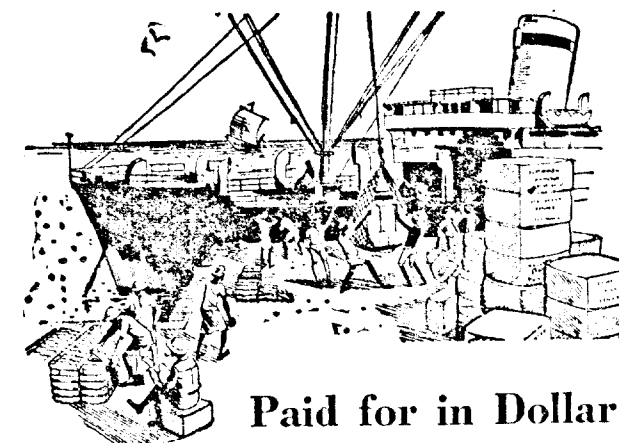
Bankers to the Government in Aden, Kenya Colony, Zanzibar and Uganda.

Head Office: 26 Bishopsgate, London, E.C.2

General Manager: T. T. K. Allan

Deputy General Manager: N. W. Chisholm

London Manager: W. Kerr



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heads of the regional central banks (who are appointed by the separate Laender).

A majority decision of the BDL board becomes binding on all central banks. Thus changes in bank rate or in the legal minimum reserves held by the commercial banks with the regional central banks (and, in turn, by the regional central banks with the BDL) are decided in Frankfurt and are binding in the whole of western Germany. Equal voting rights at board meetings theoretically give the chairman of a central bank in a small state the same influence as the chairman of the regional central bank for the Ruhr or separatist Bavaria. But bankers of calibre are few and far between in Germany and the weaker members have usually been quite willing to allow the few men of standing to call the tune. This rather clumsy system has therefore worked quite smoothly so far, simply because the bankers have seen relatively little to differ about. More recently, however, questions of credit policy have provoked some disagreement, and should there be a split among the more powerful personalities it is difficult to see how the system could continue to function at all. It is possible to exaggerate this danger, however, for the regional chairmen do not make central banking a whole-time occupation and many influential posts in the new system are filled by old Reichsbank officials to whom decentralisation is anathema.

Moreover, if a deviationist state central bank were in a minority on the Board, the weapons in the armoury of the BDL would probably be potent enough to bring it to heel (although it would be easier for the BDL to restrain excessive credit creation than to make an unwilling state central bank expand the local credit base). To enforce its will the BDL can, first, change the minimum reserve requirements obligatory on all banks and, secondly, refuse re-financing facilities. This refusal could take two forms. In the first case, normally eligible paper might be refused for re-discounting. In the second case, the BDL might refuse to lend against the new *Ausgleichsforderungen* or bank claims. This second measure requires more explanation.

Even after the 10:1 conversion of deposit liabilities at the time of currency reform, the German banks were still insolvent, since so large a part of their assets was locked up in defunct Reich debt. Part of this debt was therefore, in effect, replaced by *Ausgleichsforderungen* or claims by each bank against the Land in which it was registered. These claims, which are serviced at 3 per cent, are not negotiable for the present but may be lodged by any bank as security for overdraft facilities with the Land central banks. The Land central banks, in turn, can borrow against them from the BDL. The potential

denial of this facility is a strong weapon in the hands of the BDL.

One of the most urgent problems of the financial authorities is, however, to put these *Ausgleichsforderungen* on a more permanent footing. For one thing the interest paid is out of keeping with the present structure of interest rates and, for another, until these claims are converted to a more conventional form of public debt the BDL cannot carry out open market operations—simply for lack of suitable paper except in so far as it could encourage more lending by the state central banks against these claims.

Far-reaching though the changes in the central banking structure have been, those that have taken place in commercial banking are proving much more fundamental. Today no German bank may maintain branches in more than one Land. The three "Big Three" ("D") banks, the prewar giants of the German banking system, have been broken up. Each of their separate branches now has a strange new name and the goodwill associated with the traditional names has been lost.

The most fortunate of the new banks are automatically those which were situated in the largest states. Thus the old Deutsche Bank in the Ruhr, previously the largest bank in Rhineland-Westphalia, has become the largest bank under the new regime (it now operates under the title of the Rheinisch-Westphälische bank). By contrast, the successor of the Commerzbank—the smallest of the D-Banks—one of the small states in south-west Germany has, *perforce*, dwindled to relative insignificance. Since the currency reform the

larger banks in the larger states have increased their lead by attracting the lion's share of new deposits. Such business as the limited resources of the banks permit has been profitable. There is a wide margin between interest paid by the banks on deposits—this certainly never exceeds 4 per cent and is usually much less—and the 7 to 9½ per cent which the borrower has to pay, even though bank rate has fallen to 4 per cent. But a wide variety of new problems has been created. In granting credits the banks have become very weary of clients who have claimed to be borrowing for brief periods, but have in fact employed short-term credits on capital investment. The result has been a great increase in illiquidity.

Despite continued misgivings about the structural weaknesses of the new banking system—confidence in which remains to be established firmly—criticism of the new banking system *per se* has lately given way to heated debates amongst politicians, businessmen, financial journalists, and even within the ranks of the Bank Deutscher Laender itself, on the question whether the credit policy pursued by the central banking authorities

SUCCESSORS TO THE "BIG THREE," GIVING LOCATIONS OF HEAD OFFICES

Region	Deutsche Bank	Commerzbank	Dresdner Bank
North Rhine-Westphalia	Rheinisch-Westphälische Bank (Düsseldorf)	Bankverein West (Düsseldorf)	Rhein-Ruhr Bank (Düsseldorf)
Hamburg	Norddeutsche Bank in Hamburg (Hamburg)	Hansa-Bank (Hamburg)	Hamburger Kreditbank (Hamburg)
Lower Saxony	Nordwestbank (Hanover)	Merkur-Bank (Hanover)	Niederdeutsche Bankgesellschaft (Hanover)
Schleswig-Holstein	...	Holsten-Bank (Kiel)	Lübecker Bank für Handel und Industrie (Lübeck)
Bavaria	Bayerische Credit-Bank (Munich)	Bayerische Disconto-Bank (Nuremberg)	Bayerische Bank für Handel u. Industrie (Munich)
Bremen	Disconto-Bank (Bremen)	Bremer Handels-Bank (Bremen)	Bremer Bank (Bremen)
Hesse	Mitteldeutsche Creditbank (Frankfurt)	Mitteldeutsche Bank (Frankfurt)	Rhein-Main-Bank (Frankfurt)
Württemberg-Baden	Südwestbank	Bankverein für Württemberg-Baden (Stuttgart)	Allgemeine Bankgesellschaft (Stuttgart)
Palatinate	Rheinische Kreditbank (Ludwigshafen)	Mittelrheinische Bank (Mainz)	Industrie und Handelbank (Neustadt (Hardt))
Baden	Oberdeutsche Bank (Freiburg)	...	Süddeutsche Kreditanstalt (Freiburg)
Württemberg-Hohenzollern	Württembergische Vereinsbank (Reutlingen)	...	Bankanstalt für Württemberg und Hohenzollern (Reutlingen)

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ESTABLISHED 1835

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CAPITAL PAID-UP £1,500,000 DEPOSITS (31-12-48) £71,240,000

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General Manager: Mr. A. C. Clarke.

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has been helpful or a hindrance to economic recovery. Recently the BDL has shown signs of giving way to criticisms of its excessively deflationary policy. Orthodox steps to relieve the shortage of credit have been taken. The bank rate has been lowered from 5 per cent to 4 per cent in two successive stages. The minimum reserves which the commercial banks have to maintain with the central banking system have been lowered; the minimum reserve ratio against sight deposits, which was 10 per cent at the time of the currency reform in June, 1948, and which was raised to 15 per cent as an anti-inflationary measure in December, 1948, was lowered to 12 per cent in June of this year. (Throughout this period the reserve ratio against time deposits has remained unchanged at 5 per cent.) Even more significant has been the distinct change in tone in the policy circulars sent out by the BDL to the state central banks for eventual transmission to the commercial banks.

★

There has, however, been no *volte face* in central banking policy. The Bank Deutscher Laender is showing itself more impervious to outside criticism than central banks in many other countries, though the changes contemplated by the new government will curb this independence. Although it admits that there is a credit shortage in the country, it argues that the additional credit is needed largely for long-term purposes. In the past the German banking system has suffered too much from long-term lending with short-term deposit money. The BDL is determined that that shall not happen under the new system.

Many moderate observers believe, however, that the BDL has been rather too easily impressed by the increase in the note circulation and the volume of credit since the currency reform. At first sight these figures do look startling. In less than a year the note circulation has increased from DM 4,897 million to DM 6,815 million, while the deposits have risen from DM 5,120 million to DM 13,247 million. Advances have increased from DM 1,355 million to DM 7,833 million. The ratio of advances to deposits has increased markedly. It is now over 50 per cent as compared with about 25 per cent prior to currency reform.

Large though these increases have been, the critics of the BDL contend that a much larger increase was necessary. The real question, however, is whether it

is judicious to remedy the deficiency of working and long-term capital through the banking system.

The first need at the present time is for more long-term funds, yet the inability of the German capital market to meet the demands has been demonstrated beyond doubt. Individual savings, though they have been rising, are quite inadequate to finance anything but a small part of the German capital programme. Corporate savings are hampered by taxation which hits the industrialist in Germany even harder than in Britain. Large new savings are, however, accumulating in the public sector, for several state governments are running budget surpluses, and there is also the BDL "counterpart" fund from imports.

Most of the sums released by the public sector are passed on to the credit takers via the new Kreditanstalt fuer Wiederaufbau or Reconstruction Loan Corporation. This corporation is coming in for almost as much criticism as the BDL, mainly on the ground that it does too little. For the present it has to content itself with passing on such funds as are made available from the public sector.

Despite the assistance of the Reconstruction Loan Corporation few new capital issues have been able to raise the full amount for which they called. Yet the German new issue programme has not been ambitious. From the currency reform to the end of July new issues amounted to only DM 1,000 million, and of this not very impressive total only DM 754 million could be placed. The most ambitious operation yet has been the Reichsbahn issue which raised DM 335 million—of which DM 250 million came from public funds. By British standards interest rates on loan capital seem high—a ten-year loan stock normally carries $5\frac{1}{2}$ to $6\frac{1}{2}$ per cent interest. Since even these high-interest rates are not bringing forth the savings needed, it is now widely advocated that the immediate shortage of long-term capital should be overcome by more generous releases of funds from the public sector. Earlier arguments against this step, at a time when inflation still seemed around the corner, have now lost much of their force.

To sum up, no one will deny that the Bank Deutscher Laender is to be commended on establishing the Deutsche Mark as a sound currency in so short a period of time, but many people believe that it must next ensure that a proper balance between long-term and short-term capital is struck.

BANKING IN WESTERN GERMANY*
(DM Million)

Date	Number of Banks	LIABILITIES								ASSETS					
		Investment Deposits	Blocked Deposits	Free Deposits				Savings Deposits	Estimated Capital	Other Liabilities	Cash	Bills	"Ausgleichs-forderungen"	Loans and Advances	
				Bankers	Public	Other	Total							Medium and Long Term	Total
1948 :—															
July	4,208	...	1,533.2	1,198.4	1,106.6	2,582.0	5,199.9	312.9	83.5	4,394.3	...	...	15.8	180.8	
August	3,738	...	2,363.5	1,383.2	1,215.9	3,607.1	6,892.0	685.8	148.5	4,373.1	...	...	78.8	905.3	
September	3,592	...	2,849.4	1,510.7	1,362.1	4,342.2	7,972.9	957.9	...	4,102.4	4,105.9	...	153.2	1,582.4	
October	3,581	...	1,747.1	1,180.6	1,560.5	4,763.2	8,956.4	1,152.1	...	3,276.5	1,371.7	...	212.0	2,191.3	
November	3,581	208.1	725.5	1,295.8	1,929.2	5,170.1	9,748.9	1,353.8	2,495.8	4,219.9	2,241.6	4,102.0	523.3	2,905.1	
December	3,579	309.7	440.6	1,293.3	2,035.9	5,459.4	10,387.5	1,598.9	2,836.1	4,564.1	2,447.2	4,344.9	814.0	3,223.6	
1949 :—															
January	3,583	341.2	325.7	1,290.3	2,234.6	5,414.5	10,706.8	1,767.4	2,569.9	4,222.0	2,528.4	4,478.2	982.3	3,781.4	
February	3,583	368.1	238.4	1,322.4	2,377.8	5,591.6	11,227.9	1,936.1	2,696.9	4,142.4	2,735.3	4,571.8	1,012.5	4,135.2	
March	3,581	391.4	158.3	1,438.6	2,380.0	5,851.6	11,776.8	2,107.8	2,750.5	4,411.9	2,850.4	4,662.7	1,034.9	4,360.8	
April	3,580	404.6	114.7	1,467.9	2,534.0	6,240.8	12,247.9	2,226.8	2,880.7	4,515.4	2,968.5	4,736.2	1,190.5	4,726.6	
May	3,576	415.7	73.3	1,674.8	2,631.8	6,420.8	12,920.7	2,373.3	2,813.2	4,694.4	3,367.3	4,812.9	1,222.3	4,947.3	
June	3,576	399.7	50.5	1,710.9	2,542.1	6,490.8	13,223.0	2,479.5	313.2	4,296.5	3,859.9	5,120.4	690.6	5,831.8	
July	3,574	366.7	40.3	1,600.5	2,587.7	6,474.2	13,246.8	2,584.4	339.6	5,139.1	3,915.7	3,970.0	751.8	6,726.2	

* Excluding the Central Banking System.

COMPANY MEETING

LONDON TIN CORPORATION LIMITED

CHAIRMAN'S SPEECH

The twenty-third annual general meeting of London Tin Corporation Limited was held on Friday, October 21, 1949, at The Chartered Insurance Institute, Aldermanbury, London, E.C.2.

Mr J. Ivan Spens, Chairman of the Corporation, who presided, said:—

The accounts for the year ended April 30, 1949, are on almost similar lines to those for the previous year, when we made the necessary amendments to conform with the Companies Act, 1948. Apart from an increase in investment of the Corporation's resources in "Investments at or under cost," and an adjustment, in the main, between loans and shares in "Investments in subsidiary companies," I need only refer to the fact that we have now a general reserve of £250,000, made up of £125,000 reserve against a loan to a subsidiary company not now required, and £125,000 transferred from profit and loss account. This general reserve, which we hope to increase from time to time, is available for meeting contingencies.

MALAYAN WAR DAMAGE COMPENSATION SCHEME

Since we held our last annual general meeting, fresh proposals have been made and laid before the Legislative Councils of the Federation of Malaya and of Singapore. I am certain it is in the interests of all concerned that finality should be arrived at on this matter at the earliest possible moment. Until this is done, so far as the mining companies are concerned, it is impossible to assess their financial positions correctly, as the majority of them have received advances for rehabilitation from the Government, which may be in excess of the amounts such companies might ultimately be entitled to receive under the scheme.

STAFF

Since my speech last year, two more members of the staff of Anglo-Oriental (Malaya), Limited, have been murdered by bandits. To their relatives I know you would wish me to express your deepest sympathy. The activity of the bandits in Malaya has imposed a great strain on staff, many of whom have spent 3½ years in Japanese P.O.W. camps. I feel that I speak for you all when I thank the staff of Anglo-Oriental (Malaya), Limited, for the fine work they have done, and are doing, in Malaya, Burma and Siam under such difficult conditions. I also wish to thank the staff of A. O. Nigeria, Limited, who, though they have so far escaped the turbulent conditions of the Far East, have, I know, their own problems and difficulties.

PRICE OF TIN

Shareholders will recollect that the price of tin metal was fixed up till June 30, 1949, by the Ministry of Supply, who bought the output of both Malaya and Nigeria. In Malaya the price was £553 10s. per ton metal ex-smelter. In Nigeria it was £531 per ton metal in concentrates f.a.s. Nigerian port.

On August 30, 1949, the Ministry of Supply suspended all dealings in Straits tin. The reason for this was a loss of dollars owing to importers in U.S.A. being able to use sterling exchange available for future deliveries at a considerable discount over the official rate. From August 25th, industry in the U.S.A. was relatively free to import tin metal.

On September 7th the Ministry of Supply announced that tin metal would be sold in U.S.A. at \$1.03 per pound through a number of London metal brokers acting as the Ministry's agents. Merchants in Penang and Singapore with experience of the trade up till 1941 were grieved that they were not included in the Ministry's scheme. On September 9th the Ministry arranged that buyers could defer the price to be paid for the metal until ten days after the arrival of the ship carrying it at New York docks.

The devaluation of the £ on September 18th caused the Ministry of Supply immediately to suspend sales of tin, along with other base metals. On September 26th the Ministry announced that the selling price of tin would be £750 per ton in U.K., £739 per ton ex-smelter in Penang or Singapore and 95 cents per pound (equivalent to £760 per ton) in New York. The price to be paid to producers has still to be fixed. The Ministry also announced its intention to discontinue the purchase of tin and to reopen the London Metal Exchange in the near future.

There can be no doubt that the revaluation of the £ sterling in terms of the \$ and other currencies, will increase mining costs, though to what extent remains to be seen.

NEGOTIATIONS WITH ECONOMIC CO-OPERATION ADMINISTRATION

In March, 1949, the U.S.A. informed producing countries who were signatories of Economic Co-operation agreements that E.C.A. desired to negotiate bilateral agreements with them in order to increase deliveries of metallic tin and/or concentrates to the U.S.A. The countries concerned began simultaneous negotiations. In each case the negotiations were interrupted at the request of the E.C.A. representative, when it became clear that financial appropriations were not going to be available as soon as expected.

TIN STUDY GROUP

In 1946 many in the tin mining industry believed that in two or three years supplies of tin metal would probably be greater than industrial demand. They hoped that the then proposed Tin Study Group would consider what action should be taken to prevent this surplus depressing the price below the economic cost of production.

The communiqué issued after the meeting of the Tin Study Group held in London in June, 1949, said that the Group realised that there was an existing and growing excess of production over commercial consumption (estimated at 32,000 tons in 1949 and 1950, 43,000 tons in 1951). While it was thought that purchases for non-commercial purposes would avoid an unbalanced position for an appreciable but unspecified period, it was realised that conditions justifying the conclusion of a commodity control agreement would probably arise within five years. From past experience it may be believed that negotiations for such an agreement might take two years. Another Working Party was set up to draft an agreement which was to be submitted to the members of the Study Group who would consider whether to ask the United Nations to convene a Commodity Conference at which such an agreement could be presented. The Working Party's report was to be ready, if possible, by September 30, 1949. It has now been arranged that this Working Party will meet at The Hague on Wednesday next, October 26, 1949.

I think the majority of the tin producers

in the world are in favour of the calling of a commodity conference and would favour an international commodity agreement on tin. Such majority must believe that that is the only way in which the tin industry will obtain a reasonable, stable, economic price, which will allow it to plan satisfactorily for the future. It seems to me that such an agreement is in the interests of consumers who require adequate supplies of tin at an economic price and above all at a stable one. To the consumer carrying appreciable stocks a constantly fluctuating price with its losses on stocks must be far from satisfactory, while a supply alternating between a dearth and a glut must be even less so.

It must also be remembered that in Malaya the country's economy depends mainly on its two basic industries, tin and rubber. If the tin industry should suffer periods of depression on account of instability of price and if mines were forced to close down, resulting in widespread unemployment of labour or a reduction in the standard of living, the social and political consequences might be serious. Similar considerations must equally apply to all the main tin-producing countries.

Personally, I believe that if the conditions which I have enumerated above are fulfilled, consumers would agree to an international commodity agreement on tin. While the situation is, therefore, not so gloomy as some may suppose, emphasis must be laid on the need for action and the early conclusion of a suitable international commodity agreement on tin.

The report and accounts for the year ended April 30, 1949, were adopted and the retiring directors re-elected.

At the extraordinary general meeting which followed the annual general meeting a special resolution adopting new articles of association was duly passed.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

SUCCESSFUL YEAR

The 38th annual general meeting of the Olympic Portland Cement Company, Limited, was held on October 24th in London.

The Hon. Gerald H. G. Williamson, the chairman, in the course of his speech, said: I am pleased to be able to report that your company has had a successful year, more successful indeed than we anticipated a year ago. The trading profit of the Bellingham plant for the year was £44,642, after providing £14,408 for depreciation and depletion as against £16,125 of profit and £19,947 of depreciation and depletion for the previous fifteen months.

The average selling price of cement per barrel for the year under review was 3.23 dollars, compared with 3.19 dollars for the six months to March 31, 1948, and 2.93 dollars for the nine months to September 30, 1947, the volume of sales being 748,000, 192,000 and 449,000 barrels respectively. The increased sales reflected the higher production of cement during 1948-49, the figures being 727,000 barrels, against 707,000 barrels cement in the fifteen months to March 31, 1948.

As the dividend paid a year ago—10 per cent., less income tax—covered a period of fifteen months and as previous distributions had for some years been on a 10 per cent. basis, a bonus of 2½ per cent., less income tax, is now recommended, in view of the improved results for this year, in addition to the final dividend.

The report was adopted.

THE UNITED STEEL COMPANIES, LIMITED

STATEMENT ON YEAR'S OPERATIONS

The annual general meeting of The United Steel Companies, Limited, will be held on November 10th at The Iron and Steel Institute, 4, Grosvenor Gardens, London, S.W.

The directors have issued the following statement on the year's operations to members of the company with their annual report:—

Stockholders—The number of stockholders on the register at June 30, 1949, was: ordinary, 21,410; preference, 14,370.

PRODUCTION

The outstanding feature of the year's operations has been the high level of outputs attained throughout the undertaking. Production of steel, pig-iron and coke for the last two years has been as follows:—

	1947-48	1948-49
	tons	tons
Steel ingots	1,896,000	2,042,000
Pig-iron	1,057,000	1,143,000
Coke	1,114,000	1,175,000

It is believed that this is the first occasion on which a British company has attained an output of over 2,000,000 tons of steel in a single year.

Number of Employees—The number of employees at June 30, 1949, was:—

Cumberland district	5,169
Lincolnshire district	9,930
Sheffield district	14,487
	29,586

SALES

The sales for the year cover a great variety of products and markets and can be generally classified in the following groups:—

	%
1. Semi-finished steel which undergoes further processing	31.0
2. Finished steel products ready for use	13.3
3. All other steel products mainly supplied to various branches of engineering	46.0
4. Oils, fertilisers and chemicals	3.7
5. Engineering products	2.8
6. Miscellaneous	3.2
	100.0

Direct export, which is limited by government regulation, amounted to 7½ per cent. of the sales. A much larger proportion is exported indirectly, but this depends upon the trade of our customers, which includes the making of:—

Ships.
Motor vehicles.
Railway rolling stock.
Electrical equipment.
Wire products.
Machinery.
Hardware.
Chemicals.

INCOME AND EXPENDITURE

During the year the company's gross income from sales and other sources was £50,538,522. This was expended as follows:—

	£	%
Raw materials, fuel, services	30,449,608	60.25
Wages, salaries, national insurance	12,550,934	25.83
Holidays with pay	373,851	
Pensions	150,000	
General expenses including rents, rates, insurances	991,659	1.96
Delivery charges	2,054,199	4.05
Retained in the business	1,435,462	2.84
Taxation	1,958,123	3.87
Dividends to Stockholders	574,686	1.14
	50,538,522	100.00

PROGRESS OF DEVELOPMENT SCHEMES

The company has pursued its development programme with all the speed which the difficult times have permitted. During the three years since the end of the war great progress has been made which can be measured by the fact that over £10,000,000 has been spent. The present state of the programme is as follows:

Since the blast furnace plans at Appleby-Frodingham were prepared discoveries of ways of treating the company's iron ores to increase furnace outputs have been made which may enable the required pig-iron output to be achieved without building new furnaces. The construction of the ore preparation plant which is proceeding will enable these discoveries to be applied to their full extent.

The new melting shop to replace the old Frodingham shop has been in operation for nearly two years and has yielded greater outputs at lower costs. Modernisation of the section mills is also complete, the central engineering shops have been built, and many minor schemes of improvement have been finished. This reconstruction, with greater outputs in both the blast furnaces and the melting shops and various improvements effected in the plate mill, has raised the output of both plates and sections by about a fifth compared with three years ago.

At Steel, Peck and Tozer the modernisation of much of the plant is a long-term task which must be carried out gradually to avoid interference with production. Many improvements have already been effected in the melting shops (including conversion of the Templeborough melting shop to oil firing) which have helped to increase production. Mechanisation of the railway spring shop is complete and the wheel department has been completely re-equipped with the most modern plant which is giving a greatly increased output.

The programme at Samuel Fox and Company is practically complete and the efficiency and economy of all the steel processing and finishing departments have been greatly increased. The only major development still to be finished is the stainless sheet mill which Fifth-Vickers Stainless Steels, Limited, and the company are erecting in partnership.

At Workington also the programme is almost finished. The cogging mill has been replaced and fitted with an electrical drive. The rail bank has been reorganised and extended. Power generating plant has been increased and a large modern steam-raising station comprising four water tube boilers fired by surplus gas or by oil is being installed. Two boilers have been at work for more than 12 months but completion of the remaining two has been delayed owing to priority being given to electric power stations.

The duplication of the coke ovens of the United Coke and Chemicals Company at Orreave will be finished by the end of the year and plans and experiments for the manufacture of additional chemicals are well advanced. At the Scunthorpe ore mines the first underground working is approaching the stage when production will start. Further reserves of ore have been secured, and output has been increased by the introduction of additional and more efficient machinery for open-cast working. Three large additional gasholders each of three million cubic feet capacity have been completed, one at Workington, one at Samuel Fox and Company and the third at Orreave.

POWELL DUFFRYN LTD.

CHAIRMAN'S REVIEW OF ACTIVITIES

The annual meeting of this company was held on October 25th.

The following is an extract from the statement of the chairman, Mr Edmund L. Hann.

Profits for the year do not include interim income for the last quarter since legal effect has not yet been given to the Government's decision to continue payment. The dividend is maintained at 8 per cent. for the year without depleting the carry-forward.

As the ownership of Tredomen Works was in dispute, it was referred to arbitration. The award vested the works in the National Coal Board. This does not affect profits for past years as credit has been taken only for interim income estimated to be receivable if the works vested.

Very little progress has been made in South Wales towards settlement of compensation, either in allocating the award of £14,231,000 to colliery companies or in determining the amounts of compensation payable for the ancillary assets taken over, which for your company comprise carbonisation and tar distillation plants, patent fuel works, electricity generating stations, Phurnacite plant, houses, farms and other assets which now include Tredomen Works.

It is difficult to understand why District Valuation Boards were not set up long before Dec., 1948. Boards are only now starting to carry out physical inspections of assets which vested in the Coal Board on Dec. 31, 1946, and which have to be valued as at that date. There seems no reason to change the opinion that compensation proceedings will not be completed before 1952.

The increase in output of coal has disappointed those who hoped for increased exports. The future of the coal export trade depends on the ability of this country to export traditional quality at competitive prices. Delay in obtaining this is dangerous, as other countries, increasing their output, are becoming less dependent on imports and some have more available for export. Unless more coal is produced at cheaper prices there will be little left for the British exporter of his overseas markets.

Cory Brothers and Company, Limited, and Gueret, Llewellyn and Merrett, Limited, have made continued progress, Cory Brothers in particular having had a most successful year. These companies, together with Maris Export and Trading Company, Limited, have been able to take their fair share in the modest increase in the quantity of coal available for export.

The results of Stephenson Clarke have been satisfactory and further progress has been made in the replacement of their wartime shipping losses.

The output of Cambrian Wagon Works, Limited, continues to expand, and additions now being made will enable the company to widen its range of manufacture to meet the changing demand for rolling stock at home and abroad.

Powell Duffryn Technical Services, Limited, has experienced a year of successful and progressive development. On the fuel utilisation side, much valuable work has been carried out for industrial undertakings, and branch offices have been opened at Birmingham, Sheffield, Newcastle and Glasgow, to serve the surrounding industrial areas.

Powell Duffryn Carbon Products, Limited, has completed the extensions to its factory and is now equipped for the manufacture of carbon for electrical, chemical and metallurgical purposes.

The report and accounts were adopted.

FERRANTI, LIMITED

DEVELOPMENT PROGRESS

The forty-fourth annual general meeting of Ferranti, Limited, was held on October 20 in London.

Sir Vincent de Ferranti, M.C., M.I.E.E., the chairman and managing director, presided.

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

In my speech last year I referred to the extension of manufacturing facilities that we had put in hand to enable us to play our part in the rebuilding and development of the country's generating capacity and to obtain our share of the considerable demand from abroad for large transformers. We have made material progress in this direction. The net increase of £257,684 in fixed assets is mainly accounted for by the completion of our foundry extensions and expenditure on the construction and equipment of the new transformer shop. We hope the latter will be completed by the end of this year.

In the course of the year we obtained permission from the Exchange Control Authorities to remit one million dollars (£248,294) to our Canadian company against their issue of new shares, and were thus able to provide them with a part of the increased working capital, called for by the development of their business, which had previously been furnished by their bankers.

The Canadian company further increased their issued capital by capitalisation of undistributed profits to the extent of \$500,000 (£124,069). The issued capital of the Canadian company is now two million dollars and the items referred to above account for the increase of £372,363 in our shareholding in subsidiary companies.

The general reserve, which last year stood at £536,000, has been increased by absorption of the contingency reserve of £150,000, which is no longer required, by the bonus issue received from the Canadian company of \$500,000 (£124,069), and by the allocation from this year's profit of £139,931, leaving the amount of the general reserve at the date of the balance-sheet £950,000.

INCREASED NET PROFIT

The trading profit for the year, together with dividends on investments, amounts to £481,222, as compared with £397,201 for the year ended June 30, 1948. The net profit amounts to £178,818, an increase of £35,430 on last year's figures, and if the directors' recommendations are approved, there will remain a sum of £139,931 to go to increase the general reserve account and £1,637 to increase the undistributed profits carried forward.

The subsidiary companies' activities during the year under review have resulted in a net loss of £45,791. The Canadian company has been passing through a period of reorganisation and its trading results were adversely affected by labour unrest in the latter part of its financial year, which culminated in two strikes occurring in May and June last.

We are glad to say the company is again in production and we hope that it will not have any recurrence of these troubles in the current year and will start to reap the benefit of the reorganisation.

During the year the output of the concern has remained constant, increases in transformers and Government work making up for reductions in electricity service meters, instruments, radio, domestic appliances and clocks. Of our total output, 35 per cent. has again been exported.

We expect our output in transformers to continue increasing during the year ahead to deal with the record order book of the company.

The report was adopted.

TRINIDAD PETROLEUM DEVELOPMENT

MR KENNETH MOORE ON EFFECTS OF DEVALUATION

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held on October 25th at the registered office of the company, River Plate House, Finsbury Circus, London, E.C., Mr Kenneth A. E. Moore, F.C.A. (chairman of the company), presiding.

The secretary (Mr J. Mytton) having read the notice convening the meeting and the report of the auditors.

The Chairman said: The accounts before you today, read in conjunction with the directors' report, give you, I hope, as full and lucid a picture of the company's affairs as is practicable within the scope of such documents. There is no need, therefore for me to take up your time today by a tiresome recapitulation of the principal figures and you would prefer, I am sure, that I should deal rather with the broader aspects of the company's affairs.

In the first place, while all sorts of things are happening in the outside world which directly or indirectly impinge upon our fortunes, the work of the company—the search for, and production of, oil in Trinidad—goes on steadily and energetically.

OIL PRODUCTION AND GEOLOGICAL INVESTIGATION

Thus, in the past year, we have pressed on with the routine production of oil from existing wells, with the work of drilling new wells, both in proven and non-proven areas, and with preparations for the extension of the search for oil to the Moruga district. We have also taken the opportunity to acquire oil rights on additional territory, a policy which, over the last twelve years, has more than doubled the area over which we are free to operate. All the time constant geological investigation is going on with the object of adding to our knowledge of our potential reserves of oil and of improving our chances of obtaining commercial production therefrom.

During the past year also we have successfully raised the additional capital which, we foresee, will be required to cover the cost of the further stages of development at present envisaged.

Meanwhile, as I have already indicated, events and circumstances quite external to the fundamental work of the company, and quite beyond our control, exert their influence on our affairs.

OIL PRICES

During the past financial year the most notable of such occurrences was the exceptionally mild winter in the Eastern States of North America which led to a glut of heavy fuel oil and so to a substantial fall in the Gulf Coast export price for that class of oil. As a result, the effective price received for our production began to decline in December, 1948—a decline which persisted right up to the end of the financial year. To counteract the consequential fall in our profits we took the old-fashioned but politically unpopular course of doing our best to increase production and to reduce expenditure.

Success was achieved under both heads, with the result that the profit for the year, though inevitably reduced by the fall in price, was by no means unsatisfactory, and has enabled us, while maintaining our dividend, to add £50,600 to general reserve. In this we were helped by the fact that, at long last, our liability for taxation, including wartime taxation, was finally agreed down to July 31, 1948, at a figure rather less than the reserves built up over the years to meet the estimated liability.

DEVALUATION OF THE £

Since the end of the financial year something has occurred which very materially

affects our fortunes—namely, the devaluation of the pound in relation to the dollar as from September 18, 1949.

Oil is international in character—almost a currency in itself—since it can be shipped to any country and sold for the currency of that country by reference to basic world prices, which, for most practical purposes, can be taken to be the Gulf Coast export prices.

We sell our oil by reference to those prices and, therefore, in terms of U.S. dollars, thus the immediate effect on our fortunes is that, in terms of sterling, we are, since September 18th, receiving some 43 per cent. more for our oil than we were immediately before devaluation.

It is necessary to bear in mind that a proportion of our expenditure, notably that for Trinidad Government royalties and for purchases of plant in the USA, is on a dollar basis, but our remaining expenditure—by far the larger proportion—is in sterling. It is, therefore, obvious that, all other things being equal, devaluation is likely substantially to increase our trading profits until the inescapable secondary effects of devaluation make themselves felt. In the meantime I need hardly remind you that with the increased profits tax imposed last month, taxation will take an even heavier toll than in the recent past.

OIL RESERVES

With regard to our reserves, we have for years past been adding to the area over which we hold oil rights, which now amounts to 55,780 acres, and it is the view of our geologists that, in the proved areas alone, which cover only about one-third of the total area, there are reserves sufficient to cover the present rate of production for many years to come. These reserves, we hope, will be increased by our exploration of the Moruga district and other areas which will be drilled up in due course.

Relations with labour have continued to be good during the past year and our workers greatly appreciate the improved medical and welfare arrangements which we have been providing increasingly in recent years as our progress justified. We have extended Dalley Village during the past year and built a number of additional houses, and you may rest assured that, as employers, we are pursuing an enlightened policy in these matters.

Commander Lavington and Lord Rothes visited the field earlier this year and were well satisfied with the state of our organisation there. It is, I can assure you, a credit to the company and is making an important contribution to the economic and general welfare of Trinidad.

SOUND POSITION

Summing up, I think it fair to say that the affairs of the company are in good shape—we believe our reserve position to be satisfactory, our financial position is strong, and we have a most competent and devoted team in Trinidad carrying on the day-to-day work of the company. To Mr Bennett, our general manager, and to all our staff and employees in Trinidad, we tender our most sincere thanks.

The report and accounts were unanimously adopted and the dividend of 12½ per cent., free of tax, making 16½ per cent., free of tax, for the year ended July 31, 1949, was approved.

The retiring director, the Rt. Hon. the Earl of Rothes, was re-elected, and the remuneration of the auditors, Messrs Joselyne, Miles, Page and Company, having been fixed, the proceedings terminated with a hearty vote of thanks to the chairman, directors, general manager and staff in Trinidad.

Investment Statistics

Company Notes

United Steel Companies.—Balance of trading profit declined from £3,935,551 to £3,767,659 in the year to June 30, 1949. Net profit was £3,225,372 (£3,372,315). Output of steel in the period was a record at 2,042,000 tons (1,896,000 tons). Turnover increased from £43,500,000 to £50,538,522. Group fixed assets were £20,863,127 (£17,886,224) at the year-end; net current assets were lower at £1,993,144 (£3,728,112).

Galico Printers' Association.—Net profit increased from £429,704 to £436,130 in the year to June 30, 1949. The result for 1947-8 benefited by a credit of £113,104 in respect of income tax deducted from dividends. Dividends in 1948-9 have been charged net. Consolidated net profit was £663,549 (£906,147) after charging £1,019,974 (£801,440) taxation, £947,492 (£646,336) for maintenance, depreciation and repairs, etc., and after the transfer of £261,018 (nil) to stock reserve. The dividend has been increased from 5 per cent to 8 per cent for the year.

Crabtree Electrical.—Consolidated trading profit increased from £283,826 to £349,346 in the year to July 31, 1949. Net profit amounted to £122,310 (£136,875). A total distribution of 17½ per cent for the year is recommended.

Baldwins (Holdings).—Total income in the year to September 30, 1949, amounted to £527,304 (£526,083). A total dividend of 16 per cent for the year is recommended.

Eastwoods Ltd.—Group trading profit increased from £274,491 to £281,971 in the year to March 31, 1949. Net profit amounted to £82,647 (£72,406). The dividend is unchanged at 8 per cent.

Oriental Telephone and Electric.—Total profit amounted to £121,340 (£112,415) in 1948. The dividend of 16 per cent is unchanged.

Mufutira Copper Mines.—Production of blister copper increased from 53,360 long

tons to 70,966 long tons in the year to June 30, 1949. Operating surplus amounted to £4,785,366 (£3,227,581) and net profit to £1,723,362 (£1,132,908). A final dividend of 5s. per share is recommended making 8s. 6d. per share for the year (in 1947-8 a single payment of 7s. 6d. per share).

Peruvian Corporation.—The scheme of the Peruvian Corporation to extend the moratorium on its debentures has been passed by a majority of the debenture holders. A petition is now being presented to the High Court for the Court's sanction.

Rhodesian Selection Trust.—Total income for the year to June 30, 1949, amounted to £734,754 (£648,648). A final dividend of 1s. 6d. per share is recommended, making a total of 2s. 6d. per share for the year (compared with 2s. 3d. for 1947-8).

Mexican Eagle Oil.—The resolutions for the repayment of the paid-up capital to the extent of 7 Mexican pesos per share have been duly passed at an extraordinary general meeting of the company.

ended December 31st: 1939, £154,390; 1947, £41,554; 1948, £139,379. Assets as at December 31, 1948: Fixed assets, £39,381; total current assets, £1761,502; net current assets, £345,560.

St. Helena Gold Mines.—Shareholders are to be offered 1,250,000 10s. ordinary shares at 37s. 6d. per share in the proportion of one new share for every four shares held. A further 1,250,000 shares are to be subscribed for by six finance houses.

F. W. Woolworth.—Treasury approval has been given for a 100 per cent script bonus issue to capitalise £7,500,000 from profit and loss account. Holders of the £7,500,000 ordinary stock in 5s. units registered on November 5th will receive one new share for each share held.

Grattan Warehouses.—Shareholders are to receive by way of bonus distribution one new 5s. ordinary share for every three 5s. shares held. The issue will capitalise £125,000 of reserves.

Capital Issues

W. and R. Jacob (Liverpool).—Application has been made for permission to deal in the issued share capital of £575,020 in £75,000 6 per cent cumulative £1 first preference shares, £200,000 in 6½ per cent cumulative £1 second preference shares and £300,020 in 5s. ordinary shares. Profit subject to taxation for years ended December 31st: 1939, £139,212; 1947, £162,579; 1948, £203,185. Assets as at December 31, 1948: Fixed assets, £754,072; total current assets, £890,494; net current assets, £619,836.

G. N. Haden.—Lists opened and closed on October 27th for the issue of 250,000 5½ per cent cumulative £1 preference shares at 20s. 6d. per share. Capital after the issue will consist of £582,930 in £27,200 8 per cent cumulative £1 preference shares, £250,000 in the preference shares subject of the issue, and £305,730 in 5s. ordinary shares. Profit subject to taxation for years

New Issue Prices

Issue	Price	Oct. 25, 1949
Acron, 5½% Pref.	100½	100 10/8
Amador (L) Ltd.	26 5/8	26 5/8
Barbados Elec. Pref.	21 0/8	21 0/8
Beecham Food, Pref.	21 0/8	21 0/8
Clark (L) Ltd.	22 0/8	22 0/8
Croft (Holdings) Pref.	20 3/4	20 3/4
Edinburgh, Pref.	21 0/8	21 0/8
Goldthorpe, Pref.	21 0/8	21 0/8
Gray's Carpet, Deb.	100	96 1/2
Harland Eng. 5%	5 0/8	5 0/8
Do. Pref. 10% 6 1/2 pab.	11 5/8	11 5/8
Leibig's 4½% Pref.	99	99 1/2
New Zealand 3½% 10 pab.	99 1/2	99 1/2
N. Rhodes 1963 5%	97	96 1/2
Rotary Hoes 5%	16 9/8	16 9/8
Smith, W. H. (Hold) A.	40 0/8	40 0/8
Do. B 4%	8 0/8	8 0/8
Do. 4½% Pref.	20 0/8	20 0/8
Do. 7% Pref.	80 0/8	80 0/8
Whitbread, Deb. 10 pab.	100	100 1/2
Wilmot-Breeden, Pref.	20 5/8	20 5/8

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: United Steel Companies; John I. Thornycroft; Eastwoods Ltd.

Prices, Year 1949				Prices, Year 1949				Prices, Year 1949				Prices, Year 1949				
Jan. 1 to Oct. 26				Oct. 19, 1949				Oct. 19, 1949				Oct. 19, 1949				
High Low				High Low				High Low				High Low				
BRITISH FUNDS								OTHER SECURITIES								
101	100 1/2	99 1/2	99 1/2	100 1/2	101	100 1/2	100 1/2	100 1/2	101	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2
100 1/2	99 1/2	99 1/2	99 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2
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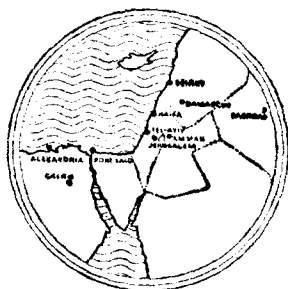
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The Economist

Established 1843

November 5, 1949

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LEADING ARTICLES

Congress Expects - - - - 985
Tighter Credit, Lower Taxes - 987
A Costly Experiment - - - 989
Dr Malan and the Protectorates 991
London's New Towns - - - 992

NOTES OF THE WEEK - - - 994

Back to Titus Oates; *Peus ça Change*;
Division of Dollar Aid; Inquest on the
Boundary Commission; End of a Refine-
ment; Agreement on Indonesia; Simmer-
ing Kettle in Korea; Chewing Gum and
the Cold War; Propaganda for Savings;
Cleaner Food; The Lords and Legiti-
macy; Seven Arabs in Search of Security;
Czechs and the Churches; Beveridge for
Ireland; Shorter Notes.

LETTERS TO THE EDITOR - 1000

BOOKS AND PUBLICATIONS 1002

AMERICAN SURVEY

Half-Time in Congress - - 1005

New York's Double Election 1006

Admiral at the Yard-arm; Hope in Steel;
Buying in Order to Sell; Printers under
Pressure; Houses for the Middle Class;
Shorter Notes.

THE WORLD OVERSEAS

The French Economic

Outlook - - - - 1010

Anti-Semitism in the Soviet Union; Old
Friends of New China; Purges in Bul-
garia; New Phase for Benelux; The
Strasbourg Proposals.

THE BUSINESS WORLD

"Fritalux" - - - - 1018

Markets for British Aircraft - 1019

Cable Complexities - - - 1022

BUSINESS NOTES - - - - 1023

What Next on the Sterling Balances?
Two Reports on Simplification; Inter-
national Commodity Clearing; Electricity
During the Winter; The Capital Cuts in
Electricity; Export Coal Prices; Develop-
ment Councils Debate; Appointed Day for
Road Haulage; Restriction on Cotton Yarn
Exports; Emphasis on Tankers; Sharp
Rise in Bank Deposits; Wider Sterling
Discounts; Future of the Australian
Banks; Swiss Gold Losses; Premiums on
Dollar Stocks; Distribution of German
Assets; The Demand for Wool; Shorter
Note.

COMPANY MEETINGS - - - 1033

INVESTMENT STATISTICS - - 1038

STATISTICAL SUMMARY - - 1039

Vol. CLVII No. 5341
THE ECONOMIST, 22, Ryder Street, St. James's,
London, S.W.1. Telephone: Whitehall 1311.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail
Matter at the New York, N.Y., Post Office.

Congress Expects

THERE can be no question of Mr Hoffman's right to use the blunt and challenging language in which he addressed the Council of OEEC in Paris on Monday. As the American primarily responsible for the success of the Marshall Plan, as an adviser trusted and respected by seventeen European governments, he can and must say publicly things which Mr Acheson cannot say. He is entitled to advise the beneficiaries of the plan that Congress is likely either to reduce or to discontinue Marshall Aid in 1950, unless there is a real prospect of seeing some integration of their economies by 1952. He can also tell them what are the general lines of policy that will be regarded in the United States as evidence of a genuine desire for this integration. Both the motive and the purpose of Mr Hoffman's challenge are therefore to be welcomed if the speech is to be regarded as a warning. He has stated with fresh emphasis the kind of expectations aroused among intelligent Americans by the pledges given in 1947 by the beneficiaries of the Marshall Plan. Unless those expectations are in some degree met, then Americans will lose faith in the plan—that in a nutshell is the diplomatic content of the message.

To such a warning there had to be an immediate reply, and on Wednesday the Council of OEEC produced it. It is a tentative pledge of good intentions backed up by one piece of action to be taken before December 15th. Quantitative restrictions on at least 50 per cent of the mutual private trade of the member countries are to be removed, along with as many restrictions as possible on invisible exchanges, such as the tourist trade. The rest is promise—a promise to try to widen the area in which currencies are transferable, a promise to "report on progress" towards regional monetary unions, a promise to "re-examine" how one country's surplus manpower could be absorbed by others. "The single large market in Europe," on which Mr Hoffman laid so much emphasis, is described as the "final aim." This list, modest though it is, shows that the shock of the challenge has had some effect; but it would be quite wrong to imagine that the Council's omnibus resolution goes far enough to relax the pressure of Congress on the US Administration. It remains the duty of Mr Hoffman to demand from OEEC action on the programme and nothing but the programme.

As soon as Mr Hoffman's speech is examined in this light, as a programme of desirable objectives and practicable policies for the immediate future, doubts and reservations present themselves immediately. First come the more obvious political questions. It becomes necessary to ask whether the expectations aroused in the United States are justified in the light of over two years of study and team work. It is doubtful whether the political conditions have yet been created for the revolution in national policies which is being demanded; it has to be proved that the effort to meet American hopes of European integration (which can only be a long-term objective)

would not frustrate, by the political tensions it would create, the urgent short-term objective of enabling Europe to sell more in the American market. It has to be considered whether the economic policies recommended by Mr Hoffman are practicable so long as the European governments have not created some centre of political authority and public opinion where conflicts of interests and expertise can be overcome by the parliamentary method of public discussion and voting.

★

Further doubts arise when Mr Hoffman's programme is examined for its economic advice. His programme can be reduced for the purposes of discussion to four points.

1. There should be a substantial measure of co-ordination of national fiscal and monetary policies.
2. Exchange rates should be allowed to adjust themselves freely, subject to the general supervision of the International Monetary Fund.
3. A central reserve of foreign exchange should be created so that the reserves of individual countries do not feel the whole impact of disturbances in the flow of trade and payments.
4. Trade and commercial policies should be aligned sufficiently to ensure that integration is not strained by conflict between them.

What Mr Hoffman calls "these fundamental requirements" are designed to create a single European market. And it is clear that he and his advisers see in such a programme the one sure way of giving Europe's business men the shock and tonic of competition, of preventing the further growth of high cost industries and of releasing trade from its present bilateral channels.

In principle the objective and the programme are right. They are right in the sense that the Baruch proposals for international control of atomic energy are right, or in the sense that proposals for the unification of the American armed forces are right. But are they right in the sense that they can, and will, be carried out effectively by all concerned, and in the sense that they will achieve the short-term results expected of the Marshall Plan? Quite clearly, in these two senses, they are not right. They could only be right if Mr Hoffman and the Ministers sitting in the OEEC felt able to give confident and affirmative answers to four questions: first, are such measures likely to be taken by the present—or likely future—governments of the participating countries? Second, have the governments the power to force or persuade producers and trade unions to face the consequences of such policies in the shape of competition and unemployment? Third, would they produce lower costs, higher productivity and the ability to compete more vigorously in the dollar world? Fourth, would they solve the dollar problem before 1953 to the extent laid down in the Marshall Plan?

It is wiser to admit frankly that the answers to the last three questions will be guesses, based on more or less scanty evidence from the work of the last two years. And it is reasonable to assume that governments will not—indeed dare not—commit themselves to a policy of integration until they feel they can go beyond guesses about its effects. So delicate are some of the issues involved that no minister at OEEC cares to mention them publicly. Does the pooling of reserves of foreign exchange mean, for instance, that Belgium would be able to draw upon British gold reserves? Would not the disappearance of European trade barriers

in the immediate future mean that British exporters, already denounced for seeking easy markets in the sterling area, would seek them in Europe and so have still less to offer in the dollar market? Can Europe and its overseas dependencies in fact produce, without at least five years' notice, many of the goods they need from America? And in what sense can one talk accurately of co-ordinating the domestic financial policies of countries such as Britain, France, Italy and Greece whose governments and citizens have such different standards of tax collection and payment? Let it be admitted that these questions are in the long run soluble, and that the habits of co-operation created in the last two years make them more easily soluble now than when the Marshall Plan was launched. Even so, can it be seriously argued that the effort to grapple with them in time to impress Congress before next April will not make more difficult the concerted effort—such as it now is—to solve the dollar problem by 1952?

★

It would seem that discussion of integration in Europe in purely abstract terms has reached deadlock. Mr Hoffman issues a warning against dismissing the whole idea as a "merely romantic possibility"—and most people will agree, not with any reluctance but with enthusiasm, since the idea of closer association in western Europe commands enormous support in public opinion. But the European governments—and notably the British—say that, though they are willing to impose sacrifices on their people in such a good cause, they are not empowered to sign any blank cheques—and again everybody must agree. Agreement in principle and inaction in practice have already gone as far as is safe. The avoidance of issues by creating new international bodies to discuss them has already gone further than is wise.

The only way out of the dilemma is for somebody—and it can only be Mr Hoffman himself—to get down to brass tacks. What exactly, in precise terms, is the contribution that "integration" could make to the solution of the European economic problem by 1952? What are the sacrifices that it would impose? And on whom? Until the answers to these questions can be formulated, in public and in some detail, neither Congress nor the American public nor the European public opinion to which the governments are responsible, has any means of judging whether the European countries are, as charged, failing to do something that they could reasonably be expected to do.

The first and fundamental question is this: if the Americans insist that "integration" is the condition of further aid, let there be agreement as to what precisely the word means. Does it mean simply a return to the conditions of 1938, or of 1928, through convertibility of currencies and liberation of trade? If so, that is perfectly feasible—so long as there is no question of convertibility with the dollar world. If not, if it means something more than existed before the war, or before the Great Depression, then how much more? Does it mean unification of economic policies on a scale which would only be possible through radical changes in the political and industrial structure of Europe? If "integration" has this meaning, let the fact be faced that the attempt to achieve it might gravely frustrate present efforts to solve the dollar problem. If this judgment is right, then the next question to put to the Americans is this: will they

underwrite the costs of the experiment? If the execution of Mr Hoffman's programme would delay Europe's progress towards selling more and buying less in the dollar markets, would Congress not only maintain the volume but increase the duration of Marshall aid? If it would, then one set of arguments against Mr Hoffman's proposals would fall to the ground.

America understands by "integration" what the word really means—a political, as well as an economic revolution in Europe, something more drastic and speedy than can be undertaken within the limits of the Council of Europe—will it give governments the time to work out and agree on a practicable scheme? To pretend that this could be achieved in time to save the Marshall Plan is in the present state of Europe indeed "a romantic possibility." But it might be—indeed it should be—possible to lay in the next two or three years the foundations of the new political structure in Europe without which economic integration—in the full sense of the word—can never be achieved. The means do not yet exist for persuading governments, business interests and

the ordinary voter that the sacrifices which such integration would involve are tolerable in the short and beneficial in the long run. There is no forum for European debate save the infant Council of Europe; there is no agreed democratic procedure by which national policies can—in Mr Hoffman's phrase—be co-ordinated.

In short, America has the power, if it will be patient, to impel Europe along the road to real integration; but it must recognise the fact that it may take a generation of planning and adaptation to reach the stage at which it brings real economic benefits to the Continent. It has also the power to persuade Europe to take all the risks involved in quickly creating a free market—if it will underwrite the venture. What is not possible, what might indeed shatter the Marshall Plan and frustrate the whole purpose of American policy, is a spectacular attempt to combine short-term recovery with a long-term reorganisation of Europe, to telescope into one great act of policy a process which took over three generations to complete in the preindustrial United States.

Tighter Credit, Lower Taxes

THE re-animation of the British economy, as previous articles have argued, can be brought about only by liberating its motive forces. At present, in this country, there is far too little incentive to a man—be he manager or bench-hand—to give of his best where he is or to move to where he can do better. What is perhaps even more important, there is no sanction upon him if he gives of his worst. Self-interest is not the only motive of economic activity; but it is the most powerful single motive, and the object of any soundly-conceived economic policy must be to enlist the individual's self-interest in support of the community's needs. Only when the attractions and pressures that bear upon the individual push him in the direction that the nation's needs require, will his energies be fully harnessed.

In order to create the necessary freedom of movement, and the competitive urge necessary to secure movement in the right direction, the preceding article of this series suggested a five-point programme—(1) enough disinflation to make money hard enough to get; (2) a reduction of taxation to make money worth getting; (3) the maximum possible removal of controls upon prices, wages and production; (4) a sincere attack upon all

private restrictions on trade; (5) special measures to prevent the liberation of prices from unduly penalising the poor or endowing the propertied rich. This fifth point is, in essence, a modification of the second and third and need not be separately considered. The other four require, however, some expansion; the present article will deal with the first two, leaving the other two for later treatment. A final article will then deal with the political prospects of acceptance of any such programme.

Disinflation

To call for a policy of disinflation at this stage may seem, at first sight, to ignore everything that has happened since the fall of Dr Dalton two years ago. Has not Sir Stafford Cripps been busy disinflating ever since? He has certainly tried, and it is true that he has piled up a Budget surplus without parallel anywhere in the world. But the proof of the pudding is in the eating, and as is pointed out by the "Report on Internal Financial Stability" just published by the OEEC in Paris, inflationary conditions persist in the United Kingdom although they have ceased in most of the rest of Europe.

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The disinflationary policy will not have succeeded until it has produced the disinflation—that is, until it has brought the aggregate of demand for all goods and services and settles down to, or just below, the aggregate of supply.

The fact is that disinflation cannot be secured by budget surpluses alone—certainly not when the burden of taxation is as high as it is in this country today. The OEEC report, though it is too politely official to make the point explicit, makes it nevertheless very clear. Those countries that have succeeded in bringing their internal inflations to an end have done so—in some cases in spite of budget deficits—by using the old-fashioned weapon of credit control. The same will have to be done in this country. The rate of interest need not be—and in European countries has not been—the direct instrument employed, though it would be bound to be affected. But what the OEEC calls “quantitative and qualitative restrictions on credit” provide an instrument at once delicate and powerful. If disinflation is to be made effective in this country, the Bank of England will have to do what it has almost forgotten how to do—it will have to restrict the cash basis of the credit system and force the banks to restrict credit. It need hardly be said that such a policy would have some unfortunate consequences—not least upon the debt operations of the Treasury. But there is no other way to secure an effective disinflation, and an effective disinflation is the essential preliminary to any policy of economic liberation.

It is unlikely that the policy of credit restriction would have to go very far. The creation of even a tiny excess of supply over demand can have almost magical effects, as Continental experience has demonstrated. Nor is there any cause to be bemused by the fact that some Continental countries—notably Germany and Italy—have suffered from large-scale unemployment. There are special reasons in each case which do not exist here; Britain is not in a state of Malthusian over-population as is Italy, nor is its economy as dismantled and dismembered as the German. There is no need either to wish for, or to fear, mass unemployment here. All that is needed is to move from hyper-full employment to merely full employment, reasonably defined. There are plenty of means (as the OEEC report again points out) of checking any tendency to go beyond that.

Tax Reduction

It is no accident that budgetary disinflation has failed to gain its objective. The theory of the matter is that a budget surplus is necessary in order to cover the investment programme—that is to say, that the state must do the saving that the public fails to do. But if the taxation necessary to create the surplus reduces private saving and encourages drafts on private capital, then the process is self-defeating. High taxation is both enervating and inflationary. As Walter Bagehot wrote to Gladstone in 1863:

Indirect taxation so cramps trade and heavy direct taxation so impairs morality that a large expenditure becomes a great evil.

Moreover, these effects of taxation are likely to be cumulative. A budget surplus produced by high taxes may, in the first year, produce quite a disinflationary effect, as it did in 1948. But gradually the demoralisation of high taxes gains ground. In the second year, a larger surplus would be needed to gain the same effect—as

1949 has shown. No surplus, however large, can expect for ever to offset the cumulative inflationary effects of an intolerable level of taxation.

A sharp reduction of taxes is therefore a necessary part of any sound economic policy. In 1948 the total of taxable income (including transfer incomes) was £10,338 million, and the total of taxes collected by the central government, the local authorities and the insurance funds was £4,162 million, a proportion of almost exactly 40 per cent. It has been held that any level of taxation in excess of 25 per cent is likely to be inflationary. The evidence for this figure is not very strong, and in any case it is out of practical reach for this country in the present generation. But it is essential that some practical target, in terms of the national income, should be set for a programme of tax reduction, and it is suggested that, for the immediate future, the aim should be to reduce the total burden of taxation to not more than 35 per cent of the total of taxable incomes. For the year 1948, that would have indicated a total of £3,618 million; and in that year the local authorities and social insurance funds collected (by coincidence) exactly the odd £618 million. In 1949 the total of taxable income will have been somewhat larger, but so will the exactions of the insurance funds, and probably of the local authorities. The resulting round figure is a temptingly convenient one: for policy-making purposes, the target can be set at a revenue for the central government of not more than £3,000 million. This is £633 million below the budget estimate for the current financial year. If revenue is to be reduced by this amount, the policy of disinflation requires that expenditure be reduced by a like amount—or very nearly, since a reduction of taxation would lead to some increase in private saving. The objective is, therefore, that about £600 million be cut out of government expenditure—that is out of the total envisaged in last April's Budget.

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This is a tall order—but not an impossible one. The most obvious place to start cutting is in the food subsidies. The gross cost of these was fixed in the Budget at £465 million. All parties have hitherto hesitated to reduce these subsidies because of the effect that such action would have on wage demands. But in the circumstances that are here contemplated, this risk could be faced. The whole point of the disinflationary policy is to create conditions in which prices and wages can safely be allowed to move. The devaluation of sterling by as much as 30 per cent provides some room for manoeuvre, and if an increase in food prices, leading to an increase in some (but by no means in all) wage rates, formed part of a programme the rest of which created definite premiums on efficiency and cost-reduction, the economic risk of removing the subsidies could safely be taken. As *The Times* recently pointed out, their total value to the average consumer is only the equivalent of 15 cigarettes a week. It is ridiculous to say that they cannot be cut out.

If the food subsidies were abolished, it would be right and proper to make some compensating increases in family allowances and in old age pensions—as well as to take other steps (to be mentioned in the next article) to protect the poor. But it should be fully possible to reckon a saving of £375 million to go towards the target of £600 million.

The next largest contribution must come from the social services, particularly from those that have expanded most rapidly. It is to be hoped that the necessary economies could be secured without reducing the scope of these services—that is to say, without taking away any facility that has been provided. But the principle of completely free service must go. Facilities and benefits should continue to be provided at a fraction of their cost, but there is no reason why those who can afford to pay should not pay something, not only for their prescriptions, but also for their spectacles, their teeth, their food in hospitals and their secondary education. The money that would be brought in by this means would be small; but the restraint on expenditure that it would exert might be large. Health, insurance and education were together estimated to cost £866 million in 1949-50; it should not be impossible to reduce this to £750 million without reducing the scope of the services. If not, then, regrettably, the scope will have to be reduced.

This would leave £150 million to go. How much can be found out of the Defence vote, without dereliction of international duty, it is next to impossible for the layman to say. What he can say with certainty is that the country is not now getting £760 million worth of value out of its defence expenditure and that it is difficult to see why the Ministry of Supply should cost anything like £121 million a year. Between these items and the other classes of expenditure, the remaining £150 million will have to be found. There is no very apparent reason why the “Geddes Axe” should have become, in these latter years, a term of abuse. If the departments cannot do their own cutting, an independent committee of investigation serves a useful purpose. All decisions of policy continue to rest with the Cabinet; but it would be most revealing to have it brought out into the open what different policies actually cost.

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If the money could be saved, the remaining question would be how the tax reliefs should be distributed. A strong Government would do this on one principle only: it would choose those reliefs which would provide the

sharpest incentives to increased economic efficiency. This means that no part of the money saved should be wasted in reductions of sumptuary taxation, such as the duties on tobacco, alcohol or betting—unless, indeed, reductions in the rates of these duties are necessary, as they soon may be, to maintain the total yield from them. It also means—regrettably on social grounds—that any reconstruction of the income tax allowances in the interests of population policy will have to wait for a few years.

The first use to which any fund for tax reduction should be put should be to cover the cost to the revenue of replacing the present PAYE system by one less obviously deterrent to extra effort and of re-modelling the system of taxation of profits “ploughed back” by industry—the lines on which these reforms should be carried out have often been explained in these columns. The second priority should be a reduction in the rates of surtax—at least those charged on earned income. The combined maximum of income tax and surtax should be reduced to 15s. in the £, with corresponding reductions lower down the scale. This change would, of course, be hotly attacked, but it would cost comparatively little, and there cannot be any real doubt that it would remove what is at present a very heavy deterrent. As was suggested last week, this might well be accompanied by some further limitation of inheritance. Any further limitation of a man's right to leave property to his own children might, indeed, be an unwelcome deterrent and should therefore be avoided. But some application of the Rignano principle, to avoid permanent inheritance, coupled as it would be with remission of surtax and of taxation on profits ploughed back, might well have the opposite effect. The third priority in tax remission should be the standard rate of income tax, every shilling of which brings in, in round figures, £150 million. And if anything further were left over, the purchase tax should be the residuary legatee.

It is not claimed that such a policy of cutting expenditure and taxation would be popular—only a strong government fresh from the polls could contemplate it. But it is claimed that it would have a most powerfully stimulating effect upon the national economy.

A Costly Experiment

IN spite of the gloss which Mr Strachey has been wont to put on his replies to questions about the progress of the East African groundnut scheme, everyone knew that the report of the Overseas Food Corporation, once it was forthcoming, would reveal a sorry tale of misjudgment and mismanagement. It was known that the scheme had so far cost the taxpayer £23 million, with no margarine to show for it; it was known that this sum, amounting to nearly half the corporation's total permitted borrowing for all its projects, was not the end of the development expenditure. What, however, was not known, or even expected, was that the auditors should make reservations on the accounts. It comes as a shock that they can say of a public corporation, financed by public money and responsible to a Minister of the Crown who was himself responsible for appointing its directors, that

We are unable to report that in our opinion proper books of account have been kept by the Corporation and that we

have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. . . .

It need hardly be said that the corporation has provided an explanation for the failure disclosed by the auditors. When it took over control from the United Africa Company (Managing Agency) in March, 1948, it found that the accounting organisations both of the managing agency and many of its contractors had been unequal to the demands made on them by the speed with which the scheme had been launched and the consequent heavy rate of expenditure. It then found itself hampered in setting up its own accounts system by the shortage of experienced accountants. All this is doubtless true, and the Government has no difficulty in accepting it—which is not surprising since the Minister of Food must shoulder much of the blame for the haste and since the Ministry's own Internal Audit Division was supposed to be undertaking this task for the managing agency in East

Africa until the corporation took over. Nevertheless, it must arouse serious misgivings that the expenditure of public money can be treated so irresponsibly. In private enterprise, reservations of this sort by the auditors would be followed by searching questions on behalf of the shareholders, if not by resignations from the board concerned. Is there one standard of commercial morality for private enterprise, and another for the public corporation?

Yet what is most wanted at the moment is some proof that the groundnut scheme—or sunflower scheme—or, as perhaps it might best be called, the Tanganyika development project—can be run on sound business lines. The report is for the most part an apologia. It deals with the difficulties that were encountered in the first two years of operations rather than with future possibilities. Not the least of these—though it is one that has hitherto received little attention—was the system of cost-plus contracting which it inherited from the managing agency. That land clearing in Africa should have been launched on this system on such a large scale, before experiments had been carried out to show how easy or how difficult it would be, seems fantastic. Again it can only be explained by the haste which the Minister of Food enjoined on the United Africa Company, and one can only be relieved that the cost-plus stage of the contracts is, according to the report, due to come to an end this year.

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It must be admitted that the prospects of making the scheme into a commercial proposition are not bright. So far as is known at present, the programme of development is to be limited to 90,000 acres at Kongwa and 90,000 acres at Urambo, with presumably some experimental plantings in the Southern Province. This limitation of programme was decided on early this year, and it may be that since then, and since the end of the period covered by the report, further plans have been brought forward. But 200,000 acres, at so large a capital cost, does not even begin to look like a sound economic proposition; nor can it justify so large an administrative structure as at present exists in East Africa and in London.

It is therefore tempting to suggest that the whole scheme should be handed over to the Colonial Development Corporation. From the first, it should have been treated as a piece of colonial development, rather than as a means of increasing the margarine ration, and it is worth noting that the most favourable parts of the report concern benefits for Tanganyika rather than for the United Kingdom. For instance, the corporation, contrary to expectations, has had no difficulty in recruiting African labour, and when it is considered that most of the European workers lacked previous experience of handling African labour, the complete absence of labour troubles among the Africans is very much to the corporation's credit. There has certainly been a far too high turnover of the African labour supply; but this is a common experience of employers of East African labour, and the corporation hopes to be able to reduce the wastage by providing good living conditions for the men and their families. A more serious drawback has been the poor quality of the so-called skilled African labour. The corporation has, therefore, set up its own training centre at Ifunda where Africans, who are indentured for four years, are given six months' training

and then sent for three and a half years further training on the job. It is also important to note that it is not only artisans who are trained at Ifunda, but recruits for the corporation's hospital and sanitary services, and it is believed that the Tanganyika Government will send its own students for training at the Ifunda medical school.

This is a small but definite example of how the introduction of capital into a colonial territory breeds development and welfare. Another is provided by the corporation's hospitals which, established to meet the needs of its own employees, provide a service to thousands of Africans who are not employed by the corporation or its contractors but who flock for treatment sometimes from as far as a hundred miles away. Here again the corporation is obviously filling a need which ought properly to be filled by the Tanganyika Government had it the resources.

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Mention might also be made of the improvements in transport that have followed or are preceding the corporation's activities. But it cannot be emphasised too strongly that all these benefits of colonial development to Tanganyika cannot be maintained without a sound economic foundation. If, when the full £50 million has been spent, the corporation still has little or nothing to show for it in the way of a profitable export, its hospitals, schools, native villages and training centre will close down with the whole scheme. For this reason, however logical a transfer of the groundnut scheme to the Colonial Development Corporation would appear to be, at this stage, it would probably do more harm than good. The bureaucratic methods and organisation which that corporation unfortunately seems to be evolving might well have prevented the extravagant mistakes of the groundnut scheme's first two years. But now they would probably kill whatever chance it has of pulling through.

What, however, does seem essential is a complete reorganisation of the Overseas Food Corporation in London. It is difficult to see how public confidence in the scheme can ever be restored if those at present responsible for it remain in charge after the publication of the auditors' report. And until confidence is restored, the scheme will continue to be a prey to all the press and political sniping that has followed it to date and does much to undermine the morale and confidence of those who work for it. It should also be considered whether the corporation should not be severed from the Ministry of Food—at least so long as the present Minister holds his post. Since Mr Strachey has become so closely identified with the scheme in its first ill-fated years, and is in fact personally responsible for the disastrous speed with which it was pushed forward; since, too, he is a Minister who stirs up bitter political opposition, his continued responsibility for the scheme to Parliament will mean that it will continue to be treated as a political issue, which it never should have been allowed to become. It is to Mr Strachey's credit that he saw at once, in 1946, all the benefits that the scheme might bring. His mistake, and the mistake of those who have so far run the scheme, was that they thought the cost did not matter. The time has now come for the cost to be scrutinised very closely indeed. Until there is clear evidence that some hard-headed business methods have been introduced, the public will continue to treat the scheme as a good idea gone very, very wrong.

Dr Malan and the Protectorates

THERE is nothing new about Dr Malan's claim at a political meeting last week that his government should take over the three native protectorates in South Africa—Basutoland, Swaziland and Bechuanaland. The claim has been made by each successive South African government for the past thirty years. The circumstances now, however, are very different from the circumstances in which the previous claims were made. As head of a party which came to power on a nationalist programme, Dr Malan has already stated that he regards South Africa's status in the Commonwealth as similar to that of India: South Africa is an independent nation which, in the fullness of time, will become a republic. The protectorates, therefore, are to be regarded as colonies of an "external power" within the borders of the Union, and this, he claims, is a direct infringement of the sovereignty of the South African Government. Dr Malan's claim, unlike the claims of his predecessors, General Hertzog and General Smuts, is thus an open challenge to the government at Westminster. He has doubtless calculated that his claim is much more likely to succeed in this form than in any other. For, if there is one point on which Westminster, in its dealings with the Dominions, is more sensitive and more likely to give in than on any other, it is that of sovereignty. The question of the protectorates, however, will almost certainly prove to be the exception to the general rule.

The present position of the protectorates was established in a schedule to the South Africa Act of 1909. The schedule provided that they might eventually be transferred to the Union by an Order-in-Council, that until then, they should be administered by the High Commissioner for the United Kingdom, that they should not be exposed to differential duties, and that the tribal lands should not be interfered with. In his second reading speech, however, Mr Asquith also made it clear that the transfer would not take place without discussion at Westminster and without consultation with the local inhabitants.

Since the Pim reports in the early 1930's, the protectorates have been administered virtually by the Colonial Office through the High Commissioner, who has carried out there the same colonial policies of development and gradual transfer of legislative authority as elsewhere. The population of all three protectorates amounts to about one million people, of whom slightly more than half live in Basutoland; this is the most fertile land of the three and the only one completely surrounded by South African territory. Bechuanaland borders on Southern Rhodesia—which has barely concealed designs on its northern districts—and Swaziland touches Portuguese East Africa. There are a few scattered European settlements in each country, but the native interests predominate in the policies of the

administration and strict regulations prohibit the exploitation of the natives in any way.

The transfer of the protectorates to the Union would mean a number of important changes to the inhabitants. In the first place they would be subject to the restrictive laws which govern the black and coloured races in the rest of South Africa. It is probable that the South African Government would turn large areas of the protectorates into native "reserves," but even so the inhabitants would lose a great deal of their present freedom. They would, among other things, have no power to restrain the land-hungry farmers in the neighbouring districts from taking fertile fields from them. Above all, under the present government, they would have to submit to the naked tyranny of the *apartheid* policy, exercised by men who are bitterly opposed to the principles which govern British policy in other African territories.

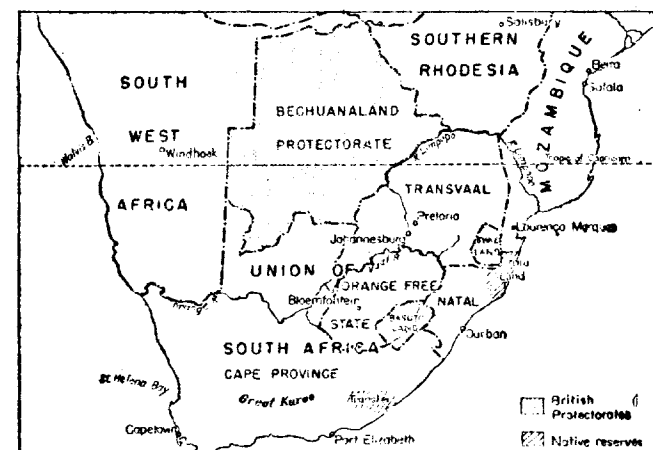
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Dr Malan's case is said to contain some twenty points. Of these the most important are, likely to be first, that it

is wrong for an "external power" to control territory within South Africa's borders. (The fact that that power is Britain makes the situation appear worse in his eyes, for it implies that a few threads of the apron strings which once bound South Africa to Westminster have still not been cut.) Second, the Nationalists choose to regard the protectorates as potential bases for a Bantu revolt against white supremacy in the rest of South Africa, and therefore argue

that they should come under the Union's direct control for security reasons. Third, Dr Malan alleges, as his predecessors did before him, that the bad agricultural practices and poor health of the inhabitants are threats to the economy and health of the rest of South Africa. Fourth, the belief has more than once been stated that the Union cannot develop its raw material resources and its domestic market without taking in the protectorates. Fifth, it is argued that the political ideas which the British Government is fostering in the protectorates are against the policy of the South African Government, and that if these ideas spread through the country as a whole, they will constitute a serious threat to the European population. Finally, Dr Malan may boast—not without justification—that his government has administered the native reserves, of which the two principal areas are the Transkei and Zululand, very much more efficiently than Britain has administered the protectorates—that the natives in the reserves are healthier and wealthier, that the land is better farmed and that the social services are better organised and more extensive.

There is much to be said for many of these arguments, but the prime concern of any British government must



be for the Bantu inhabitants. If it was wrong to hand the protectorates over to General Smuts and General Hertzog with their comparatively mild native policies, no political party in Britain today could conceivably surrender them to the present government in South Africa. During their eighteen months in office, the policy of Dr Malan and his colleagues has been dominated by fear and hatred; each successive step in *apartheid* has meant one more turn of the screw on the Bantu. The inhabitants of the protectorates would in any case have to be consulted before any transfer was made, and in the present state of affairs there can be little doubt of their answer.

Dr Malan's next step will probably be to persuade both Houses of the South African Parliament to present an Address to the Privy Council, formally asking for the protectorates to be merged with the Union. He will face little opposition in South Africa, for it is a move which General Smuts himself has often discussed and which is provided for in the South Africa Act. It is, however, difficult to think of any member of the Parliament at Westminster who will not oppose him, and the Privy Council would almost certainly reject the Address. What is likely to happen then?

If Dr Malan was unwilling tamely to accept an adverse verdict from the Privy Council, three moves would be open to him. He could seize the protectorates by force, thereby virtually declaring war on the United Kingdom

and probably starting a native revolt throughout South Africa; he could seek the support of other members of the Commonwealth, on the grounds that the United Kingdom was infringing the sovereignty of the Union; or, by applying sanctions in a number of different ways, he could bring the economy of the protectorates to a standstill, thereby forcing the British Government to take some positive action which he might be able to turn to good account later. Of the three moves, the last is the only one which is at all probable.

Whatever Dr Malan does, once the Address is presented to the Privy Council, he will have taken an irrevocable step. Whichever train of events is set in motion, its result will be to strain the frail ties of the Commonwealth, already frayed by the behaviour of India and Pakistan in the Kashmir dispute. It may be that Dr Malan sets little value on these ties; some aspects of his policy suggest that he questions the very principles on which the Commonwealth relationship has been developed. But he presumably values the strategic and economic benefits which membership of the Commonwealth brings to the Union. It would be a mistake for him to believe that the power these represent can be enjoyed without some responsibility that it shall not be abused. For better or for worse, the inhabitants of the protectorates have been ruled the British way; there can be no question of their being handed over to be ruled the Nationalists' way.

London's New Towns

THE new towns programme was launched three years ago, primarily as a means of relieving congestion in London and other great centres. The Metropolitan Police District, which is almost wholly overbuilt, contained 8,700,000 people before the war and has about 8,350,000 today. From either a social or a strategic viewpoint, this is too large a population to be huddled close together, while the resulting cost to the public purse by way of measures for transport improvement, traffic control, smoke abatement, and expensive subsidies for flat construction is rapidly swelling. Even the reduction of the population by a million and a quarter, as proposed in the London plans, has been widely criticised as inadequate.

On paper, the task of attracting the surplus population to new centres beyond the green belt has made a good start. Development Corporations have been set up for eight new towns, at Harlow, Stevenage, Welwyn, Hatfield, Hemel Hempstead, Crawley, Basildon and Bracknell. However, this list includes the existing pioneer new town of Welwyn Garden City, which Mr Silkin has arbitrarily taken over, and some other towns which are already largely developed. The total additional population which the eight new towns will eventually accommodate is no more than about 250,000. Moreover, as the annual report of the Development Corporations for 1948-49 (HMSO 3s.) now reveals, building in the new towns has hardly begun. This slow start has its advantages. It has enabled careful plans to be made and public utilities to be laid on in advance of development. But several new towns—such as Crawley, Harlow, Stevenage, and Hemel Hempstead—are now in a position to go rapidly ahead, and further delays would frustrate

their whole programme and leave them with a topheavy administrative overhead—a danger that needs to be carefully watched in any case.

It is vital to the whole conception of a new town that it should be reasonably self-sufficient and not a mere dormitory for London workers. This aim will be frustrated if, as is the case with the estates that the London County Council is developing outside its own borders, the towns are filled with priority claimants from the housing lists of London boroughs. The proper basis for development, certainly the only one that can be economically justified at the present time, is to attract congested factories from London and let them bring their own workers. This method would relieve overcrowding in the metropolis quite as effectively as a scheme for direct rehousing; but since its equity is less obvious in Socialist eyes, there is some difficulty in getting the Government to accept it. There is no reason why each new town should not be linked to a group of London boroughs, so long as the initial linkage is industrial. There are said to be plenty of London factories willing to go to the new towns, if they were permitted to do so.

Given a good start with industrial development, and sufficient building labour, London's new towns have a real opportunity to lead the world in imaginative design. The plan for Harlow, for example, provides for a fine civic centre, a theatre and concert hall, a varied range of houses, and skilful use of the natural landscape. To achieve a balanced community, with wide opportunities for employment, is the aim of all the new towns. It is also important, however—and this may be in part a contradiction—that the new towns should pay their way,

and not be luxury show-pieces. The Development Corporations are rightly expected to balance their accounts over a period (albeit a long period). Already they are experiencing financial difficulties over housing, since there is no rate fund into which they can dip to cover current deficits. Their difficulties are increased by a cautious policy over land acquisition which has been enjoined on them by the Minister. This is no real advantage to the local inhabitants, who know that their land is likely to be acquired eventually. It can be a considerable disadvantage to the corporations, since the ownership of the whole town site is—as Letchworth and Welwyn have largely demonstrated—the best instrument both for controlling development and for balancing accounts.

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The position of the Development Corporations is not wholly satisfactory. They have not the same popular roots as a local council, but they have not the independence proper to a public trading concern. They have already suffered from some harmful Government interference. For instance, the system of state management of licensed premises which has been extended to the new towns will impair both their social policy and their financial prospects. Any public control which was thought desirable could have been much better exercised directly by the corporations. The new towns are suffering from too much control by the Ministry of Town and Country Planning and too little assistance from other departments on such matters as the location of industry and the provision of building labour.

The course of wisdom is to give the development corporations much greater freedom of policy, but to back them with the facilities essential to success. If the investment cuts necessitate further delays, then it would be better to go ahead at a proper pace with a few of the new towns and suspend work on the others. This is a better alternative than letting elaborate plans and specialised staff hang fire while overhead costs mount up. The Government should give those towns which are being built sufficient assistance over housing and industrial projects to make their development successful and economic. For their part, the corporations would do well to recapture something of the more austere and pioneering spirit of Letchworth and Welwyn. Given a bold and consistent policy, the new towns can be triumphs of social engineering; given vacillations and uncertainties, they can become expensive white elephants.

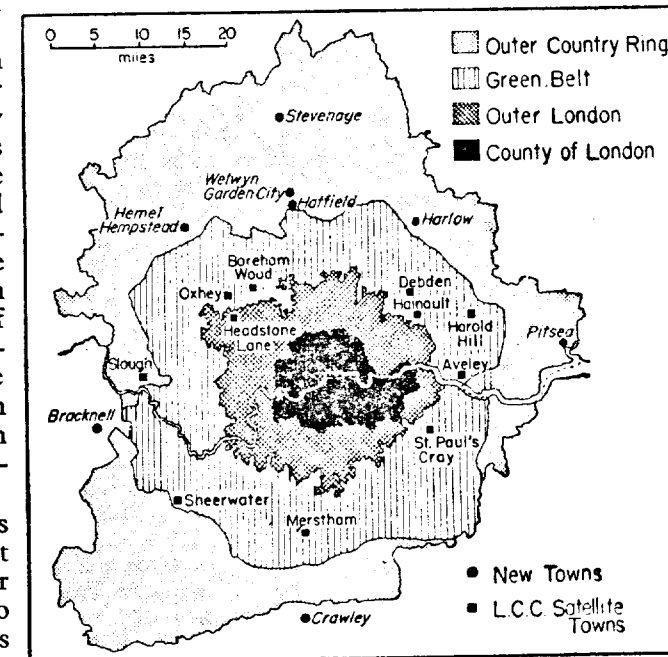
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The truth is that the new towns policy is not taken seriously either by the Government as a whole or by the

general public. Is the dispersal of London an important matter of public policy—in this atomic age—or is it not? If it is, then not only will the new towns policy have to be pushed on with much more vigour, but much more will have to be done in other directions. To decant a quarter of a million people, at a leisurely rate, to eight new towns does not amount to an effective programme of dispersal from the capital—especially when public policy in other fields is pulling in a contrary direction. The population of Greater London shows no signs of shrinkage to date. The LCC is proceeding with ambitious plans for rehousing its surplus population, but its main schemes—even of which have already been announced—are all located in or near the green belt, thus adding in effect to metropolitan growth and spoiling the conception of the London plans. Moreover, no scheme of dispersal can work without a much more effective control over industry and commerce throughout the London area than exists today. Even when a firm removes to a new town, there is little to stop a new factory from reoccupying the site. The central areas are losing population much faster than employment, with the result that transport congestion is again on the increase—and will be made worse by the LCC schemes. It can only be relieved at the expense of heavy public expenditure on roads and railways.

It is, therefore, essential that the Government should make up its mind whether it really wants to disperse a large segment of London's population. An effective policy of dispersal would be difficult and costly in its initial stages. Unpalatable measures would have to be taken to prise industry and commerce out of central London. A large number of new centres, besides the existing new towns, would have to be developed and equipped with basic services in order to accommodate the displaced population and industry from London. Serious administrative problems would have to be overcome. The local authorities, including the LCC, would have to be harnessed effectively to the work of dispersal, instead of being allowed to pull against it. So would the various Ministries.

These difficulties no doubt explain why the Government is not carrying out the plan for London which has its official blessing. But the problem of London is far too intractable to yield to half-measures, and tinkering with it may do more harm than good. To build new towns at the present time, with all the attendant difficulties over building labour and public services, can only be justified as part of a wider policy. If the Government thinks that dispersal is urgent and important enough to justify capital expenditure at the present time, then it should put its full weight behind the speedy development of as many new towns as possible and follow this up with wider measures. If it is not, then it had better suspend the whole programme. Half-measures are the one certainly wrong policy.



NOTES OF THE WEEK

Back to Titus Oates

To many people the Chancellor of the Exchequer's announcement—it came out quite casually in a written answer to a Parliamentary question—that “in suitable cases” rewards will be paid to persons who give information to the authorities which leads to convictions under the Exchange Control Act must seem like the last straw. When Mr Churchill, in the course of the last General Election, predicted that the principles of Labour Socialism must inevitably lead to the creation of a British Gestapo, he was very widely derided. It couldn't happen here. It begins to look as if the country owes Mr Churchill an apology: it is happening here.

Exchange control is one of those departments of the law for which the public may—or may not—be prepared to concede a justification in expediency. It has no moral basis. How could it—since it prohibits transactions which were perfectly legal only ten years ago, and are still, in most people's minds, honest (though illegal) today? Yet this new branch of law interferes at countless points with the ordinary life of the ordinary citizen. It prohibits him from going abroad when he wants to, it prohibits her (if the ordinary citizen is a woman) from taking her normal jewellery with her, it involves such absurdities as a prohibition on the sending of stamp collections to schoolboys abroad. To enforce this collection of irritating restrictions, the secrecy of the mails can be, and is, violated in peace time. And now there are to be rewards to informers and relators; the state is deliberately to put a premium upon private spying and grudge-bearing, not among the criminal classes, but throughout the whole population. No form of economic control is worth this price. Away with it.

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Unfortunately, exchange control, though it may be the most spectacular, is by no means the only instance of the growing arbitrariness of the state. The complex of recent enactments concerned with the public acquisition of and control over land provides a number of scandalous examples. As the law now stands Government departments and even local authorities can, in practice, take virtually whatever land they require, for any purpose that seems good to them, without having to secure the consent of any impartial body and without having to pay compensation that is satisfactory to the dispossessed owner. But if a private owner wants to do anything with his land, he has to submit to an almost endless array of controls and charges, all of them arbitrarily determined, some of them without appeal and even the rest permitting appeal only from one set of officials with a personal vested interest in the Town Planning Acts to another set of officials with the same vested interest. Disinterested common sense—the principle of the jury—nowhere enters in.

Two years ago, the Liberal Party introduced into the House of Lords a Preservation of the Rights of the Subject Bill. It should be revived, and those who have a concern for liberty should refuse to vote at the coming General Election for any candidate who will not pledge himself to support it. Absolute liberty is unattainable and, in this twentieth century, the state must have more powers over the persons and property of its citizens than the nineteenth would have permitted. But if we cannot go back to Magna Carta, we can at least re-assert some of the essential principles. One of these is that if the law creates offences that are not generally regarded as offences against morality, it does so at its own peril. A second is that any law that can only be enforced by methods that are repugnant to the basic liberties is a bad law. A third is that the acts of government are not *ipso facto* to be deemed to be in the public interest; on the

contrary, an officer of the government is more suspect than a private man of having designs upon liberty. A fourth is that no man, even if he be a town planner, ought to be judge in his own case. We are far gone in a peculiarly vicious form of *droit administratif* and it is time to rebel against it.

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Plus ça Change

Those in France whose voices ring loudest in denunciation of the British contribution to Europe should stop to reflect on the impression made abroad by the behaviour of their own politicians and statesmen. It is a good moment for reflection, as the immediate past is rich in material. It has taken Frenchmen of the centre twenty-four days to find a new government; this is probably a new record among French cabinet crises. The ostensible cause of this crisis was disagreement about whether workers getting less than 15,000 francs a month should have a bonus, to tide them over the time it will take to unfreeze wage rates and return to collective bargaining between employers and trade unions. The real cause of the crisis was the desire of the Socialists first, and the Radicals afterwards, to show the constituencies that their first loyalty was not to the coalition but to the party, that the tail could still wag the dog. In fact they wanted their fling; they have all had it, while vital decisions over the future of the Council of Europe, over Marshall aid, over the future of western Germany were pending. It is that kind of behaviour that makes some people ask whether France is yet really *bündnisfähig*—alliance-worthy.

Now that there is a new coalition government, what is its watchword? M. Bidault, whose reappearance as Prime Minister should bring back a whiff of the robust spirit of the resistance, chooses the phrase “The minimum of austerity with the maximum of justice.” This, in face of an inflationary situation and a budget deficit, the proportions of which are discussed on page 1010 of this issue. What, too, is the first reaction of this government to the suggestion that the liberation of European trade should involve further reductions in French quotas? Shocked surprise and alarm at what the peasants will say. And to the urgently pressed suggestion that the Federal Republic of western Germany should be admitted with the most speed and the least fuss possible into the Council of Europe comes the reply that the Saar—the exact status of which cannot be defined by any lawyer in Europe—should be admitted at the same time. Was such a low trump really worth playing?

Unfortunately, the prospect is that this kind of politics will go on for another two years. French cabinets now have their crises outside the Assembly, thereby avoiding the risk that repeated votes of no confidence will bring a dissolution and new elections. The effect on the integrity of the older and the enthusiasm of the younger politicians is deplorable. So long as the authority of the French state and the will of its leading men remain so demonstrably weak, it is difficult to believe that France can take a leading part in the regeneration of Europe.

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Division of Dollar Aid

Among the actions taken by the Council of the Organisation for European Economic Co-operation (OEEC) this week is a decision on how to divide Marshall aid in the final

two years. The new method avoids the two equally disagreeable alternatives that confronted the organisation—either to pass the job back to the Americans or to repeat twice again the bickering performance of last summer, when it tried to reconcile the dollar requests from individual member nations with an inadequate total allotment.

For the next two years ECA will be asked to distribute the available dollars in proportion to the sums received by each nation in the current 1949-50 year. When drawing up their future programmes, the Marshall nations have been told to assume that they will receive three-quarters of their current dollar aid in 1950-51, and one-half of the current total in 1951-52. At the same time the Council has laid down provisional totals for the amount of drawing rights (aid extended by European creditors to debtor nations) to be granted under the intra-European payments scheme in the remaining two years. Since drawing rights are based on the receipt of an equivalent amount of dollars they, too, will be proportionately reduced. Greece is the sole exception; it will receive the same number of dollars and drawing rights next year as in the current period.

The new scheme is a sound one and will release much of OEEC's energies for work in more constructive channels. It rests, however, on two important—but precarious—assumptions that Congress will vote another two years of Marshall Aid and that it will vote the sums on which OEEC is now counting.

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Inquest on the Boundary Commission

There was a lively debate in the Commons on Wednesday on the second reading of Mr Bevan's bill for winding up the Local Government Boundary Commission. The Opposition claimed that the Commission should have been kept in being to carry out minor and urgent adjustments, such as the regrouping of small county districts and the extension of overcrowded county boroughs. There have been no alterations in local government areas since 1939, and apparently there are unlikely to be any before 1952—since, under the Bill, no county reviews are to take place before that date, and the Government will discourage local authorities from promoting private bills. This arrangement will bear especially hard on the many county boroughs which urgently need land for housing. On many matters of detail, the Commission was doing a useful job—and could have done better, if the Minister had acceded to its request made two years ago for legislative assistance on some minor points.

Mr Bevan's reply was to assert that the Government was working on major proposals for the reform of local government, which would render any minor adjustments abortive. Rather ingenuously, Mr Bevan stated that he had hoped that the Commission's plan would wring either a general acceptance, or some alternative scheme, from the local authority associations. He realised now—what he must have known all along—that an agreed plan was an impossibility, and that the Government must take the initiative itself. This is a welcome, if very belated, recognition of Ministerial responsibility. It does not explain or excuse the Minister's delays and discourtesies in dealing with the Commission, or his failure to have its plan debated.

Mr Bevan has stuck his neck right out this time. He will find it very hard to produce a plan which is less unpopular and more statesmanlike than that put forward by the Commission itself. Any alternative plan must either be more drastic—which would arouse fierce local opposition—or else much less effective. If, on the other hand, the Minister fails to produce his plan, his whole policy becomes inexcusable. These considerations will be some compensation should he be removed from office by the election.

End of a Refinement

The abolition of the 2s. 3d. price limit on meals served in certain catering establishments constitutes one of the first of those withdrawals from “refined” control by the Ministry of Food to which Mr Attlee alluded when announcing his economy programme last week. The consequent saving of expense and manpower, though not likely to be large, is perceptible; and every little helps. It seems likely, however, that the economy cue has been welcomed by administrative common sense as an opportunity to press for the ending of what was, in fact, hardly more than a gesture of class discrimination. The five-shilling limit remains, for the time being, to placate the chronically envious—even if their approval of it is based mostly on misapprehension. True, it does not much reduce the amount spent in restaurants, nor, indeed, achieve anything much beyond complicating the customer's bill; but it looks, from a distance, as though it prevented the rich from enjoying themselves as they pleased, and accordingly has political value.

The 2s. 3d. limit did mean more than this, since it marked the dividing line between establishments receiving, or failing to receive, preferential quantities of meat and other rationed goods. Thus it served the purpose of increasing the buying power of lower incomes and formed part of that Heath-Robinsonian contemporary apparatus of subsidy, tax, and general sumptuary discrimination which does so much to make extra money less worth earning. It does not, of course, follow that all those establishments which have hitherto been serving meals below the 2s. 3d. limit will now raise their prices, any more than the great majority of restaurants now working under the 5s. limit would raise theirs at the first legal opportunity. In both cases it is the pocket and the tastes of the clientèle served by each caterer which determine what prices it is most profitable for him to charge. One suspects that here, and in many other fields where prices are controlled (at considerable administrative expense) in the supposed interests of the buyer, the removal of the controls would in most cases make very little difference. It takes just as elaborate and costly an apparatus to sustain the consumer, as it were, a couple of inches above *terra firma* as to hold him safely up over the deepest abyss of exploitation. There must be other instances, outside the catering trades, offering scope for the demolition of superfluous safety devices.

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Agreement on Indonesia

The long conference on Indonesia is over. It ended on Wednesday, as it began ten weeks ago, with a plenary session in the Ridderzaal at the Hague. Generally speaking, agreement has been reached on all the most important points under discussion, and a draft constitution for the new Republic of Indonesia has been drawn up. So far so good. It would be idle to pretend that the present degree of agreement was a foregone conclusion, but it cannot be claimed that all is over in Indonesia bar the shouting. The new agreement has still to be ratified by both the Dutch and Indonesians; this is supposed to take six weeks, during which there may be some fierce arguing at the Hague as well as in Jogjakarta; and the experts have still to work out a great many details. Then, when the time comes for the actual transfer of sovereignty over the end of the year, Dutch troops, many officials and some private citizens will have to be withdrawn, and the new Indonesian government will have to get to grips with some ugly economic and internal political problems. There are thus plenty of rocks ahead.

What has been achieved looks like a fairly good agreement so far as it goes. It includes a statute for the Netherlands-Indonesian Union and a charter of sovereignty which accept the basic Indonesian claim to complete independence—like that of India. It includes a last-minute compromise on outstanding Indonesian debt—by appointing a special commis-

sion—and on future Indonesian banking policy. It establishes a transitional military period of between six months and a year during which some 80,000 Dutch soldiers, sailors and airmen will either withdraw or be absorbed into the new Indonesian federal forces. And in the provisional constitution—embodying two advisory legislative chambers, a president, prime minister, and inner cabinet of five—it points the road towards eventual elections for a constituent assembly.

In their accord on all these and other matters, both delegations are to be congratulated. The Dutch delegates have recognised at last the inevitability of historical development and have taken the bull by the horns in spite of opposition from many of their countrymen. And the Indonesian leaders have proved themselves willing to learn from experience, although giving nothing away on their fundamental claim to sovereignty. Perhaps the most promising sign of all is that the Indonesians are already pressing several thousand of their experienced Dutch officials to stay on and see the young state born.

Simmering Kettle in Korea

The United Nations Assembly has decided to keep its commission in Korea, in spite of a serious threat against it made officially by the Foreign Minister of the Communist-controlled government of North Korea, Pak Heun-yong. In a letter to the Secretary-General of Uno and the chairman of the Assembly, he protested against the "unlawful" discussion of the Korean question by the Assembly and declared:

should the United Nations ignore in the future the will and strivings of the Korean people, . . . the Korean people . . . will reserve for itself the right to continue by the measures at its disposal the struggle for the immediate removal of the United Nations Commission from Korea and for the final unification of the country by its own forces into a united democratic state.

This arrogant language towards the majority of the nations of the world which endorsed the creation of the Uno Commission for Korea—language reminiscent of that which Japan once used towards the League of Nations—is only made possible for the North Korean Government because of its confidence in Soviet protection. The Korean Communists feel sure that nothing will happen to them even if members of the commission meet with death by violence; those members certainly remain in Korea at their personal peril.

The commission at present comprises representatives of Australia, (Nationalist) China, El Salvador, France, India, the Philippines and Syria. The Ukraine was originally elected but refused to take part. The Soviet position has always been that the Assembly has no jurisdiction in the matter and that none of its decisions in Korea have any validity—including its endorsement of the commission's supervision of the general election in South Korea, from which the present Seoul Government derives its mandate. In their repudiation of the electoral verdict accepted by Uno the Russians have produced one of the most remarkable of all their stories; they claim that the general election held by the Korean Communists in North Korea was also extended to South Korea, where, under the eyes of "the reactionaries and the foreign occupation authorities," 77.52 per cent of the electorate illegally voted and sent suitable delegates to the National Assembly set up in North Korea. On the basis of this claim—which naturally is immune from any kind of checking—the Communists claim that their regime is the choice of both North and South Korea and they have been increasingly vehement in expressing their intention to subdue the south by force.

The struggle in Korea is already a shooting war in so far as fighting is taking place, but the main armies of the rival Korean governments are not yet committed. Since the withdrawal of the Russian and American occupation forces, the field has been clear for civil war, but the Communists have not hitherto tried to cross the demarcation line in force,

and have resorted only to local infiltration and support to their guerrilla supporters in the south. They appear to be testing the strength of the south before attempting a full-scale invasion; but this may come at any time, and its success would be a heavy blow not only to the United States, which has built up the South Korean state, but to Uno which has committed itself so definitely on the Korean question. The presence of the Uno Commission may still be a restraining factor and, as the American delegate said to the Assembly, "if a conflict should occur, the United Nations would have testimony from a duly constituted agency regarding its nature and origin and regarding the responsibility therefor."

Chewing Gum and the Cold War

Chewing gum is universally recognised as an essential part of the American way of life, and the incidence of perpetual motion to be observed in the jaws of the young provides in any country a reliable index of the degree of American cultural penetration. As the United States administered the Philippines for a generation and returned victoriously to the islands after breaking the naval power of Japan in the last war, it is not surprising that the habit of chewing gum is firmly established among the Filipinos, and the news that their annual bill for purchases of this commodity has quadrupled since before the war might seem at first sight to indicate an increase in human happiness satisfactory to consumers, sellers and anyone else interested.

Now Mr S. S. Nemtchina, the Soviet delegate to ECAFE (United Nations Economic Commission on Asia and the Far East) finds it a matter for grave reproach. At a recent meeting of ECAFE he accused the United States of giving exports of chewing gum priority over materials needed by eastern peoples for their industrialisation, thereby demonstrating its selfish and frivolous attitude towards the great problems with which ECAFE is trying to deal. In reply the American delegate said he sympathised with Mr Nemtchina's "dismay" at the size of the Philippines' gum bill, but did not know "what we can do about it," while the British delegate declared that "countries must be permitted to import whatever they like." The delegate of the Philippines was quite unrepentant and stated that "when we have money we buy chewing gum from America and caviare from Russia."

There seems, indeed, to be complete collusion between Americans who want to sell gum and Filipinos who want to chew it. Yet this is perhaps after all the primrose path of dissipation for a country whose economy has been none too healthy since the war, and such stern moralists as the Russians are naturally shocked at the foolish indulgence of consumers' desires. How much better it would be for the Filipinos if they got more machinery and less gum! But dynamos are no good for chewing, and if Filipino jaws were deprived of their customary pleasure, they might begin shouting for the overthrow of President Quirino's Government.

It is a dilemma often likely to occur in schemes for American economic aid or in schemes of dollar-lacking countries for rebuilding their economies. Nor is it only a difficulty to be expected among people who live under coconut palms and fail to take sufficient thought for the morrow. Even the British, who were once famous for the virtues of the Economic Man, suffer from so invincible an addiction to American tobacco that they refuse to close the dollar gap by cutting it out of their import list. It has been said that to compel the British people to smoke anything but Virginia cigarettes would be the one sure way of bringing about a revolution in this country. The democratic politician has to take account of such passionate preferences, and it is probable that the smokers of American tobacco and the chewers of American gum will continue to confront Mr Nemtchina with deplorable examples of unproductive and thoroughly bourgeois expenditure.

Propaganda for Savings

Lord Bruce's much criticised speech at the Guildhall National Savings rally, when he went out of his way to emphasise that money not spent now would rapidly lose its value, may turn out to have been less unfortunate than it seemed if it stirs those responsible for the National Savings movement to realise their own shortcomings. A little imagination in visualising the ordinary men and women to whom they are supposed to be appealing would have told them that this is precisely what people are saying to themselves, Lord Bruce or no Lord Bruce.

Granted that small savings are important, granted, too, that they are well worth all the official encouragement and propaganda that they get, surely it is necessary to think out more carefully the quality and tone of the appeal. If outsiders drop bricks from the Committee's platform, and parsons make public statements confusing Savings with Socialism, is not the movement itself to blame for failing to provide a suitable popular lead on the real meaning of small savings from the community's point of view?

The individual feels it is foolish to save while prices rise. The job of the savings campaign is to show how savings can help, in the aggregate, to bring them down. The individual saver buys savings stamps out of personal self-interest, and propaganda is right to appeal to this. But it is surely wrong to neglect the distrust and scepticism which are aroused by the paraphernalia of National Savings Weeks which have no obvious connection with economic crises, rising prices or threats of coming shortages.

It may be that the subject no longer lends itself sufficiently to a simple mass enthusiasm, to be suitably boosted by Savings Weeks, as it was during the war. Changed times may need changed methods. The essential point, however, is that if savings appeals are to arouse more than a merely derisory response, they must explain their real purpose clearly to the man in the street, who feels that a national campaign demands a simple common-sense national justification.

Cleaner Food

The cleanliness with which food is packed, handled and served is as much a matter of public opinion as of bylaws. If the public will tolerate old newspapers as wrappings, cracked and scantily washed crockery in public eating places, and fish on slabs exposed to flies and dust, local authorities cannot be expected to enforce regulations which are very far in advance of these general acceptances. Nevertheless the Ministry of Food has done well to publish last week a set of model bylaws concerning the conditions upon which local authorities should insist in the arrangements for handling, wrapping, delivering and selling food. They serve, in particular, to remind us how far we have sunk below even those modest levels achieved by 1939.

Visitors from Scandinavian countries, some of the Dominions and the United States, have been struck, even in prewar days, at the inadequate protection of food in butchers and fishmongers, bakers and street stalls, and at the insufficient care taken by those touching food. Shortage of wrapping materials during the war increased the dangers of contamination of food in transit, while the encouragement given to works canteens and communal feeding, coupled with very inadequate washing-up facilities, produced a sharp increase in illness due to dirty food and utensils. To complain about these conditions during the war may have been unpatriotic; not to complain now is equally so, yet ten years of bad habits have lowered the public's sensitivity. To be served with an unwrapped pork (*sic*) pie by someone who takes the money and strokes the nose of the next person's pike is no longer causes an internal qualm, much less an audible protest.

Wrapping materials are, however, becoming more plenti-

ful, and more food can thus be protected from infection in transport. But what happened to the pork pie before it acquired a concealing and protective covering has not in the past proved easy to investigate unless a customer died or was ill as the result of some improper ingredient—or germ provided by the person responsible for preparing it. The new bylaws, if they are adopted by local authorities, should greatly strengthen their hands, since they require the individuals concerned in handling food to observe proper precautions, and this much more explicitly than hitherto. Nevertheless it still remains true that until education raises the general level of cleanliness voluntarily, compulsory enforcement can only remove the worst abuses.

The Lords and Legitimacy

Last week, the House of Lords inserted into the Law Reform (Miscellaneous Provisions) Bill two amendments intended to relieve two specific cases of acute social hardship—the hardship may fall upon few, but justice is not a matter of numbers. One amendment was designed to secure that a child, once legitimate, should not be made illegitimate simply by reason of the avoidance of his or her parents' marriage. Certain causes may make a marriage ceremony void; certain other events, occurring after marriage, may make the marriage voidable. In English law as it is, a marriage declared void for any reason becomes void from its start, with the inevitable result that any children of the marriage automatically become illegitimate. It is difficult to think of any argument to support a legal rule that makes illegitimate, children who were legitimate when born.

The other amendment was one repealing what has become known in divorce law as the rule in *Russell v. Russell*, namely, that neither a husband nor a wife can be allowed to

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give evidence in court which would tend to make a child of their marriage illegitimate. A husband who was, say, a prisoner of war, and who returns to find that his wife has had a child during his absence, has been unable himself to give evidence that he could not be the father of the child, and why. He has been compelled, if he sought a divorce on those grounds, to call evidence from a Service department that he was out of the country, and for how long. The rule was described by Lord Merriman in the debate as an incubus and a nuisance. It has been in existence some twenty-eight years: the only appropriate comment on its removal is, "at last."

* * *

Seven Arabs in Search of Security

The apparent *aplomb* with which the Arab League has decided to draw up a collective security pact can be put down to three motives. One is fear of Israeli expansion; another is fear of the Soviet advance in Asia; a third is the anxiety of some members lest Iraq (which is the League's grumbler and recalcitrant) and Syria (which has lately wavered in its likes and dislikes of fellow members) might conclude some pact or partnership on their own.

There is an element of paradox in the first two of these motives. Arabs like to talk as if Israel were non-existent, or were bound to collapse, yet they will argue in the next breath that Jewish immigration on its present scale must lead Israel to seek *Lebensraum*, and that they must be ready to meet the threat. Likewise, Egypt and Iraq like to shout slogans about ousting Britain's treaty garrisons, while an Egyptian delegate to the current Arab League meeting can argue that "we smaller nations must be tied to one of the great Powers if we are to survive." When it comes to choosing which great Power it shall be, most Middle Easterners find Great Britain the least obnoxious. If the security pact matures (which is still doubtful) it implies a link with the western camp. Perhaps the idea of this link will be more easily sold to xenophobe electorates if each government can claim that it bears only one-seventh of the responsibility for adopting it.

*

It seems to have been the rumour of an intended merger between Iraq and Syria that hurried the three kings Farouk, Ibn Saud and Abdullah into unaccustomed unanimity, but too much importance should not be ascribed to it. The idea of such a union has considerable backing in both countries, and there are attractions in the thought of getting rid of the artificial frontiers drawn after the first world war. Yet, when they are analysed, the motives of its backers turn out to be little more than blind gropings after change—almost any political change—that might put an end to their countries' present unsatisfactory political systems and produce some economic or social improvement.

Moreover, influential groups are against the union, particularly in Syria. Large parts of the Syrian army do not want to play second fiddle to Iraq's bigger and better armed

forces, and the Syrian army has, at present, the last word in Damascus. In both capitals, those in favour of the merger are saying to visiting Britons: "All we want is a word of encouragement . . ."; but this they will not get from London. In present conditions the merger could only lead to quarrels, and any foreign influence that gave a word of encouragement would have all the blame thrust upon it as soon as things went wrong.

* * *

Czechs and the Churches

President Gottwald has announced that the problem of Church and State in Czechoslovakia has been "solved" by the new church laws which came into force last Tuesday. It is unlikely that he could find many to agree with him. The new laws (which have been reluctantly accepted by the Protestant Churches) do not provide a solution, but only the most powerful weapon which the Czech Communists have yet possessed in their protracted struggle against the Roman Catholic Church. Previous weapons, such as the arbitrary arrest and imprisonment of priests and the seizure of Catholic schools, monasteries, consistories and property, have proved remarkably ineffectual. The Government's attempts to muzzle the Catholic clergy have conspicuously failed and the separatist and subservient Catholic Action movement which it started has attracted only a handful of priests.

Under the new laws the state is given full and complete control over all church affairs, including salaries and the appointment of clergy who will be required to take an oath of loyalty to the state; and a new government department is set up to "unify" the administration of church affairs. It is as yet too early to tell exactly how the Government will use its new powers, but the appointment of Mr Cepicka, as head of the new department, does not augur a conciliatory policy. As Minister of Justice he has been prosecuting Catholic priests for treason.

The Government's new measures were undoubtedly designed to create a split in the Catholic ranks. Government propaganda has made much of a comparison between the lives of the Catholic hierarchy who "owned huge landed estates, luxurious palaces and castles," and those of the lower clergy, who, unless very lucky, were "living very modestly and often in want." It was hoped to secure the support of the lower clergy by offering them increased salaries and financial stability, and thereby to undermine the position of the bishops. However, as soon as the Government's plans became known the clergy destroyed this delusion by announcing their refusal to accept the new laws because they "will better the social position of the clergy at the cost of freedom." The bishops, anxious that the Church's activities should not be completely disorganised, have announced that the clergy may take a qualified oath of loyalty and may accept salaries from the State. But they have reserved their own attitude to the oath, refused to accept salaries themselves and reaffirmed their opposition to the new laws.

Thus the Communists may have succeeded, in a sense, in dividing the Czech Catholic clergy, but in a way and with results which they cannot have anticipated. Now that the Czech bishops are assured that the parish priests will be able to continue their activities, it seems likely that they will feel free to adopt an even more uncompromising attitude towards the Government; and their opposition will be stiffened by the fact of Archbishop Beran's continued imprisonment in his palace in Prague.

* * *

Beveridge for Ireland

An Irish social security scheme has now made its appearance in a world that has grown colder since the brave days

of Beveridge. It attempts to fit arrangements made for an urban and wage-earning population to an economy that is still largely based on the small farmer. The White Paper embodying the proposals envisages an amalgamated scheme of benefits for unemployment and disability, widows' pensions, maternity benefits and payments to orphans. To these services, which have grown up since the first Old Age Pension Act in 1908, are now added retirement pensions, at 65 for men and 60 for women, and grants on death. The means test is abolished, but, in view of the low level of wages in some occupations, provision will be made for contributions and benefits on a smaller scale. The general scale is to be fixed at a weekly contribution of 3s. 6d. for men and 2s. 2d. for women, with equivalent contributions by their employers. These payments will be compulsory on all persons working under a contract of employment except those engaged in the public services and some employees of local authorities. Compulsory insurance on this scale is an innovation in Ireland. The rates of benefit in the major schemes of unemployment, disability, retirement and widows' pensions run at 24s. a week for men and 18s. for women, with additional sums for children.

The White Paper has the merit of making no bones about the bill. It estimates a cost of £12.6 million annually after the scheme gets into its stride. No less than 10 per cent of the total population is aged 65 and over, so that retirement pensions will constitute a heavy burden. The state's contribution to insurance and to the assistance schemes which will still be necessary is put at £15½ million, or between a fifth and a quarter of the annual budget. This will provoke second thoughts as an ambitious scheme of health services is said to be under consideration.

A contributory scheme has the drawback that it has to be applied to a community in which there are many farmers whose cash incomes are small and uncertain and who will not benefit by it. This is reflected in the fact that the number of participants is put at about 700,000, while 1,200,000, mainly "persons working on their own account" (including their relatives), are excluded. The White Paper, however, seems to have made an honest attempt to translate Beveridge into Irish; and it seems that legislation will wait on its reception by the public.

Shorter Notes

It is to be hoped that the latest reorganisation of British Overseas Airways, which was announced earlier this week, will be the last for some time, for it is the third and the most drastic in the Corporation's short life. The reasons for it can be grasped only too clearly. But there surely was some case for modifying last year's plan rather than throwing the whole organisation into the melting-pot to be moulded into yet another new shape. The increasingly frequent accessions of modern types of aircraft should at any rate give this new plan a fairer chance to work. It is based on a functional rather than a geographical division of operational responsibility, each line being responsible henceforth for a particular type of machine wherever it flies. The main thing now is that the new scheme should be given a chance to work.

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British European Airways have just announced a welcome profit for the July-September quarter. It amounts to 6s. 8d. a passenger, or, compared with the corresponding period last year, a profit of £2 9s. for each aircraft flying-hour as against a loss of £10. Over 3,000 passengers were carried daily in this period and by a staff 14 per cent smaller than in 1948. This at least shows that BEA are on the right lines, even though the falling-off in traffic at other seasons of the year means that it will be some considerable time before their annual accounts show any profit. Nevertheless, having regard both to the opportunities which the island position of Britain

affords for high-density short-range air traffic, and also to the fact that from next year the Corporation is likely to start operating machines with an economic performance, its accounts may well balance sooner than was expected.

*

The case of the lady, who was injured by a cricket ball driven over the boundary of the cricket ground, has now been reconsidered by the Court of Appeal. The view of the Court of Appeal is that she should recover damages for her injury against the club. It is suggested, however, that the case will go to the House of Lords for a full review of the authorities who decide whether or not cricket clubs and other sports organisations are responsible for the consequences of the exceptional prowess of their playing members.

*

The National Health Service (Amendment) Bill was given its second reading in the House of Lords this week, but the Government spokesman was unable to say whether the proposed charge for prescriptions would be brought into this Bill or be dealt with by separate legislation. One amendment, made when the Bill was in the Commons, deserves recognition. It was introduced by Mr Bevan and allows doctors to treat private patients in health centres—when they are established. Hitherto he had firmly refused to agree to the doctors' request to this effect, and his conversion from prejudice to common sense is consequently very welcome. Otherwise, many doctors might have found themselves unable or unwilling to practise from health centres since they would have been obliged to maintain two surgeries.

The Source of Our Greatness

The opening, on Tuesday, of the New Coal Exchange by his Royal Highness Prince Albert, was a great event for the City of London. . . . Taking their cue from the city address, which spoke of coal ministering, "by appliances innumerable, to the wants and prosperity of millions" . . . some of our contemporaries have dwelt with great emphasis on the material itself; but largely as it ministers, like air and sunshine and rain, and many of the other gifts of heaven, to our welfare, the industry and the skill that draw it from its hiding place, and turn it to a thousand useful purposes, are the things to admire. . . . To forget the colliers, who pass a large part of their lives in the deep cut galleries of the coal mine, exposed to scorching death from fire damp, and to drowning from the bursting in of water, who breathe foul air, and labour naked, bent, and blackened with dust, far away from the cheering light; to forget the seamen, who, braving all weathers, the ice of winter, and the storms of the equinoxes, and defying hail and rain, navigate their vessels along our sand begirt and dangerous coast: to forget these men . . . is to forget the spirit which has gathered bread from the salt waves, which can turn water into fuel, and win power from the magnet and the electrical battery. . . . We hope the occasion will not be lost to improve the condition of these useful, but, perhaps, not well treated classes. We do not ask charity for them—do not ask Government interference with their avocations on the pretence of serving them, lest their ingenuity and exertions might be stifled by its kind embraces; but we should like that some of the respect shown to coalowners and coal merchants and coal exchanges should be reflected downwards on such men as colliers and sailors, the living authors of the wonders we admire, and raise them in their own and in public estimation.

The Economist

November 3, 1949

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Letters to the Editor

The Future of OEEC

The Case of the Karens

SIR,—Your article on this subject raises a very important question. Will the economic unification of Europe come about without external pressure? And if pressure is necessary, from where will it come? The economic unification of Europe is a fundamental conception of the United States Foreign Assistance Act. ECA have repeated the need for it many times. Mr Hoffman requested it as late as October 27th, when he pointed out that "higher productivity in Europe would not alone bring durable economic recovery," and when he called on western Europe to achieve economic unification without delay. This request he has repeated in very forthright terms only this week at the meeting of the Council of OEEC in Paris.

Surely the remedy lies in the hands of ECA, the State Department and Congress themselves? They could have had a unified Europe by now if they had wanted it enough. I have yet to learn of a bank or financial institution lending (much less giving) money to a group of bankrupt companies in an industry without insisting first on their reconstruction by way of amalgamation as a condition of the loan. If the unification of Europe had been a condition precedent to Marshall Aid, would the European countries have refused the offer? But Marshall Aid has to be voted each year, and there are already doubts about its renewal in 1950. Thus, it is not too late for such a condition to be made. The State Department are well aware that Congress may not renew Marshall Aid for the third time without conditions of some kind, if they renew it at all. Thus, let Europe unite now, with a prior understanding with the leaders of Congress that aid will be voted for 1950 and 1951, or let Congress vote Marshall Aid for those years not for the seventeen states of Western Europe as at present, but for one state—a new state—an eighteenth state—the Union of Western Europe. Within the Statute of the Council of Europe machinery exists to bring this unification about. The Standing Committee could become the government. The Assembly could be given the necessary legislative powers. The Committee of Ministers could retain the right to veto its legislation. Surely something positive and constructive on these lines could be done if only the State Department made a United Europe a condition of further aid?—Yours faithfully,

House of Commons

R. W. G. MACKAY

Which Party?

SIR,—I think most people will agree that the result of the next election will be of vital importance for the future of the nation. We have all of us to decide which political party, taking the good with the bad in their policies, should be entrusted with the government of the country. I wonder if other readers are as puzzled as I am as to what your views are on this question. You have been telling us for some time that the present government is leading us to disaster and you have come to the conclusion that there is no reason to suppose that the Socialist ministers should change their characters overnight. You are writing a series of articles giving a policy for the Left, which you must realise has little or no chance of being adopted by the Socialist party. On the other hand Mr Eden, speaking on behalf of the Conservative party in the recent debate, argued for further economies in government expenditure, and thus showed political courage and leadership which is so lacking in the Socialist leaders. However, the only encouragement he gets from you is an expressed doubt whether this will be a politically successful line.—Yours faithfully,

C. L. OVERTON

Tenlys, Mill Lane, Willaston, Wirral

[The political implications of the policy put forward will be discussed in a later article in the series.—EDITOR.]

SIR,—I hope you will be able to find space for a brief statement of the case for the Karens in Burma, which is being overlooked in the present anxiety to aid the Rangoon Government against the Communists.

1. The antagonism between the Burmese and the Karens lies deep in the traditions of both races. Relations between them greatly improved in the quiet times of British rule, but in times of disorder antagonism came to fierce life again, arising partly from the resolute stand the Karen villages took on the side of law, order and loyalty to us. The Karens lived in terrible sufferings and fear throughout the Japanese occupation, Christian Karens being singled out for special persecution by Burmese. The Karens gave notable aid to Wingate and to our invading armies. By our actions the Burmese forces, which had begun their rebellion by a massacre of Karens, were placed in a dominant position in Burma. All this lays on us special responsibilities.

2. The Karens are distrusted by the Burmese because they are (rightly) believed to be pro-British, pro-Christian and pro-Western, all that Communism is not. The Karens revolted many months after revolts by Communist Burmese political factions had caused widespread disorder, and the cause was the policy of disarming Karen villages. Burmese Communists and Karens have in common only enmity with Rangoon. A hated minority in a country in chaos cannot consent to being disarmed, nor could the Karens agree now to a status which did not, in fact and in law, give them access to supplies of arms.

3. The Karens of the Delta, five to six hundred thousand in number but only one-fifth of the population of that area, are in grave peril. They should have an opportunity of moving to the Karen state (mainly east of the Salween), and such a movement might well require the supervision of the United Nations. The United Nations might also reassure Burmese fears and suspicions about the advisers and technicians from the west which the Karens desire and require.

That a British Government should provide arms for the subjugation of Karens is a sorry return for a century of loyal support.—Yours faithfully,

C. F. GRANT

16 Campden House Chambers, W.8

Dollar Exports

SIR,—Your correspondent, Mr Graham Hutton (page 887 of *The Economist*, October 22nd) shows with great clarity how British exports to the United States can be effectively restricted by the action of American suppliers in applying "stop-orders" to American distributors attempting to increase their turnover of British goods.

The creation of British-owned distributing houses in the United States would overcome this difficulty, only at the cost of the reappearance of the same problem one stage further on. American retailers, desirous of increasing their purchases from the British-owned distributing house, would presumably be subjected to similar "stop-orders" by their American suppliers.

This dilemma could only be resolved either (a) by the setting up of British-owned retail outlets in the United States—at best a solution with strictly limited possibilities, at worst an impracticable proposition—or (b) by resort to an American institution whose popularity far exceeds that of its smaller counterparts in this country—the mail order house. Nothing short of the creation of an entire mail order house organisation, fully supplied by British exporters, could be successful.

The initial dollar outlay on a project of this nature would be considerable, but could be provided by joint action on the part of some of our larger exporters. These same firms would provide all the necessary supplies to build up and maintain their joint stocks in America at a level sufficient to ensure immediate delivery of catalogue-based orders, leaving the mail order house completely free from pressure on the part of American suppliers. Direct contact by mail between the house and the ultimate consumer obviates any danger of crippled retail outlets.

Nor are the marketing economies which would result from this scheme, once successfully launched, of a negligible order. Wholesaler and retailer margins—at present payable in dollars, not in devalued pounds—would be replaced by direct distribution at lower cost per unit. Moreover, it is feasible that the British-operated mail order house, once securely established, would serve as an admirably efficient vehicle for the introduction of new lines of British exports to the American market.

It may be argued that, as soon as the impact of any such scheme began to be felt on the American market, its inevitable reaction would be the engendering of a strong demand from American business interests for higher tariffs, more restrictive Customs regulations, etc., but this would entail the United States Government breaking faith with Britain and the recent 10 point Washington agreement—at present, as Mr Hutton shows, the expansion of British exports to the United States can be effectively prevented without any restrictive action on the part of the United States Government at all.

In conclusion, may we submit our export slogan: "Let a British Sears Roebuck become an American household necessity!"—Yours faithfully,

D. J. OVENS

C. P. DALTON

SIR,—The first reaction to Mr Perry's conception of British Dollar Exports, Limited, is one of admiration. On second thoughts, however, the difficulties become apparent. First, Mr Perry excludes "large organisations," by which he means, presumably, large organisations already exporting to the dollar area. Therefore, British Dollar Exports, Limited, will be concerned with exporting goods which have at present no large dollar sales. It will have to create the market, spending vast sums of money and encountering grave risks in so doing.

If the sterling goods do not sell, they can be turned over to the Government for export to non-dollar areas, says Mr Perry. At what price? Is there such a great demand for British goods that these unwanted articles will sell easily and profitably?

Secondly, will the public and the manufacturers take up the share capital which is to finance this scheme? The preference shares will have to be made attractive, and will thereby commit the company to a heavy distribution of profits, which it is by no means certain will accrue. In view of this, will manufacturers willingly lock up a proportion of their own capital in the

ordinary shares of a venture that is unlikely to pay dividends in the very near future, and may, indeed, unless it is run at a very high pitch of efficiency, never do so?

Finally, possibly the biggest obstacle of all is the fact that British Dollar Exports, Limited, would have to be a truly huge undertaking if it were to preserve the individuality and fine craftsmanship which is one of the main reasons why British goods still sell in the dollar area, and if it were to conduct adequately the individual market research and selling campaigns so essential to any attack on this notoriously difficult market.

Can these difficulties be overcome?—Yours faithfully,

Mount Royal, Richmond Hill, Surrey LEONARD GAUNT

Salvation by Fleabite

SIR,—Your articles on "Salvation by Fleabite" and "Cuts Without Policy" imply that the worsening of the terms of trade will intensify inflationary pressure. This in addition to the increase in pressure which will be caused by a more favourable balance of payments.

No one disputes the latter point that, as the balance of payments is improved, inflationary pressure will increase unless compensating cuts are made in one or other form of home expenditure. To the extent that changes in the terms of trade contribute to changes in the balance of payments, their inflationary or deflationary effect is already taken care of. To suggest that the worsening of the terms of trade calls for additional cuts in expenditure to prevent inflation is either wrong or else depends on a misleading ambiguity in the use of the word inflation.

Suppose that an improvement in the balance of payments is exactly offset by a reduction in private and/or public expenditure at home. Effective demand, or money incomes, will remain the same. In this case higher import prices (absolute or relative to exports) will raise costs and prices at home and hence lower real incomes. Do you argue that this rise of prices (which is ambiguously called inflation) relative to money incomes calls for additional reductions in expenditure? On the contrary, it is through this rise that what you flippantly call fleabites will be found to have much deeper stings for all of us.

To put the matter in another way, you seem now to be identifying the Government's attempt to maintain full employment with the maintenance of real income. If that were attempted, higher import prices would indeed raise both the price level and the level of money incomes. But, as you have pointed out many times in your columns, full employment is compatible with falling real income.

It may be true that the proposed retrenchment is not enough to offset the change in balance, or that higher import prices will reinforce the price-wage spiral. But the terms of trade argument by itself cannot justify further cuts.—Yours faithfully,

Magdalen College, Oxford

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Books and Publications

Common Ground for Radicals

"The Principles of Economic Planning." By W. Arthur Lewis. Allen and Unwin and Dennis Dobson. 128 pages. 7s. 6d.

THIS admirable handbook for the general reader goes far to rebut the criticism that Socialist thought on the economics of planning has got stuck in the irrelevancies of the 1930's. Professor Lewis is a Socialist, but he is not concerned to defend a sacrosanct thesis by intellectual sleight of hand. Seeking to elicit and expound the truth, he provides the common ground of honest debate. The case for planning, in his view, is not that the "invisible hand" of the market economy is maleficent or ineffective, but that in certain respects, certain fields and certain circumstances it needs to be supplemented by social controls for the sake of efficiency, stability and social justice—a proposition commanding the assent of practically everyone. The only essential distinction between Socialists and others is that Socialists demand a far greater degree of equality. Nationalisation, price controls, the general apparatus of *dirigisme*, are merely technical devices which should be unhesitatingly discarded if they cannot be justified on their merits.

Professor Lewis does not argue about the precise degree of equality which he feels desirable. "No man is worth £10,000 a year," he asserts; and that is that. The importance of his book, however, does not lie in this arbitrary estimate, but in the technique of social control by which equality, among other aims, may be pursued. The arguments with which this is presented are calculated to cause some alarm and despondency among more representative Fabians; they are, indeed, familiar to readers of *The Economist*. "The real choice we have to make," says Professor Lewis, "is between planning by inducement and planning by direction," and he proceeds to deal with the latter after a fashion which Professor Hayek could hardly better, allowing it at most a subordinate and temporary role when, as in wartime, major immobilities have to be overcome in a hurry. His major planning instrument is the Budget. As regards equality, he considers that redistributive taxation on incomes has already reached its limit, and that any further advance must be through greater equality of opportunity, through the modification of death duties to encourage a wide distribution of property, and (very cautiously) through a well-conceived capital levy. Stability can be attained by the use of deficits and surpluses in the light of the statistics of bankruptcy and of unemployment. (Incidentally, the case against over-full employment has rarely been more succinctly put.) On investment, the chief instrument of progress, Professor Lewis is equally realistic. Voluntary savings and budget surplus between them must be adequate; due attention must be paid to stocks; the limits to particular physical resources must be remembered. Otherwise there is "intolerable confusion." His subsequent comments on the Government's actual investment policy will make excellent election ammunition—but not for the Government.

On foreign trade, on the "social control" of business (e.g., monopoly policy), on economic mobility, on nationalisation itself, he is far from the orthodox Socialist standpoint. (Socialists and others may equally complain that he scamps the question of price policy in the "public sector." Even in so deliberately untechnical a book as this, the nature of the problem and the preferred lines of its solution ought to be indicated, and the author of "Overhead Costs" is surely the man to do it.) His account of the actual technique of plan-building is brief and clear; and his book is rounded off by two sound and stimulating appendices, on Economic Union and on the Planning of Backward Areas.

It would be wrong to leave the impression that Professor

Lewis thinks the existing planned society a failure. He pillories its shortcomings; he denies that these have outweighed its benefits. Here then is room for rational debate, debate on the relative achievements of planned and less-planned economies, debate on the causes of divergence, just as there is room for debate on the merits and demerits of the economic devices which he favours, and on the proper balance of the aims which he shares with all men of good will. Such debate is certainly profitable. It is less certain that the publicists of the Labour Party are capable of jettisoning their cherished irrationality sufficiently to pursue it.

An Orderly Gentleman

"The Great Pierpont Morgan." By Frederick Lewis Allen. Gollancz. 306 pages. 15s.

THIS book, according to its dust cover, is the life of America's last grandee, but the photograph above the words could be that of America's first dictator. Pierpont Morgan came very near to being that at the beginning of this century, in the opinion of many of his contemporaries and more of their descendants. Mr Allen's fair and very readable biography explains not only why, and to some extent how, this emperor built his dominion, but also how Morgan was himself responsible for that government interference with private enterprise which seemed as accursed to him as it does to his successors. His railroad amalgamations demonstrated the desirability of increasing the powers of the Interstate Commerce Commission; his rescue of the United States from the panic of 1907 proved the need for a central banking system; his combination of three-fifths of the American steel industry into the US Steel Corporation gave new life to the anti-trust laws. Even his failure had the same effect: his inability to make a success of the International Mercantile Marine showed that only government subsidies could give the United States an adequate shipping industry.

Other millionaires in that great age of millionaires ran railroads, pumped oil, smelted steel; people saw them doing it and used the results. And they were men who had risen from the farms, the slums, the free schools. But Pierpont Morgan, brought up to be wealthy and educated abroad, was incomprehensible both in his outlook and his work. He produced balance sheets, share certificates, cablegrams, in a financial labyrinth that ordinary Americans neither knew nor wanted to know. He was a wizard to be regarded with suspicion, and that suspicion has ever since attached to the Wall Street where he laboured and the House of Morgan which he founded.

But Mr Allen makes it clear that Morgan was inspired neither by lust for power nor by the desire for wealth. He wanted only order; everything that impinged on his life must be efficient and tidy. Cut-throat competition on railroads and in steel-mills was neither, and the obvious way to eliminate it was by amalgamations. Art treasures were more orderly when they were gathered together in one place. To Morgan, at least in Mr Allen's opinion, any personal profit or pleasure resulting from his collections and combinations was incidental; his chief concern was for the public good. His methods of achieving it were ruthless, but they were honest and fair according to his lights. He was a self-confident gentleman of the nineteenth century, taking the responsibilities of the position, working on a basis of trust and confidence, and expecting others to do the same. He thought it a duty for him to give orders and for others to obey them. He was, in fact, a benevolent dictator, who, like others of the species, could not see that, in less competent and benevolent hands, his methods would seem neither orderly nor gentlemanly.

RUSSIA

by

GENERAL BEDELL SMITH

AMERICAN AMBASSADOR IN MOSCOW

(1946 - 1949)

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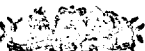
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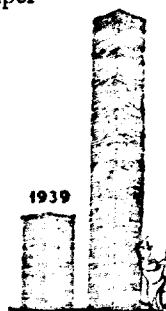
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A Brilliant Condensation

"Europe and a Wider World, 1415-1715." By J. H. Parry. Hutchinson's University Library. 194 pages. 7s. 6d.

PROFESSOR J. H. PARRY is known to scholars by two valuable studies on sixteenth century Spanish America. He has now written a short introductory work on the expansion of Europe from Prince Henry the Navigator to the Treaty of Utrecht. The subject is wide, various, and at times highly technical, so that the interest of adventure can easily be lost in the complexity of economic causes and scientific methods; but Professor Parry has performed a masterpiece of simplification and exposition. Beginning with an analysis of the scientific knowledge and technical limitations of trade, exploration and discovery in the age of the Renaissance, he describes in turn the Portuguese and Spanish discoveries, the organisation of their empires for trade and government, the attempts of the Northern Europeans to penetrate through America or find markets and sources of supply in it, the struggle of the Dutch with their rivals in the East and of the English with their rivals in the West, and their culmination in the War of the Spanish Succession. All this is done in the compass of 200 pages; the economic mysteries are lucidly explained, the human drama never forgotten; Albuquerque and the Jesuits, Magellan and Coen are as luminously delineated as the economics of spices and sugar, company finance and slavery.

Canadian Compendium

"Financing Canadian Government." By A. E. Buck. Public Administration Service, Chicago. 367 pages. \$5.00.

CANADA is notably short of those institutions, universities and endowments which finance the earnest student's research in so many fields, but it benefits from time to time from the wealth of such institutions in the United States. Some of the best books about Canada have been financed from south of the border, and this work by Mr. Buck of the Chicago Institute of Public Administration provides a compendium of information about Canadian government which might never have been produced inside Canada.

"Financing Canadian Government" is a thorough, detailed and painstaking account of the complicated procedures of government finance on the federal, provincial and municipal levels in Canada. It makes some valuable comparisons with the United States and the British system, and has valuable chapters on the highly complicated story of dominion-provincial financial relations. Mr. Buck is rarely critical, though once in a while he points out the advantage of the Canadian method over its American counterpart and goes out of his way to explain how and why Canada has developed methods of organisation differing from the British prototype. With a formidable bibliography and an adequate index, this book forms a most useful reference work. But its very thoroughness and completeness make it heavy going for the general reader.

Rayon History

"The Fibro Manual." Edited by C. M. Whittaker. Sylvan Press. 311 pages. 21s.

VISCOSE rayon staple has already a long enough life behind it to illustrate that innovations in textile materials—even the successful innovations—come into full use only by a slow and laborious evolution. German spinners used cut rayon as a substitute for natural fibres in the first world war. But the expectations then pinned on cut staple were at first disappointed: cotton and wool were too cheap, and after the war the German rayon factories were driven back on to continuous filament production. Courtaulds began to produce *Fibro* viscose staple in 1925. Its use progressed only gradually, and the company's initiative in setting up demonstration mills in Lancashire and Yorkshire was largely responsible for getting the new material accepted by the cotton and worsted trades.

This form of development has influenced the trend of rayon technology, which (so far as staple fibre is concerned) has for the most part been strictly related to the existing spinning systems. The manual which has now been prepared by Courtaulds deals largely with the use of rayon staple on these existing systems—cotton, wollen, worsted, flax, spun silk and jute. Its primary concern is to select and summarise the accumulated empirical knowledge for spinners and manufacturers. As one consequence of the empirical development, the manual notes that although the fibre is first produced in continuous and regular filaments it is, after cutting, crushed into bales; and the spinner has to disentangle the material by carding and combing to produce a sliver of parallel fibres before he can spin. Carding and combing may cost the spinner 8½d. a pound; it is obvious that a short cut from filament to yarn-spinner may revolutionise the economic relationship of rayon staple to some other fibres. Some progress has already been made in producing ready-combed staple ("Greenfield Top") for the worsted industry, which is the textile branch technically best suited to the method. Similar "tops" for flax, jute and silk spinning are to follow; the cotton type presents, unfortunately, the greatest difficulty and will come last.

Portrait of a Great Woman

"Eleanor Rathbone." A Biography by Mary Stocks. Gollancz. 376 pages. 21s.

THE life of Eleanor Rathbone is a vindication of so many of the standards and values which have been eclipsed over the past thirty years, that to read the record of her achievements is to derive great comfort about the continued power of the individual to influence social progress by democratic means. There could be no stronger tribute to the effectiveness of the individual social reformer who can harness voluntary action to his reforms, to the importance of the independent private member of Parliament and the private member's Bill, or even to the value of a private income comfortable enough to permit its owner undivided attention to public affairs. Eleanor Rathbone's tenacity, her clarity and honesty of thought and her complete lack of personal ambitions swept obstacles aside. She was a formidable opponent of apathy, mental laziness and intellectual dishonesty. She was fortunate in that most of the causes she fought for were achieved in her own life-time—and this essentially because she saw the limits of the practicable and never antagonised by asking for the impossible. To most people she is best known for her life-long and successful efforts for family allowances. But she never pursued one objective at a time. Any one of her activities might have been a life-time occupation for some people—the battle for the equal franchise for women and the subsequent legislation which expanded and confirmed this equality in other fields, the long defence of the rights of Indian women and their representation in the Indian Constitution and the incessant campaign from the nineteen-thirties onwards for the cause of refugees both at home and abroad. To these major preoccupations were added a firmament of lesser activities.

Eleanor Rathbone's success in accomplishing so many of her objectives is an object lesson in the art of parliamentary infiltration. She understood to the full the force of authoritative evidence, and was an accomplished mistress of the art of approaching Ministers and civil servants with a fully documented case.

As a biography one must regret that the wit and style which informs Mrs Stocks's writing concerning the more obscure parts of Eleanor Rathbone's existence—before her birth and after her death—are not permitted to sparkle so brightly during the most active parts of her career. It is as if the biographer herself became so immersed in sorting out the turmoil of papers in that unforgettable black bag that the result is closer to faithful photography than to imaginative portraiture. Nevertheless it is an excellent book.

AMERICAN SURVEY

Half-Time in Congress

(From Our American Staff)

AFTER Mr Truman's victory last November it was understandable that extravagant optimism should, for a few weeks, succeed extravagant pessimism in the Democratic Party's high command. There were predictions of another Hundred Days in which the President would be able, as Mr Roosevelt was in 1933, to get an important part of his programme through Congress without serious opposition. Half a dozen of the diminishing band of Republican diehards in the Senate had gone and almost a fifth of the new House was made up of earnest young Democrats. Few of them would have been encouraged to run had their local machines thought anything of the party's chances, many of them were as surprised as Dr Gallup at their success, but all of them were eager to get on with the task of turning the programme on which they had been elected into legislation.

Mr Truman, who had been less doleful than anyone else about his prospects, was probably also less impressed by the implications of his victory. The people had spoken, no doubt, but not with any great unanimity or in very imposing numbers. Thanks to the essentially gerrymandered basis on which the Senate is elected, an uncomfortably large part of the Democratic majority was made up of Southerners unsympathetic to the President's programme, whose Democratic disguise was so thin that it was used only to retain seniority on committees. In the House the old and cynical had not such a commanding majority, but they held many of the commanding positions. The President began by welcoming the rebels back into the party, but he soon found himself forced, by the facts of his policies, to drive them into sullen, but unofficial, opposition again. When the Hundred Days were over, there was almost no legislation to show for a great many words and the sporadic association between Southern Democrats and Republican reactionaries was beginning to look like a firm alliance.

The months dragged on, and by June accomplishment was still meagre and talk of adjournment was general. But Mr Truman, who is a much abler manager than he is usually given credit for being, refused to give up and kept Congress in Washington through one of its worst summers and into the autumn. When he let it go, after nine and a half months, he had contrived, by continuous exercise of patience, interspersed at regular intervals by bursts of carefully calculated temper, to get a reasonable proportion of what he wanted passed into law and, even more important, the bulk of what he did not want laid aside.

★

The young Democratic Congressmen have, over the months, passed from disillusion and something near despair to a realisation that the American form of representative government is a confused and confusing business, which works slowly and erratically and demands patience to be workable at all. But in the end they saw something accomplished, enough certainly to suggest that, if the second session

of the Eighty-First Congress is as productive as the first, they will be able to face the electorate next November without shame. On foreign affairs the record was, as the Secretary of State said in a letter to the Chairmen of the two foreign committees, "magnificent," even if it achieved some of its magnificence almost at the last minute, thanks to hurried approval of perfunctory compromises reached after months of disagreement. Only on Point Four—the programme of international technical aid—was no action taken, and the blame for this lies more with the Administration, which took too long to prepare its proposals, than with Congress.

In domestic affairs the Eighty-First Congress did not give the President as much of what he wanted. And it is on the domestic programme that the Democrats must appeal to the country next year. Since they won last time with the votes of labour and the farmers, it has become conscious policy for the Democrats to build their platform around a farmer-labour coalition. Whether that coalition, born rather by accident in 1948, can be held together and develop into the permanent base of the party will depend to a large extent on what is done in the next session.

It has always been believed that, except in moments of crisis like the early years of the New Deal, the interests of labour and agriculture were so divergent that no programme could be genuinely attractive to both. The Brannan farm plan was an attempt to produce a policy that was. Its idea was simple—that the farmer should, through government subsidy, continue to receive an income higher than the law of supply and demand would warrant, while the consumer would pay only the true market price for farm products. The subsidy, in fact, would be paid mainly by the taxpayer, rather than, as it is today, by both the housewife and the taxpayer. To the surprise of the Secretary of Agriculture, his plan has not been popular with the farmers, presumably because they are scared at the thought of the real amount of subsidy they receive being published for all to see. It seems unlikely that this part of the President's programme will ever get past both Houses of Congress, but what got past them both in the last hours of the session should certainly ensure the farmers continued, even heightened, prosperity. The compromise between the Senate's Anderson Bill and the House's Gore Bill took the most expensive features of each and set a support level which, according to the best estimates, is 10 per cent higher than any ever known—just at the moment when it was generally agreed that a gradual decline was necessary from the high level established during the war to encourage production.

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

Who will be given the credit by the farmers for this piece of sectional legislation—which has been called “dismal,” “rapacious,” “disgraceful,” and “a sorry sham” in newspapers in the big cities—is doubtful. They have obtained from a Democratic Congress, but against the wishes of a Democratic Administration, guarantees for which they should be truly grateful. The Senators who finally agreed to so much of the House Bill are believed to look upon it as a temporary expedient. But it will be hard for the Democrats, who must offer the conservative farmer something very substantial if he is not to vote Republican, to urge in an election year the removal of some of the benefits he has been inadvertently given.

While the farmer must be wooed away from the enemy, labour can be treated rather differently. There is no danger of it deserting, but there is danger of apathy—a risk that, as in 1946, it will not think it worth while to go to the polls. The Administration, therefore, has demanded the repeal of the Taft-Hartley Act and is refusing to settle for anything short of unconditional surrender. It wants either to be able to impress the industrial worker by pointing with pride to total success on his behalf, or to frighten him into voting by exhibiting total failure and exhorting him to even greater effort. So, although some marginal measures which benefit labour—the raising of the minimum wage, the extension of rent controls and the housing programme—were passed, mere amendment of Taft-Hartley was not accepted. Nor was any compromise on the Civil Rights programme. The fight for all or nothing on the most serious issues will go on next year, with little chance of all being achieved, and labour will be kept on its toes.

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For the young Congressmen, the worst disappointments have been the failures to correct the work of the previous Congress. The Taft-Hartley Act is one of these; so also are the unbalanced budget and the existing Act governing the admission of Displaced Persons. Mr Truman had to give up, early in the session, his attempt to get a new Bill passed to increase taxes, but at a recent press conference he said he would try again next year. The present deficit, he said, was caused by the “rich man’s Tax Bill” of the Republican Eightieth Congress, which reduced income tax revenues by nearly \$5 billion—roughly the amount of this year’s prospective deficit—and which gave the greatest benefit to the higher incomes.

Worse still, even if less far-reaching in its effects, was the refusal of the Senate—or, rather, of the Chairman of the Judiciary Committee, Senator McCarran—to do anything about revising the Displaced Persons Bill which, in its careful discrimination against Catholics and Jews, was the most shameful accomplishment of the Republicans in their two years’ rule. The House passed a revised Bill and nothing that has been done or left undone has been more discouraging to its new Democrats than the machinations by which it was shelved in the Senate.

Some months ago the Republicans, when they had succeeded in producing a deadlock in both Houses, triumphantly announced that this was the “Eighty-Worst” Congress. At that time it certainly did not look very good. By now it can be said that any Republican who wants to repeat the jibe must have suffered a change of heart since his party lost power. The failure of this Congress is largely its failure to correct the mistakes and cynicisms of its predecessor. If that makes it the “Eighty-Worst,” what does it make the Eightieth?

New York’s Double Election

[FROM OUR AMERICAN STAFF]

ON November 8th the residents of New York will cast their ballots for a mayor for their city and for a United States Senator from their state. The coincidence of the two elections, caused by the need to choose a successor for Senator Wagner, casts vivid light on that confusion in loyalties which arises when national and local interests are forced together into the narrow slots of the party system. The tangle is made more complicated this year by the addition of a third dimension—both senatorial aspirants are men whose public fame has been heightened by their activities between the nations. Thus international affairs are now, with national affairs, mired in the mud of municipal bickering.

The mayoralty race is a three-cornered contest, in which the re-election of the Democrat incumbent, Mr. O’Dwyer, is challenged on the right by Mr Newbold Morris, running as both a Republican and a Liberal, and on the left by Mr Vito Marcantonio, a US Congressman, running as candidate of the American Labour Party. A three-cornered contest has usually resulted in a victory for Tammany Hall, but this year the forces which are split are those hitherto controlled by that local Democratic machine.

The reform forces which Tammany’s most effective enemy, the late Mayor La Guardia, forged into a fragile machine of his own, are supporting Mr Morris, who served as president of the City Council and Deputy Mayor under that regime. A personable young man of good family, possessed of a private fortune and an honest devotion to public service, Mr Morris is also an athlete, a patron of the arts, and fond of figure-skating on thin ice. All this makes him an unusual figure in the grubby arena of New York City politics, but he is conducting a campaign in the familiar manner of reform candidates—promising better government on the one hand and, on the other, berating Tammany for corruption and too much friendliness for gamblers and racketeers. The third candidate for the mayor’s chair, Mr Marcantonio, represents a crowded district in upper Manhattan which is heavily populated by the coloured, both native and Caribbean, and by foreign groups huddled in Harlem or the slums on its fringe. In the old days this type of neighbourhood would have been in Tammany’s pocket. Its present leftist tendencies (Mr Marcantonio has held the Communist vote for years) are not echoed in enough other neighbourhoods to give its favourite candidate much chance of election to City Hall, but the damage he can do to other candidates is considerable. Mr O’Dwyer is making a gallant fight, but he may be the principal sufferer.

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All this local jockeying, plentifully sprinkled with heavy humour, practical joking and scurrilous name calling, would attract little attention outside the city were it not that the state-wide senatorial candidates must speak to the same voters in the same districts and—in the closing days of the campaign—at the same time, for tradition demands that state campaigns must end in New York City. This inevitable mixing of interests holds more than the usual chance for exploitation and embarrassment this year because of the action of the Liberal Party—a local left-of-centre coalition which has made the Republican Mr Morris its candidate for mayor and the Democratic Mr Lehman its candidate for Senator. Both names appear twice on the city voting machines, and both men run risks from this awkward pairing.

Left to itself, the senatorial campaign would be relatively

simple. The two seats allotted to New York State have in recent years been held, one by the Democrats and one by the Republicans. When the Democratic Senator, Mr Wagner, resigned last spring after long illness, Governor Dewey appointed his own distinguished Republican adviser on foreign affairs, Mr John Foster Dulles, to serve until an election could be held. Thus for a short and interesting period, the Republican Party has been able to claim the Governor and both Senators in this populous state. Their desire to hold this prize, as well as Senator Dulles’ eagerness to keep his newly acquired seat, gives the senatorial contest its flavour.

His opponent is Mr Herbert Lehman, Democratic Governor of New York State for ten honourable years, and Director-General of Unrra for three. Mr Lehman’s prestige is established and his party needs him in the Senate more than he needs to be there. Mr Dulles, on the other hand, is still building his political career. Well known in his profession as a member of a firm of international lawyers, his public reputation rests on his work for the Federal Council of Churches in the field of international amity, and on his more recent emergence as State Department adviser and American representative in the United Nations Assembly. Active in the formation of America’s bi-partisan foreign policy, it may be that he wearied of working behind the scenes, or perhaps his debates with Mr Vyshinsky convinced him that as an advocate he was invincible. In any event, he is, at the age of sixty-one, making his first public bid for election to office.

Mr Dulles thus has more to gain than his opponent and also more to lose. He is fighting a three-fold battle for personal power in Congress, party power in Congress, and personal power within the party. He wants to hold his senatorial seat so that he can sway Republican, and Congressional, action on foreign policy during the coming years; he would like to give the Republican party an ideological content attractive to the independent voter; he wants to take control of Republican affairs into his own hands rather than cede it to a colleague with different ideas—Senator Taft, of Ohio, for instance.

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Unfortunately most of these not unworthy aims lie unexplained behind a façade as hollow as a Hallowe’en pumpkin. In acting as his own advocate, Mr Dulles has been emphatic but unilluminating, and he has made blunders which have cost him heavily. In the main, his campaign has followed lines marked out by other Republicans. He has thumped the anti-Communist tub in forty-four counties, and done his best to convince audiences that Communism and the welfare state are indistinguishable. He has praised “states’ rights” as the saving alternative to a dangerously powerful federal government, and he has condemned “statism” (a new word on the American side of the Atlantic) as the looming evil most to be feared. But to most Americans a state is a state, and the United States is a country which has forty-eight of them. How then, they ask, can Mr Dulles call states’ rights good, and statism evil? A Gallup survey recently estimated that 10 per cent of the voters think the new word means state control, 11 per cent of them think it synonymous with states’ rights, and 68 per cent have not the remotest idea what it means. The confusion is, of course, worse confounded by the fact that states’ rights were never a Republican slogan, and now belong to recalcitrant Southern Democrats. The emphasis on them in this campaign may be a commentary on the North-South coalition in Congress, as well as on the barrenness of Republican political thought.

As the *Washington Post* observed recently, the public had a right to expect that two gentlemen as distinguished as

Mr Dulles and Mr Lehman would conduct a senatorial campaign of high quality. It has, in fact, been chiefly remarkable for the bitterness of the dust thrown up and the skill with which both candidates have avoided coming to grips with each other. Governor Lehman is old and tired. He has stood “on his record,” but he has added little to it. Senator Dulles has disclosed with obvious relish the clay feet of his ambition—he will be far more vulnerable, in Congress or out, than if he had stayed on the high planes where he functioned with such skill. Whichever man wins, the public is already the loser.

American Notes

Admiral at the Yard-arm

When President Truman hung Admiral Denfeld from the yard-arm of military unification, Congress as well as the Navy gained a martyr. The Admiral’s curt “transferral” from the post of Chief of Naval Operations, which made him the naval member of the Joint Chiefs of Staff, was an assertion of that civilian control over the armed forces which is a basic American principle. But it was certainly intentional that the order was not given until Congress had adjourned, although it may perhaps have been chance that it was issued on what used, before the Services were “unified,” to be Navy Day. Admiral Denfeld may only, as the Administration insists, have paid the overdue penalty for the Navy’s defiance of the spirit of the Unification Act, but in Congressional eyes he was punished for his outspoken criticism of the Administration before the House Armed Services Committee. Not only does Congress jealously guard the privileged status of evidence given to its Committees, but the Secretary of Defence had specifically guaranteed that there would be no reprisals on this occasion. Furthermore, under the Unification Act, the Joint Chiefs of Staff are required to present their views directly to Congress.

The President’s loyalty to his friends makes it unlikely that the Secretary of the Navy will be strung up beside the Admiral in order to appease Congress and Mr Truman has further fanned Congressional resentment, by spurning its gift of \$615 million for the ten extra Air Force groups which neither he nor the Defence Department want. But the Air Force still gets the largest share of the \$15.5 billion which was finally appropriated for defence, and is expected to do the same next year. It will not have to fold any of its existing wings, while the Navy will be forced by the need for economy to furl its sails to the extent of 54,000 men and 73 ships, half of them combat vessels, including aircraft carriers and cruisers. The Army is also reducing its strength by 26,000 men, to 630,000, chiefly by releasing its conscripts at the end of a year instead of 21 months. The postwar draft law, which expires next June, was only in actual use for a few months at the end of 1948; all the 30,000 men inducted under it will now be out by February, with the exception of one who avoided conscription until June.

Admiral Denfeld’s successor, Admiral Sherman, an expert in naval aviation, will come from the peaceful Mediterranean into a Washington still arguing over the question which drove the Navy to open mutiny, the division of next year’s defence funds. Last year Mr Forrestal backed up the attempts of the Chiefs of Staff to raise the roof of \$14.5 billion; this year the new Secretary of Defence, Mr Johnson, not only agrees that \$13 billion is all the nation can afford to spend on defence in the 1951 fiscal year, but is insisting that the Services should begin to economise at once so that they should not feel the pinch so severely next July. There are many in Washington who are far from being warmongers, but who feel that this emphasis on economy at all costs is unrealistic when the Russians have the atomic bomb three years ahead of time.

Hope in Steel

It was pleasant, and probably not altogether a coincidence, for Mr Murray to be able to announce to a stormy convention of the Congress of Industrial Organisations that his steelworkers had won a settlement from the Bethlehem Steel Corporation, the second largest producer. This partial victory strengthened Mr Murray's hand, raised against the rebellious left-wing unions of the CIO who have been accusing him of softness in the steel negotiations. There is nothing soft about his treatment of these fellow-travellers, who refuse to submit to the rule of the anti-Communist majority in the CIO. The United Electrical Workers have been expelled, and the convention is expected to show the door to the other unions which toe the party line.

The issue over which the steelworkers and the steel industry have been deadlocked is whether pensions should be financed entirely by the employer, or whether the worker should make some contribution to his own old-age security. The Bethlehem agreement provides for worker contributions toward a welfare scheme, comprising death benefits, hospital care, and sickness pay, but the increased pensions will be financed entirely by the company. The minimum will be \$100 a month for employees with 25 years' service, at the age of 65, but the company will pay only the difference between this sum and the federal old-age benefits to which each worker's family is entitled.

The Bethlehem Corporation's case differs from that of the other steel companies in that it has wholly financed a modest pension scheme for its workers for 25 years. But with the employers' dyke thus breached, it is hard to believe that the objections of the US Steel Corporation will not be swept away. It has already asked for negotiations to be resumed, as have other leading producers.

A steel settlement, however, will not mean that the blood can circulate freely through a cramped economy; the coal strike is still on, and Mr Lewis even threatens to extend it. The steel companies' stocks of coal are unknown, but may be enough to last a month. But a voluntary settlement which ended the steel strike to the satisfaction of the Administration's friend and supporter, Mr Murray, would clear the way for Mr Truman to deal, much more enthusiastically and bluntly, with a coal strike called by an old political enemy against whom he has not been unwilling to invoke the Taft-Hartley Act in the past. Perhaps for this reason Mr Lewis has now offered to negotiate settlements State by State, beginning with Indiana, where the economic repercussions of the coal strike have been particularly severe.

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Buying in Order to Sell

The report is now available of the American mission which, early last summer, studied European trade problems, under the auspices of the Economic Co-operation Administration and the Department of Commerce. In its opinion the best prospects for increased exports to America were for raw materials, services, such as travel, and the output of specialised skills—tools, handicrafts, "artisan" products. The need for Europe to reduce its costs of production and to deal with its "oppressive" controls on trade was stressed, as was the desirability of improved marketing and distribution and of more aggressive selling practices. The latter should be facilitated by the trade fairs which are being arranged next year in the United States for the first time, with the encouragement of ECA.

The report's emphasis, like ECA's when talking to Americans, and like Mr Acheson's when speaking in New York this week, is on the increased purchases which they must make abroad if they wish the dollar gap to be filled. The only alternatives are the subsidies which the American taxpayer has been pouring into the gap for the last 35 years, or a substantial reduction in exports which would seriously

damage both American industries and international relations. Expanded private investments would help to bridge the gap, but an increased expenditure of some \$2 billion a year on goods and services from Europe is the main necessity. The mission pointed out that this would in fact have been achieved in 1948, if the ratio between imports from Marshall plan countries and the US gross national product had been the same as in 1937; then such imports were valued at 2 per cent, last year at only 1.2 per cent, of the gross national product.

US FOREIGN TRADE RELATED TO GROSS NATIONAL PRODUCT (\$Million)

Year	Gross National Product	Exports	Imports	Imports as % of GNP	Export Surplus
1919	81,000	8,891	3,995	4.9	4,896
1929	103,828	5,347	4,463	4.3	884
1933	55,760	1,736	1,519	2.7	226
1937	90,213	3,451	3,181	3.5	270
1939	90,426	3,347	2,419	2.7	938
1947	232,000	15,923	5,940	2.6	9,983
1948	255,000	13,398	7,711	3.0	5,687

The mission gives welcome recognition to the fact that, in spite of the very substantial reductions which have been made in the average US tariff rate, individual rates are still prohibitive on many things which Europe could otherwise expect to sell in the United States. It lists 260 articles on which the duty is 25 per cent or more—mostly more. More important, the report joins, and gives official weight to, the chorus of American voices which has recently been blaming the customs administration for the low level of American imports.

The customs regulations have been built up over many decades for the purpose of keeping imports out, but already they are becoming easier to get over as the result of the promises made at the Washington talks last September. Some customs officials now seem ready to welcome imports and to build ladders over the barriers by simplifying the procedures. But only Congress can pull down the barriers, by changing the laws which, for example, require that duty must be assessed on "foreign" value, or that a rug with a fringe must be classified as lace and be dutiable at a much higher rate than if it had no fringe. In the opinion of the mission, imports can be increased to the necessary extent with little or no effect on America's industrial economy as a whole. But individual businessmen, and through them their representatives in Congress, cannot fail to be affected, and their complaints will be heard when Congress is asked, probably in January, to make the necessary amendments to the Tariff Act.

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Printers Under Pressure

The International Typographers Union, a long-established and respected trade union, with few strikes in its history, has just been defeated in its two-year battle against the Taft-Hartley Act, which bans the closed shop traditional in the printing industry. The National Labour Relations Board has ordered the ITU to abandon its attempts to get round the ban by entering into short-term contracts, so that a strike can be called if a non-union man is hired. In practice the union had already found a new strategy: its recent contracts require tests for job applicants which are likely to disqualify non-union men. Such provisions were contained in the September settlement of the long-drawn-out strike against Chicago newspapers; the printers also gained an increase of \$10 in weekly pay, two-thirds of the amount they had demanded.

While the legal defeat is therefore not very serious for the union which has also won a local success in its Chicago battle, that battle was in fact a major victory for newspaper publishers all over the country. For nearly two years Chicago newspapers were without compositors, yet they never failed to appear. Neither circulation nor revenue suffered notice-

ably, although the pages looked odd, contained fewer words and were less up-to-the-minute than usual. The publishers owed their triumph to the varitype machine, a justifying typewriter that can be operated by any good typist and that spaces the margins evenly on both sides of the column. These columns were then photo-engraved on metal sheets which were put on to the press as cylinders.

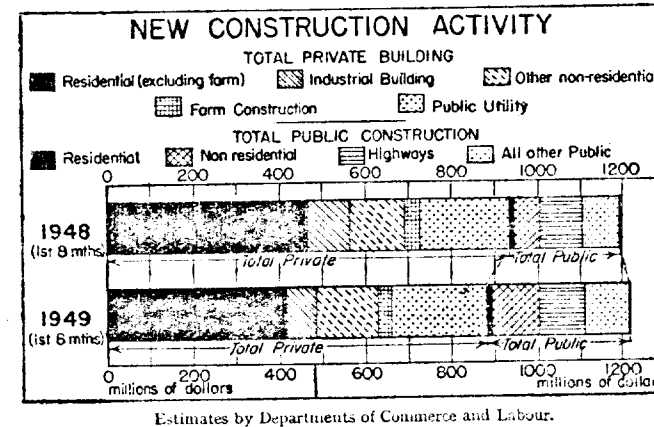
This comparatively clumsy process, while much improved during the strike, takes longer than the usual linotype or monotype process, but in Boston the Graphic Arts Research Foundation has unveiled a new electronic machine which sets type and photographs it in one process. Like the varityper it automatically spaces the words and, if all that is claimed is true, it can set type three times faster than the present average for linotype; this may be bettered later on with the help of tape. This experimental machine sets type vertically and it can perhaps be given a range of over three million characters, while its photographic image is sharper than anything produced by linotype machines.

But these in their turn are being improved and there are so many other inventions rumbling beneath the surface of the printing world that it hardly seems exaggerated to talk of a revolution. The aristocrats whose heads are in danger are the compositors, the lithographers and so on, whose skills are being superseded. The Chicago publishers agreed in September not to use varitypers in future unless the men struck, but more constructive was their promise to give six months' notice before introducing the new typesetters, so that the printers could learn to use them. The ITU will be well advised if it comes to similar terms with more of the revolutionary trends, which are likely in the long run to bring new demands for printing by lowering its cost and increasing its speed.

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Houses for the Middle Class

The housing boom, which, after three years, showed some signs of sagging last spring, has taken on a new lease of life, partly because prices have come down a little and buyers are sceptical of a further fall, and partly because builders are paying more attention to the middle-class market. A total of 950,000 dwellings is now expected to be started this year, at last breaking the record set up in 1925. Indeed, all construction activity remains high; industrial building is tapering off, but long-deferred public construction has more than filled the gap, and a new crop of modest office



sky-scrapers is appearing on the New York skyline, which has been unchanged since the erection of towering white elephants in the nineteen-twenties and thirties.

This year's bumper housing harvest owes nothing to the new Housing Act; local authorities are only now drawing up plans for the low-cost developments to be subsidised by the Federal Government. It owes a great deal, however, to the refusal of Congress to turn off the golden stream of federal credit, in the form of insurance of private mortgages. This has been extended, on a temporary basis, until March, 1950.

This stop-gap measure takes the place of an ambitious Bill designed to round out the housing programme by stimulating housing for the forgotten middle-class families in the \$2,000 to \$4,000 a year income group, who cannot afford new privately built houses, but who are forbidden to live in the low-rent estates. Besides making it even easier for prospective home-owners and builders to obtain government insurance, the Bill would have provided, for the first time, direct loans to veterans, educational institutions, and co-operatives. It was this last proposal that capsized the Bill, for this session at least. Building co-operatives are relatively unknown in the United States and suspect as blood-brothers to Socialism.

One building venture which, despite direct government loans, has not been floated off the rocks, is the Lustron Corporation, builders of porcelain-enamelled prefabricated steel houses. Started on a \$1,000 shoestring, the Lustron Corporation has secured \$37.5 million from the Reconstruction Finance Corporation but, because of lagging production, it is still turning out its \$10,000 pastel-coloured creations at a loss. Another problem is that some building codes, written 30 years ago, do not permit steel houses; still another is that the down-payment is high. Government insurers balk at crediting the costs of radiant heating and combination clothes-dishwashers, and distributors find their capital inadequate.

Congress, exasperated by Lustron's frequent reappearances, hat in hand, alarmed by equally frequent resignations of its executives, and perturbed by stories that RFC officials sometimes find comfortable berths with firms which have received loans, flatly refused any more money to finance the distribution of prefabs. The RFC, which has put most of its eggs in one prefabricated basket, probably cannot afford to drop it now, but it is likely to require drastic changes in management.

Shorter Notes

The strike of longshoremen which blockaded Hawaii for over five months has at last been settled. The men have gained, not the 32 cents an hour increase in wages for which they were fighting, but only the 14 cents which they rejected three months ago, and a further rise of 7 cents an hour next March. However, their new contract will expire in June, 1951, at the same time as that of their fellow unionists in California. This will put longshoremen on both sides of the Pacific in a stronger bargaining position; on the other hand, if a strike does occur, it will be difficult for the President to refuse to deal with it as a national emergency, which he would not recognise in the case of the Hawaiian strike.

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"Funnies," as American children call their "comics," are now to carry a message. The National Social Welfare Assembly is turning their mass circulation to socially constructive ends. Thirty-two magazines, with a circulation of over 10 million, recently printed a comic strip pointing out to children that a prolonged school career would be a profitable investment in the end, however unattractive it might seem at the moment.

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President Truman has vetoed the \$88 million authorisation Bill for the rehabilitation of the Navajo and Hopi Indian tribes, on the ground that Indian water and property rights might be imperilled by the amendment extending state law to reservation Indians, now subject only to Federal and tribal law. The President promised, however, that next year he would request Congress to appropriate funds for the objectives outlined in the vetoed measure—road and trail building, education, resettlement, soil conservation, irrigation, and medical care.

THE WORLD OVERSEAS

The French Economic Outlook

(From A Special Correspondent)

MR ATTLEE'S cuts, disappointing though they may be in Britain, look Herculean across the Channel. In the French National Assembly last week, where M. Bidault had just been elected Premier, Mr Reynaud called attention to the British cut of £280 million and, contrasting it with what France has failed to do, exclaimed: "What a difference!" This tribute to British Socialism is the more remarkable in that it came from a man whose reputation in France for financial Toryism is beyond dispute. In drawing the parallel, however, M. Reynaud was merely reflecting what must now be of great concern to all responsible French leaders. For once again it is touch and go whether a French government can maintain confidence in the franc and thus whether France can make a positive contribution to any fresh assault on the problem of European recovery.

Six months ago the French national budget appeared at last to be in balance, agricultural prices were on their way down as a result of a good harvest, and industrial prices were beginning to follow suit. When to these events was added the effect of a firmer-than-usual credit policy and a successful reconstruction loan, it seemed as if the French economy had finally swung against the tide of inflation. French officials had even begun to speak with alarm of the perils of the contrary force—deflation—and the most acute observers were unable to diagnose the financial climate beyond saying that "whatever it is, it is not inflation."

Yet even before the franc was devalued six weeks ago in the wake of the pound, French inflation was on the move again. Whatever damage the steep and unilateral devaluation of the pound may have wrought on the Continent, it was not the root, as French politicians often allege, either of the recent government crisis or of recent French economic troubles. The effect of devaluation may well be to intensify French difficulties, but the trend which led the Socialists to demand a fresh wage increase was already plain to see.

Impetus to Inflation

The new impetus to inflation comes from three main sources. The first is one over which the Government has no control—the drought. This has brought a sharp rise in the price of agricultural products; vegetables, for instance, have become as much as 50 per cent more expensive. Pork has grown scarce and more expensive because of lack of potatoes. The drought also reduced hydro-electric power, and while this did not lead to direct unemployment, it created irritating and unsettling patches of under-employment.

The second stimulus to inflation came when the precariously-balanced 1949 budget went awry. It became obvious during the year that receipts did not cover expenditure, and, to bridge the gap, the French Government dipped a little deeper into the Marshall Aid "counterpart fund." More important, it again took to expanding the note circulation.

A third spur to inflation, as yet no more than incipient, is the rise of a certain amount of social unrest among the working population. It is by no means as vocal or as vociferous as it was prior to the coal strike last autumn,

and working people generally are believed to be more contented than a year ago. However, it is a demonstrable fact that the fruits of the economic gains which France made in the spring were not equitably divided between the profit makers and the wage earners. The consequent sense of injustice has probably made the working population more sensitive than it might otherwise have been to the effect of the drought on prices and employment. This undercurrent of dissatisfaction was not strong enough perhaps at the time to justify M. Daniel Mayer's demands on the Queuille Government for a wage bonus; but neither was it, as some have suggested, a mere figment of his imagination. The discontent was and is real. Unless it is met fairly, it may force its way into the open and lead to a renewal of class strife.

Pressure for Bonuses

M. Bidault may have had this background in mind when in reply to M. Reynaud's taunt of British achievement he claimed to be basing his economic policy on "a minimum of austerity and a maximum of justice." The crucial question is by what means M. Bidault and his finance minister, M. Petsche, propose to effect the necessary redistribution of the national income. Raising wages will not automatically lower profits and it might even do the reverse by touching off a price spiral. It is hard to see how the present government can avoid granting the "once for all" wage bonus to lower paid workers and the pressure for a permanent bonus or for a return to free universal collective bargaining may also become irresistible. If this materialises before economies are made elsewhere and before a general overhaul of national finances has taken place, inflation may get out of hand.

There is nothing very original in the remedies which are now being put forward from many sides. Most of them have been commonplaces of French financial debates for the past thirty years. The three main pillars of reform are the reorganisation of tax assessment and collection, the imposition of stricter controls on bank credit, and the cutting of government expenditure. The difficulties in the way of substantial reductions in expenditure are particularly large at the moment. There are three rapacious claimants—the nationalised industries which need funds both for investment and current deficits, the housing programme, and the Indo-China fighting. Perhaps the best that can be expected from the new government is to hold expenditure at last year's level.

What steps the Government intends to take in these matters must emerge very soon, since the budget for 1950 has to be presented to the Assembly within the next few weeks. It was believed that M. Petsche, the finance minister in M. Queuille's cabinet, was preparing a very stiff budget. As a foretaste the Government only a week before its demise had passed by decree another tax on profits. Now M. Petsche is back at the finance ministry, but no one knows how soon his work may again be interrupted. Already much valuable time has been wasted. It is obvious that devaluation will aggravate the ailments that were calling for treatment when devaluation was merely a rumour. Its full impact on the domestic economy has not yet been felt, but the time in which to prepare for it is short.

Failure now to hold the line would be all the more disappointing since it had seemed earlier in the year that France was getting on its feet—and it would be a pity if all the effort that went into bringing France to that point should now turn out to have been fruitless. If inflation can be staved off for another few months that struggle will not have been in vain. The pipelines have been re-stocked so that ephemeral difficulties need not lead to industrial crises. Indeed, some of the reserves are so substantial that they are likely to be released by speculators if it becomes clear that the battle against inflation has been won. Again, given a little more time, the reduction of French import quotas contemplated in the next few months would help to keep down French prices by making markets more competitive.

Hopes in Jeopardy

All these domestic hopes are now jeopardised, and there is even more at stake. For a France once more struggling unsuccessfully with inflation would be regarded by its neighbours as an unwelcome partner in any plans for closer European co-ordination. The idea of a monetary union between nations becomes nonsense if one of the participants is sliding hopelessly down the inflationary slope. The lowering of trade barriers becomes equally pointless if the French economy is split into two sections, one trying desperately to spend all its money, the other hoarding all the goods it can lay hold of. In short, Mr Hoffman's latest proposals for closer association can lead nowhere unless French stability is assured.

The picture is not entirely gloomy. French industrial production has held up well. By the beginning of this year the index for industrial output was 25 per cent above the 1938 level. During the summer it reached a plateau, but with the end of the holiday season it is expected to start rising again, and next year's figures may be six to seven per cent higher than those for 1949. Apart from this more or less normal trend, the French real national income can soon expect to benefit from two appreciable dividends. Some of the large postwar investments in the colonies should begin to mature and the first phases of M. Jean Monnet's plan for domestic reconstruction and expansion will have started to add to the output of goods—and at lower prices.

These increases will be frittered away unless France is now assured of a period of political calm under a government ready and able to produce a balanced budget and to accompany it with credit restrictions. Only if such a government stays in the saddle will it be possible for France to join with its neighbours in relaxing import restrictions. Until internal stability is a certainty, the Government can reasonably claim that reduction of these barriers would worsen France's debtor position in international trade. It

I heard it from a Constable,
Who heard it from his Cousin,
Who got it from a Gaoler
In the privacy of prison,
Who heard it from a Heroine
Whose tiny hand was frozen,
Who said it was in

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is this which explains in part the paradox of a French government welcoming the removal of trade restrictions in principle and at the same time making only the most niggardly gestures toward such a goal in practice.

Anti-Semitism in the Soviet Union

[FROM A CORRESPONDENT]

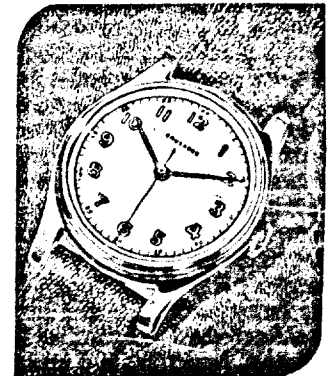
LAST spring there occurred in the Soviet Union one of those purges which periodically overtake one or other branch of the intelligentsia. This time it was the turn of the literary critics. The paper *Literary Gazette*, famous alike for its strident abuse of foreign statesmen and for its incessant denunciations of heresies among all kinds of Soviet bodies (including, more than once, its own editorial board), published some scathing articles, and an account of a congress of literary critics at which the party's spokesmen exposed the heretics in long speeches of the standard type and stigmatised their errors. However, on this occasion the stylised procedure of an ideological purge showed some peculiar features. Almost all the heretics exposed either bore Jewish surnames or had a Jewish surname printed in brackets after a Russian surname, a thing which was unprecedented in the Soviet press. Significant, too, was the heresy with which these Jewish critics were charged. Its name was "cosmopolitanism," and this was said to mean an absence of true Soviet patriotism and of proper respect for Soviet culture, allied to an undue attachment to the rotten culture of the non-Soviet world. The adjective applied to this "cosmopolitanism," and subsequently to the "cosmopolitans" themselves, was the word *bezrodny*, an abusive term meaning "without race," "without home."

In accordance with the usual pattern of events the "cosmopolitan" campaign of the central press was speedily taken up throughout the Soviet Union. In all the republics newspapers began to publish reports of congresses of literary critics, at which spokesmen exposed the same error and at which the participants unanimously joined in exorcising the heretics and in calling for an eradication of their error from Soviet literature. In all of these congresses it was once again the Jewish critics who were assailed; and over and again one met the suggestive word *bezrodny*. Finally the question was taken up by the illustrated comic weekly *Crocodile*, and two cartoons left no doubt that the new campaign had an anti-Jewish trend.

In due course the campaign ended, but not before some able critics and their works had been banished from the Soviet literary scene. (The question of whether there was any other kind of banishment involved cannot, of course, be

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answered; but the heretics were so strongly denounced as "agents of Anglo-American imperialism," as to make it at least problematic whether or not they would continue to remain in normal society.) The Soviet papers have now ceased to be full every day of "cosmopolitanism," and there are only occasional echoes of the campaign.

The Lure of Israel

The explanation of this campaign is to be sought firstly in international politics. The very time of the incident, apart from anything else, suggests that it was provoked by the repercussions occasioned by the formation of the state of Israel. The new state at last offered to the Jews a spiritual and an earthly home, and it would be natural to expect that Soviet Jews, certainly no less than any other Jews, might look upon Israel as their real fatherland. No such dual loyalty would, of course, be desirable in the Soviet Union. It was doubtless with the aim of guarding against it in advance that *Pravda* of September 21, 1948, published an article by the well-known Soviet journalist Ilya Ehrenburg, himself a Jew, which maintained that the realisation of the hopes of Jews, as of other peoples, depended not on residence in this or that state, but rather on the attainment of such just social conditions as were to be found in the Soviet Union. However, such articles were not likely to eliminate the natural longing of a people for its own home; and however just the social conditions in the Soviet Union, it remained a fact—and a fact well known to the Soviet Government—that millions of people had fled the country at all costs rather than continue to enjoy them. Was not the setting up of a new home specially for the Jews liable to make Soviet Jews a class particularly prone to become dissatisfied with what it had? Once the state of Israel had been set up the Soviet Government had even more cause to be suspicious of the Jews. For, although the new state had been accorded early recognition by the Soviet Union, it failed, both at home and at Uno, to repay this support by that complete and unconditional allegiance which the Soviet Union is accustomed to receive from its protégés. Israel proved no satellite and maintained all kinds of cultural and political links with the west. Plainly the political orientation of Israel was not all that the Soviet Government could wish, and the activities and influence of Jews in the Soviet Union would need to be carefully watched.

It is probable, none the less, that these political considerations, though important, were not so important as ideological considerations in evoking the campaign against the "cosmopolitans."

Two kinds of Patriotism

For some years now Soviet propaganda has been assiduously fostering the concept of "Soviet patriotism." The source of this is supposed to be a recognition that the Soviet motherland is the home of every possible good and happiness. It is a very exclusive sort of recognition, and it has been increasingly allied to a hostile attitude to the extraneous world and its culture. From this recognition is meant to spring a patriotism surpassing all other patriotisms that exist, or have existed, in less enlightened countries and epochs. In this Soviet patriotism there has been incorporated, supposedly, Russian patriotism; but it is a little hard to say, particularly on the evidence of wartime propaganda, which patriotism is in fact incorporated in the other. In any case the Russian share in Soviet patriotism has been receiving steadily greater attention. It was the Russian people, according to today's Soviet propaganda, which made the glorious Soviet revolution; it is the Russian people which is the greatest member of the Soviet family, and which has raised up the other peoples; it is the glorious past achievements of Russia which are being exalted in the newly-written histories; and it is Russians who are found, so late in the day, to have invented railways, penicillin, and scores of other things.

There were several reasons why the concept of Soviet patriotism, more especially in its latest Russianised form,

should prove particularly unpalatable to the Jews. In the first place the Jews have always occupied an important place in the Russian intelligentsia; Jews played no small part in the making of the Bolshevik revolution; and until the "cosmopolitan" campaign Jews held leading positions in the world of art and science in the Soviet Union. Despite all this the Jews found no recognition of themselves in a patriotism which was developing more and more into Russian nationalism. Secondly, the exclusiveness of Soviet patriotism would repel the Jews. They are not the people to be contented with the Soviet Union and Soviet culture to the exclusion of all else, because their religion and history as a nation belong to another area and another age and because they, more than other peoples, have international connections. Thirdly, Jewish literary figures, by the very fact of being Jews and literary figures, were the more able to appreciate the absurd lengths to which the exalting of Russia was liable to go (a recent choice example has been the discovery that the hero of the Trojan war, Achilles, was in fact a Russian) and were the less likely to write such material. The Jews, in fact, have their own strong Jewish culture and national feeling; and this did not accord with "Soviet patriotism." Soviet peoples other than the Jews would not have so strong a cause for disliking Soviet patriotism. The Russians themselves did, at any rate, have their homeland in the Soviet Union, and were daily being told the most flattering things about their unsurpassed talents; and Asiatic peoples of Soviet Asia had comparatively little autochthonous culture, and still less any international connections.

Thus, both political and ideological considerations were present to occasion dissatisfaction with the Jews. The struggle against them was waged in an ideological manner and the influence of the Jewish intelligentsia on the world of thought and letters was effectually suppressed. But it did not amount to racial persecution of the Jews. The Jews were not held up as an inferior non-Slav race: there was no question of segregating or expelling Jews. Nevertheless, whether wittingly or otherwise, the authorities, by choosing Jews as a butt, were reviving the age-long Russian tradition of anti-Semitism, the spirit that produced in Russia the pogrom (a Russian word) and the Pale of Settlement. If the campaign, in its inspiration from above, was intended rather as a suppression of deviationists, or potential deviationists, from Soviet orthodoxy, it was none the less a campaign which was dangerously likely to be understood below as more down-to-earth.

Old Friends of New China

[FROM OUR OWN CORRESPONDENT]

THE inauguration of the new Chinese Communist central government on October 1st was followed almost immediately by formal Soviet diplomatic recognition. Since then Communist newspapers and broadcasts have been characterised by the most adulatory references to Soviet Russia, and for the first time there has been official confirmation from the Chinese side of what has long been known by hearsay from north China—that the Chinese are receiving aid from a considerable, and apparently increasing, number of Russian technical experts. On October 7th the Sino-Soviet Friendship Association was addressed by Liu Shao-chi, one of the six vice-chairmen in the new government and probably the next ranking Communist after Mao Tse-tung; he revealed that Stalin had sent 200 specialists, at the request of the Chinese Communists, to help in industries in Manchuria and other parts of China. (There was something slightly self-conscious about the way in which he went on to stress that these 200 specialists lived on the same scales of pay as Chinese technicians, and did not receive the vast salaries which would have been demanded by British or American advisers.)

The rapid restoration of China's railways—one of the most remarkable achievements of the new regime—has been

attributed by the Communists themselves in part to the help which they had received from Russian advisers. The Russian cultural and educational mission, consisting of forty-one members headed by Alexander Fadeyev, which attended the inaugural celebrations in Peking on October 1st, has since been touring the larger cities and has been everywhere accorded an elaborate welcome. References have also been made during the past two weeks by the Communist New China news agency to the presence of Russian town-planning experts in Peking, to a Russian plague prevention team in Manchuria, to the official adoption of the Russian system of railway maintenance for the whole of Manchuria, to the official encouragement of the Russian language in universities, to the presence of large numbers of Russian technicians in factories at Dairen, and so forth.

Recent travellers from north China, although unable to give exact details, report large staffs of Russian officials at the Embassy in Peking and the consulate-general in Tientsin. Reports continue to filter south of the presence of large numbers of military advisers helping to train the Communist armed forces. Nothing is more probable; if the Russians have been invited to advise in the industrial sphere, it is fairly certain that the military sphere, in its more technical branches, is accorded an even higher priority.

A plausible explanation for this sudden recent intensification of pro-Soviet sentiment and the now overt references to the assistance being given by Russians is that, if these had occurred *before* recognition, they would have placed both the Russians and the Chinese Communists in a compromising and embarrassing position, especially at the United Nations. The Sino-Soviet Friendship Association, which already has branches in all the main cities and which is evidently going to be the main instrument for promoting close relations with the USSR, was only officially inaugurated after the central government had been established; yet its preparatory committee, to the accompaniment of much publicity, began work



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several months ago. The recent intensification of pro-Russian propaganda represents, therefore, a sort of sudden release.

Tactful Handling

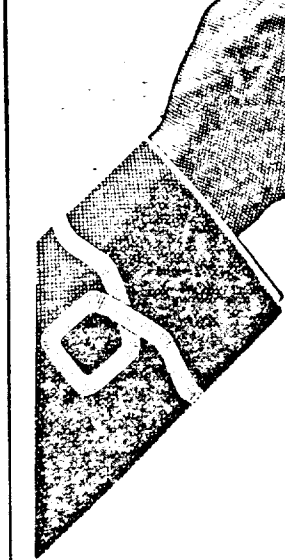
The cynical foreign observer, remembering the previous experiences of Russian advisers to the Chinese at Canton in the 'twenties, remembering, too, how the popularity of a foreigner in China varies in inverse ratio to the power of his country and its degree of involvement in China (as the British found before the last war and the Americans after it), cannot help wondering what the Chinese will be thinking of the Russians in two, or five, or ten years' time. The Russians, of course, have learned a lot, and perhaps will take care not to overplay their hand.

In order to understand the present state of Sino-Soviet relations it is important to understand that it is not the hostile, expansionist manifestations of Moscow's policy, such as preoccupy the west, which strike the Chinese Communists. For them the Soviet Union has been something more than the fount of their faith: during their long struggle, from nothing to undisputed rule over the most populous single country in the world, it was the only country which never embarrassed them in their struggle and which gave them unwavering moral support, and periodical material support as well. In dealing with many problems, which for the Russian revolutionary leaders were completely new and to which they had gropingly to find the answers, the Chinese Communist leaders hope to draw on Russian experience and thereby greatly accelerate the creation of a Communist society. This hope is a great source of strength to them.

Finally, these Chinese Communist leaders do genuinely feel that they are members of a world-wide international movement, and that the cause of world peace, and the spread of the Communist system, can best be achieved by demonstrating the absolute solidarity and identity of Communist

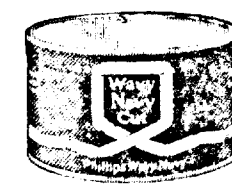


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China with the Soviet Union and the other countries of the Soviet bloc. These factors have to be understood and appreciated. Otherwise current Chinese Communist references to the Russians will merely appear, as they do to the veteran British "China hand," incomprehensibly "un-Chinese."

Purges in Bulgaria

[FROM A CORRESPONDENT]

THE purges in the leadership of the Bulgarian Communist Party are assuming enormous and surprising proportions. They amount, indeed, to a total and violent change of the leadership of the party and the state machine. The axe has so far struck down the following:

The acting Prime Minister and Secretary-General of the party (Kostov); the Finance Minister (Stefanov); the Minister of Industry (Kunin), who was also Minister of Finance for two months after the arrest of Stefanov; the Governor of the National Bank (Tsonchev); the Minister of Public Works (Sekalarov); the Minister of Transport (Tonchev); the deputy Foreign Minister and Director of the Communist Propaganda Services (Topencharov); the Foreign Under-Secretary (Andreychin); the Chief of the General Staff (General Kinov); the Chief of the Army Political Department (General Balgaranov); the chairman of the Control Commission of the Communist Central Committee (Pavlov).

Apart from these prominent figures, nearly a dozen other ministers, under-secretaries and generals the whole railway directorate and a great number of provincial party secretaries, local army chiefs, police chiefs and inspectors have been involved. Moreover, the all-powerful deputy premier, Anton Yugov, for five years Interior (Police) Minister, has also completely disappeared from the Sofia scene in the last three weeks. This is presumably the first sign of his impending downfall.

Impeachment of Ministers

Ten days ago the National Assembly, which had been disbanded in September, was quickly summoned for a short half an hour session to vote a new law which is certainly unique in the world: it is a special law for the trial of Cabinet Ministers and members of the Government. A new "Supreme People's Court" is created which has to try the accused not later than one week after the publication of the indictment. There is, of course, no appeal, and Ministers and members of parliament can be arrested "without the prior removal of their parliamentary immunity."

The purged men are now accused of "Kostovism," which—to quote the present Communist dictator in Bulgaria, Valko Chervenkov—is "nothing but Titoism on Bulgarian soil and, just like Titoism, it grows on treason and espionage." As for Kostov himself, his "immediate trial," announced last August, has again been postponed, a fact which shows his remarkable endurance (he was arrested in March) and which has undoubtedly raised his prestige within the Communist rank and file. Kostov was not, like Rajk, just one of the leaders of the Communist Party; he was the universally accepted leader after Dimitrov. A member of the Central Committee since 1924, a member of the Politburo since 1935, secretary of the Central Committee since 1940, and Secretary-General of the whole party since 1944, Kostov was, above all, responsible for the building up of the party machine. All party secretaries, inspectors and functionaries were his men. At the last party congress in December, 1948, he presented the party political programme, which presumably is still in force. As chairman of the cabinet committee co-ordinating all economic ministries, he was the virtual economic dictator of the country, the author and supreme chief of the five-year plan. On his fiftieth birthday, in 1947, the Central Committee sang his praises in the following manner:

Great are your achievements, Comrade Kostov, as the builder of the party, as the teacher and instructor of the

party members. Under your leadership and inspired by your heroic life, thousands of Communists were educated into unquestionable loyalty to the party.

Titoism in the Villages

Inefficiency and opposition in the country are obviously part of the background of the present political transformation. Official Communist figures published in the last two months reveal an alarming economic state of affairs and chaos in the transport system. The passive resistance of the peasants to the dictates of Sofia is obviously the Government's greatest problem. The autumn requisition quotas for wheat and rye have been met with 90 per cent, and for oats with 80 per cent delivery. It is most interesting and significant, however, that the districts round the Black Sea and the Rumanian border (the districts nearest Russia) have fulfilled their quotas with deliveries of 143, 112 and even 219 per cent. The districts bordering on Yugoslavia, however are seriously lagging behind: for example, Breznik 22 per cent, Tran 27 per cent, Belogradchik 20 per cent. Even more revealing are the figures for the Macedonian districts—59, 54.42 and 20 per cent. Clearly, the "Tito influence" does exist in Bulgaria, and especially in Bulgarian Macedonia.

For the defects in the transport system "Nationalistic and anti-Soviet elements" are blamed. The goods trains are said to have been running at an average speed of 1½ miles per hour. Special "railway tribunals" have been set up now for "the quick investigation and trial" of wreckers. "Soviet transport specialists" are to "help the reorganisation of the transport system."

As Chervenkov appears to have the complete confidence and support of the Soviets his ruthless regime is there to stay. How many Cabinet ministers and Central Committee members will be actually executed for treason, espionage and spying is a matter of speculation, but Chervenkov obviously wants to frighten the remaining Communists into complete submission. His purge has drastically affected the army, the police, the party machine and the economic ministries—the pillars of the Communist dictatorship. Loyal party leaders, efficient economists, cabinet ministers and generals cannot be produced over night, nor can the imported specialists from Russia take their place. The Bulgarian Communist Party and the "people's democratic" state machine must have suffered serious damage which it will take years to repair.

New Phase for Benelux

[FROM OUR BRUSSELS CORRESPONDENT]

It was no small achievement that the Luxemburg conference of the Benelux Governments ended in a protocol which marked a definite step towards economic union. For some weeks beforehand the non-official atmosphere had shown signs of strain, largely as the result of the economic difficulties into which Belgium is running at the moment. Moreover, since the interests which were at the time most affected (and most vocal) were close to the counsels of M. Eyskens's Government, the danger was consciously faced that Benelux, a prototype of European economic collaboration, might after all become a dead letter. The fortunate conclusion is that this did not take place, and for this much of the credit must go to M. Eyskens and his Foreign Minister, M. Paul van Zeeland.

The basic clash in opinion arose from the refusal of the Netherlands Government to be unduly hurried along the path to which they had committed themselves in the Châtaignau. This is easily understood, for the postwar Netherlands have had to face problems which, neither in kind nor in degree, confronted the Belgo-Luxembourg union. A period of economic austerity has been forced on the Dutch and this has taken the inevitable form of rationing, subsidised prices, cheap money and of a debtor position in international trade.

The system, though it looked unconscionably rigid to Belgian eyes, was sympathetically watched as marking the very real progress towards the Dutch entry into the Benelux partnership on a prosperous footing. Belgium, meantime, was putting all its weight into the export drive which, aided by the Marshall Plan and the Intra-European Payments Scheme, yielded a wholly abnormal trade surplus in the first half of this year. It had deliberately refrained from impairing its export capacity by any undue diversion of its resources into reconstruction and capital expansion until the demand for Belgian exports declined.

This decline has now happened and it has become desirable for Belgium that Belgian industry should be able to take its share of the enlarged Benelux home market which, despite the Customs Union, was still confined by the Dutch retention of import licensing and quota regulation. It was particularly important for the steel industry which, after carrying the main weight of the export boom earlier this year, had already seen its American, Argentine and Swiss markets folding up and was preparing for the still greater blow, which actually fell officially during the Luxemburg conference, of the cessation of the British purchases of blooms and billets. Similarly, the textile industry, having recently done good business with western Germany, was seeing conditions revert to their prewar norm with the increase in Germany's own capacity to cover its own needs. With the prospect, publicly admitted by M. Eyskens, that devaluation might have altered the Belgo-Dutch trade balance adversely to Belgium, there was an obvious argument in favour of a total opening of the Dutch frontier. Industrial propaganda in Belgium took the line that it was now or never.

Full Union by July

It was obvious from the start of the Luxemburg conference that the differences of outlook between Belgium and Holland still persisted, and both the immediate pre-union and the full union (scheduled for July 1, 1950) stood in some danger. Nevertheless, both unions were preserved, though in a somewhat attenuated form. The full union, indeed, is to be established next July "in the light of experience gained during the pre-union period," which clearly indicates the possibility that the frontiers may not by then be fully opened and the fiscal systems duly harmonised. Moreover, the monetary difficulties still continue and, though rules are laid down for procedure in the case of Belgo-Dutch disequilibrium, there is as yet only the vaguest outline of the communal monetary and credit policy upon which the success of the union will depend.

The first task was to solve the immediate trade problem. This was helped by the fact that devaluation had increased the value, measured in Belgian francs or Dutch guilders, of the \$139 million of drawing rights available to the Netherlands for 1949-50. It was possible therefore to base estimates on Belgian exports to the Netherlands at the rate of B. frs. 15,000 million a year, as compared with B. frs. 12,000 million of which the 1948 figures, and those of the first half of 1949, fall slightly short. From this it was possible to appropriate B. frs. 250 million for steel and metal manufactures, and the frontier is to be opened to these products in the near future. As an offset to this the Dutch demanded, and obtained, from the Belgians the concession that steel should be sold to them at the Belgo-Luxembourg domestic prices and not as hitherto at the high export prices which have marked the period of the world steel shortage. The extent of Dutch export sales to Belgium could not, so short a time after devaluation, be estimated with any confidence. The balance is as yet adverse to the Netherlands, last year's deficit being above B. frs. 4,000 million and this year's figures having been at a somewhat higher rate. The Dutch, not unnaturally, were unwilling to go farther into Belgium's debt; and it was agreed that the deficit should not be allowed to run at a figure exceeding what could be dealt with by drawing rights.

Discrepancy in Taxes

A number of general problems were brought nearer to a solution. Among these is the agreement that a special regime must be contemplated for Luxemburg agriculture, which is comparatively expensive; but there is also contemplated the creation of a fund for agriculture which shall be applied, more especially in Belgium, to further the modernisation of this very important industry. At present Dutch costs are lower than Belgian, and it has been necessary to deal with the position by importing Dutch butter at specially high prices. The fund will be fed by a licence-tax on imported feeding stuffs, a system favouring the small farmer; but there are doubts as to whether this will, in the long run, offset the uneconomic parcelling of farmland which characterises so much of Belgian cultivation.

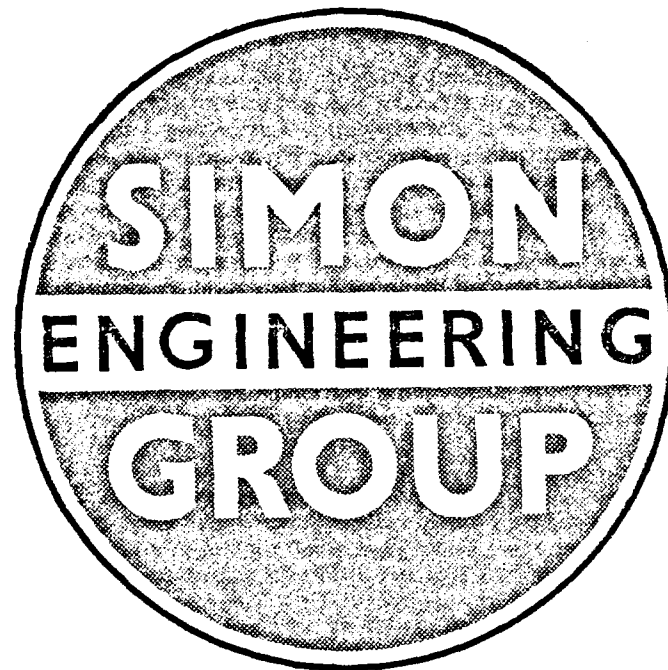
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Questions of ports and inland waterways, which have produced more thorny problems between the interests concerned than most other aspects of the union, have been entrusted to a rather belatedly formed committee. Among the questions which this committee will discuss will be that of Antwerp's access to the Rhine by the proposed Moerdijk canal, which Belgium so energetically claims from the Dutch, and the competitive position between Antwerp and Rotterdam, affected as it is by the lower level of Rotterdam wages. Fiscal questions are still causing some difficulty. The ground is prepared for the unification of excise duties, but the problem of the *taxe de transmission* or turnover tax, which affects retail prices, remains outstanding. This is a question of the sixty-forty ratio between Dutch direct and indirect taxation, which is reversed in the case of Belgium, where indeed the discrepancy may be rendered still more noticeable by the avowed policy of M. Liebaert, Belgium's liberal Finance Minister, to reduce the rates of tax on personal incomes. The budgetary problem is a difficult one, especially as the Belgian taxpayer is so notably less disciplined than the Dutch.

Differences in Approach

On the longer term, the protocol contemplates adjustments in credit policy as a means of correcting disequilibrium between the partners, or between any of them and the outside world. It makes little mention, however, of the basic differences which actually exist, and which were enhanced by the contrast between the essentially practical approach of the Belgians and the rather more theoretical attitude of Professor Liefinck on the Dutch side. There is no question as yet of a pooling of gold and currency resources, such as already exists between Belgium and Luxembourg, but there appears to have been general agreement to work towards a greater harmony in money market conditions. At present Belgium is moving towards cheaper money with caution and, in some quarters, misgiving. It has lately reduced the bank rate from 3½ to 3¼ per cent, and a further reduction is possible if world conditions do not impel the withdrawal of the large volume of hot money now taking refuge in Belgium. The Dutch bank rate is 2½ per cent, reflecting in a controlled economy the substantial need for capital. Belgian investment in the Netherlands was mentioned as a possible corrective of the Belgo-Dutch payments position; but the present discrepancy of interest rates does not encourage the movement of Belgian capital into the Netherlands, nor does it yet seem that Belgium has capital resources to spare.

It would obviously be over-optimistic to say that, as a result of the Luxemburg discussions, Benelux is fully out of the wood. Ministers have courageously put the long-term advantages of co-operation ahead of the pressure of sectional interests, but the difference of outlook in the monetary field remains crucial. There is, indeed, some ground for doubting whether it is still to Benelux that Belgium looks for the furtherance of that opening of trade frontiers on which, as a manufacturing country, it so largely depends.



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The Strasbourg Proposals

ALMOST superhuman efforts were required from the Committee of Ministers of the Council of Europe which met in Paris last Thursday. It seemed doubtful whether it could consider at all adequately within the time at its disposal the results of the Strasbourg meeting of the Consultative Assembly. For the various resolutions on the economic, political, social and cultural aspects of European union which were produced at Strasbourg have far-reaching implications.

It is in the economic field that the Committee of Ministers is asked to take the most urgent and varied action, for the Assembly felt that "millions among us will soon go hungry and unemployed unless we act at once to re-establish the economic equilibrium between Europe and North America." It believed that the people of Europe could do much to save themselves by mutual help and by building up an "economic union of free Europe" which would require "central planning combined with a maximum degree of individual liberty." In order to facilitate the creation of this union the Assembly makes a number of requests to the Ministers, of which the most important are:—

To take all practical steps to establish as quickly as possible a multilateral system of payments, including the inter-convertibility of European currencies, subject to the safeguards necessary to enable the movement of capital to be controlled during the transitional period.

To take all preliminary action for the creation of a European economic union, which shall retain the preferential systems and economic ties now in existence between certain European nations and the overseas countries and territories associated with them; and to consider their progressive extension to the other member states of this union.

To follow up and extend both the work of OEEC in liberalising inter-European trade and all studies now being made in regard to the economic relations of Europe and its overseas associates and territories.

The Ministers are also requested to create permanent machinery for consultation on credit policies between the central banks of issue; to study the conditions which would encourage American and other investors; to extend and develop a system of guaranteed markets; to study the development of production in member countries; to study how to promote the free movement and the widest possible employment of labour within the territories of member states; and to draw up a draft convention for the control of international cartels. The Ministers are asked to summon an economic conference to study all the above recommendations; and also to summon "industrial conferences" to make concrete proposals on how to improve the organisation and productivity of the chief manufacturing and agricultural industries.

Less Control by Ministers

The Ministers are also asked to submit to the Assembly proposals to carry out all the above recommendations and, after the Assembly has considered these, to

nominate a delegation from the Council of Europe which shall enter into negotiations with the Government of the United States of America and with any other Government concerned, in order to express the common policy of the member states and to seek through joint agreement the modifications which should be made to existing treaties, and in particular the action to be taken in the matter of lowering customs tariffs in the United States so as to allow of the development of European exports to that country.

This last suggestion, with its implied transfer of governmental authority to an international mission, was only passed in the face of considerable opposition.

By comparison with these somewhat involved recommendations for achieving economic union the Assembly's recommendations on political union seem almost straightforward.

The Assembly was broadly concerned with the "creation of a European political authority with limited functions but real powers." In particular it was concerned with emancipating itself from what most of its members considered the irksome and over-cautious tutelage of the Committee of Ministers. It has, therefore, asked the Ministers to deprive themselves of some of their authority by agreeing to a number of revisions of the statute of the Council of Europe. The effect of the principal revision proposed would be to abolish the Ministers' right to select the subjects which the Assembly may discuss. It would, however, reaffirm the Assembly's duty to discuss any subject proposed by the Ministers; it would still debar discussion of defence. A second revision would abolish the system of alternates in the Assembly and double the number of full representatives allowed to each member country. A third would make the admission of new members subject to the approval of a simple majority of the Assembly. At present new admissions are solely the concern of the Committee of Ministers.

With its eye doubtless on the problem of western Germany the Assembly also asked the Ministers "to consider the question of the admission of new members and new associate members" before the next session of the Assembly. Some points that are not actually referred to the Ministers are bound to tax their time and ingenuity. For instance, when they come to consider the above proposals they can hardly avoid studying the action taken by the Assembly on its own account both to enhance its authority and to further the political unification of Europe. It set up a "permanent committee of the Assembly" of twenty-eight members which will meet at least four times a year to co-ordinate the work of the Assembly and in general to "take any measures that appear calculated to facilitate or expedite the work of the Assembly." This committee may prove a serious rival to the Committee of Ministers itself as the executive part of any political authority that may eventually be evolved.

Problems of Political Union

The Assembly has also instructed its Committee for General Affairs to make a detailed and objective study of the problems involved in closer political union and to "formulate precise and definite proposals" including "definite recommendations concerning the modifications in the political structure of the member states which it considers desirable with a view to greater unity between them." This task is to be completed by April 30, 1950, and the Committee's report placed on the 1950 agenda of the Assembly. Here the only action required of the Committee of Ministers is that after the Assembly has discussed the report, the Committee "shall propose to the members of the Council of Europe that the recommendations then adopted by the Assembly shall be immediately discussed by the respective Parliaments."

The chief remaining recommendations to the Committee of Ministers are concerned with human rights and cultural co-operation. The Ministers are asked to have a draft convention drawn up for the collective guarantee, through a European Commission of Human Rights and a European Court of Justice of ten of the personal and political rights and freedoms set forth in the United Nations Declaration. The convention would also contain an undertaking by member states to hold free elections at reasonable intervals with universal suffrage and secret ballot. The Ministers are also asked to summon "in the near future" a conference of Ministers of Education to draw up a European plan for cultural co-operation; to summon a meeting of responsible University authorities to consult on what measures of co-operation they should adopt; and to institute a European Cultural Centre.

It will be known by next week whether the Committee of Ministers has succeeded in giving serious attention to all these matters. It is difficult to see how they can avoid agreeing that the Consultative Assembly should meet early next year, instead of waiting until next August.

THE BUSINESS WORLD

“Fritalux”

DURING the recent meeting of the International Monetary Fund in Washington, M. Petsche, then and now once again the French Finance Minister, produced a memorandum on a scheme for achieving interconvertibility of French and Belgian francs, the Italian lira and the Dutch guilder. This is the scheme which has been provisionally baptised with the portmanteau name of “Fritalux.” It has been in preparation for some months. This fact, and the timing of its first semi-official airing, should be stressed in order to counter the impression that the proposal is a direct and somewhat resentful answer to the devaluation of sterling.

The details of this plan have not yet percolated to London—perhaps they do not exist. But the main principles underlying the proposals have been widely canvassed, even though the British Government has not yet been officially apprised of them. The main feature of the plan is that the effective interconvertibility of the four currencies should go hand in hand with freedom for their rates of exchange to fluctuate. This aspect of the scheme would be expected to interest the International Monetary Fund and it was no doubt this element of fluctuating exchange rates which prompted M. Petsche's initiative in informing the IMF of his intentions. According to report, the IMF was willing to give a blank authorisation for such exchange fluctuations—an authorisation, it should be added, which did not go far beyond a recognition of existing facts, for neither France nor Italy has so far notified official parities of their currencies to the IMF and both in effect are operating free markets, though they are markets subject to some intervention and control.

But while freely fluctuating rates within this group of currencies are contemplated, there would necessarily have to be a link between the group as a whole and the dollar. One of the four currencies would be chosen for this purpose, and at the moment there is no doubt about the currency on which the choice would fall. It would be the Belgian franc, the hardest of the group, and the currency which has the greatest affinity to the dollar bloc. It is, moreover, a currency with an official parity notified to the IMF. Though provision would have to be made for changes in that parity if the equilibrium of the “Fritalux” group with the dollar world demanded it, the necessary elasticity could and would be found within the IMF machinery.

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The object of introducing the element of fluctuating rates within the group would be to ensure the maintenance of approximately balanced payments between the member countries. The basic assumption on which the scheme evolved—and one without which Belgium would not be even an interested spectator—is that intercon-

vertibility of these currencies could not be secured if the price for it were to be an unlimited and unpredictable mutual extension of credits. Belgium's view is that it has gone to the limit in extending credit to its colleagues in Europe. Another condition is that there should be no settlement of ultimate balances in gold. The other countries concerned have not the gold with which to establish and maintain convertibility of their currencies even within this limited group. The maintenance of approximate balance in the payments accounts between these countries would, therefore, be an essential prerequisite of any such scheme.

Fluctuating rates of exchange are to be the means by which that balance is to be achieved and maintained. If, as a result of convertibility within the group, the currency of one particular member country is being acquired in any appreciable quantity by the others, that will be the signal for allowing the currency in question to depreciate in terms of the others. Such accumulations would be a sign that the country in question was running a current deficit, and the lowering of the value of the currency would be the natural means chosen to remedy that disequilibrium. There would, of course, have to be two-way margins, such as now obtain in payments agreements between most European countries, providing for the normal seasonal movements in current payments. But as soon as these were exhausted, recourse would be had to the price mechanism brought into effect through allowing rates of exchange to fluctuate freely.

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Such appears to be the main outline of the scheme. It must at the outset be questioned whether the natural simplicity of the principles which it invokes has much reality in the present situation. In particular it may be doubted whether the mutual deficits and surpluses which are likely to arise in the payments between the countries concerned are modest enough to be corrected by reasonable adjustments in rates of exchange. If the scheme were to promise success, it would have to rest on the assumption that there would be no likelihood of wide and severe fluctuations in exchange rates. Recent changes in the so-called free markets for Italian lire and French francs are probably a measure of the order of magnitude of fluctuations visualised under the new scheme. Experience might well prove that the convertibility envisaged under the scheme could be achieved only at the cost of further extensions of credit, simply because the adjustments in the values of the weaker currencies would otherwise be intolerably large. The creditor countries might find themselves compelled *post facto* to hold, and to fund, accumulations of the debtors' currencies which they acquired, in spite of a reasonably free play of the mechanism of exchange

adjustment. This suspicion is strengthened by the considerable variations which still exist in the underlying fiscal and monetary positions and policies of the proposed member countries. The prevailing co-existence within the group of sound and unsound budgetary positions, and hard and soft economies would inevitably give rise to capital movements veiled in the familiar guise of current transactions. These would be encouraged first by the greater freedom of exchange dealings within the group, and secondly by the probability of greater exchange fluctuations and, therefore, of greater capital profits for the successful operator.

The official British attitude towards any such scheme would be to welcome it in principle but to reserve judgment about details. There will be support in Britain for any regional advance towards the goal of true convertibility of currencies, provided that advance is not made through the creation of exclusive or discriminatory blocs. This general goodwill towards “Fritalux,” or whatever else may emerge from the proposed grouping, would, however, be subject to certain reservations. The first of these would concern the problem of the cross rates, that is the sterling-dollar equivalents which the freer markets in the countries concerned would produce. Britain has financial agreements with each of the countries in question by which they undertake to maintain orderly cross rates for sterling in their respective markets. This assurance of good behaviour might, however, have to be supplemented by further assurances that the undertaking in question was not undermined through the encouragement of commercial arbitrage operations which, in fact, would produce divergencies of the dollar-sterling rate from the official parity. The possibilities of such deviation would be increased by the fact that some of the countries in the proposed grouping, namely the Netherlands and Italy, enjoy transferable sterling account facilities while the others do not. Only experience—or far more detailed knowledge of the proposed arrangements than is available—would make it possible to say with assurance that these differences in the monetary relations between each of the members of the group and the sterling area could be allowed to continue.

Whatever may be Britain's reservations about the scheme, it appears for the moment to have “gone over big” with ECA and the authorities in Washington. M. Petsche in Washington appears to have extracted from the Americans a promise that a large part of the

\$150 million pool which ECA has at its disposal to help the liberalisation of trade and payments in Europe would be pledged for this particular scheme. Presumably the dollars in question would provide a reserve out of which any extension of local currency accumulations over and above normal working balances would be convertible into dollars. They would give time for fluctuating exchanges to work on the balance of payments of the countries concerned without demanding from the member countries any undue extension of credits. For the reasons which have already been given, however, it is probable that a pool of this size would be exhausted without much delay.

Among the suggested participants in this proposal, the least comfortable and most sceptical must be the Netherlands. By tradition—a tradition reaffirmed by recent reactions to the devaluation of sterling—the Netherlands belong to the sterling bloc in Europe, that is to the group of countries which may be reckoned as the “dirigistes” as opposed to the free economies of the Latin countries. If, therefore, the “Fritalux” scheme were to go through it might be the last straw that would break the back of Benelux. That would not be exactly the best note on which to launch what has on occasion been referred to as the greater Benelux.

The “Fritalux” scheme must not be too closely identified with other and even vaguer proposals that have been recently floating around the *coulisses* of OEEC—among them a Federal Reserve Bank for western Europe and a European Investment Bank. A Federal Reserve Bank cannot begin to operate except on the basis of effective political federation. Of that there is still no sign in Europe. The Investment Bank has been spoken of as the instrument through which compensation would be made for the damage to vested industrial and commercial interests caused through the liberalisation of trade. But the objective, however praiseworthy, does not call for the creation of yet another piece of international machinery. The ingenuity with which these new blueprints are produced could far better be devoted to the essential task of recreating that approach towards uniformity in fiscal and monetary conditions without which all talk about economic integration in Europe must perforce remain mere talk. Even the Americans are unlikely to be taken in by such schemes or to award any points to their progenitors in the new distribution of Marshall aid by merit.

Markets for British Aircraft

BY 1952, the aircraft of the bulk of the world's civil air-fleets will be due for replacement. Reckoned by numbers the market is small, but it is lucrative. If the operational life of an aircraft is taken as ten years, 10 per cent of the airfleets need to be replaced each year. In 1948, international airline operators were using something over 2,000 aircraft. The tendency is to increase the number of passenger-miles per aircraft by using larger and faster machines; the actual replacement demand, averaged over the course of years, may therefore be less than 200 aircraft a year. This, with the requirements of the American and Australian internal lines added—perhaps 100 more—is the cream of the market. British aircraft manufacturers have been excluded from it since the war by their inability to

compete with American aircraft which were then in production. The British aircraft industry decided to concentrate on the field in which British engineers held the lead—the production of gas turbine engines. All the leading firms in the industry have concentrated in the past four years on developing these engines as civil as well as military power units.

The British aircraft industry consists of about a dozen major groups. The Hawker-Siddeley group, probably the largest, includes Armstrong-Siddeley (aero engines), Armstrong-Whitworth, Gloster Aircraft, and A. V. Roe (airframes), and High Duty Alloys (special castings for the aviation industry). De Havilland makes both airframes and engines; so do the Bristol Aeroplane Company and English Electric. Handley-Page, one of the

oldest firms in the industry, concentrates on airframes, as do Vickers-Armstrongs, Fairey Aviation Westland and the flying-boat specialists, Short Brothers and Saunders-Roe. A number of smaller firms such as Auster, Percival, Blackburn Aircraft and Boulton Paul specialise in small aircraft for short distances, in private aircraft and in trainers. Rolls-Royce and Alvis are the only firms which make engines alone.

When the war ended the Meteor jet fighter, built by Gloster Aircraft with Rolls-Royce engines, was in use by the RAF, and the Vampire fighter, with engine and airframe both made by De Havilland, was coming into production. The RAF relied on these three firms for the rapid conversion of its fighter squadrons to turbo-jet aircraft.

Only two important civil types went into production during the postwar years. The story of the Tudors is well known. Vickers-Armstrongs produced the Viking, a medium-range aircraft used in large numbers by the British Corporations. Altogether 167 have been built, about 60 of them for export, and the Viking is now out of production. De Havilland produced the Dove, a small aircraft designed for use on "feeder" lines, and have so far built 300, mostly for export. The policy of staking everything on the success of the gas turbine is only now beginning to bear fruit. New military aircraft and engines are in quantity production for the Navy and the RAF. De Havilland, Gloster and Rolls-Royce have between them built up a useful export business based on the sale of Vampires and Meteors abroad. The trade returns do not give a full picture of the size of this business since some part of the sales are transactions between Governments which are omitted from the published figures. Fees for patents used under licence abroad also do not appear in the trade figures, but are a growing source of invisible exports. Rolls-Royce have licensing agreements in five different countries, including the United States. Vampires and Meteors form the bulk of current aircraft exports; other military aircraft will be sold abroad once RAF priorities have been met.

On the civil side, progress has been slower because there was more ground to be covered. Several gas turbine prototypes have flown, and three are already on the market; they will be ready for operation in 1952. Virtually every airline sent a representative to see these aircraft at the Society of British Aircraft Constructors' annual flying display at Farnborough in September. While some were merely showing interest, others are seriously considering the new gas-turbine aircraft as alternatives to the Conqair and modernised Dakota class of piston-engined aircraft. Yet they are cautious of placing firm orders. The turbine engines have yet to build up a record of flying hours to confirm their test performances. Buyers are perhaps more cautious than is strictly necessary, but some of them have had unhappy experiences with new American aircraft bought since the war, and are determined to take no more leaps in the dark. On the other hand, if they wait for proved commercial performances they may lose ground to competitors prepared to take the risk. This atmosphere of indecision makes it difficult for manufacturers to plan their production. Some seven years elapse between the

first work on drawings and the flying of an aircraft on scheduled operation; the prototype's first flight is only a half-way mark. Tooling up for production occupies about one year.

If the necessary orders to justify proceeding with this stage do not come in until the aircraft has a certificate of airworthiness and has completed its flight trials, the date when it can be delivered for scheduled operation is further delayed. The usual procedure is for the Ministry of Supply to order two prototypes of aircraft and engine designs considered suitable for development. It is then understood that the price which the Ministry is charged for the prototypes includes most of the cost

UK AIRCRAFT PRODUCTION & EXPORTS

Monthly Average	Production		Exports		
	Number	*Index of Structure Weight (Average Jan. to Mar. 1946=100)	†Aircraft Delivered for Export (Number)	*Index of Structure Weight (Average Jan. to Mar. 1946=100)	‡Value of Complete Aircraft (£'000)
1946.....	54	135	...	...	6,427
1947.....	62	155	...	...	13,724
1948:—					
1st quarter	42	98	27	52	4,037
2nd "	49	125	32	80	3,660
3rd "	32	88	24	68	2,380
4th "	26	92	22	53	2,849
1949:—					
1st quarter	41	172	34	128	5,994
2nd "	43	125	44	97	3,277
3rd "	33	70	33	68	1,499

The figures show production of all types of civil aircraft and those military aircraft which are built for sale abroad. All other military aircraft are excluded. * Expresses the size of the aircraft delivered. † Obtained by dividing the combined weight of the aircraft by their number, and relating this to the average for the first quarter of 1946. ‡ New aircraft only. † These figures include second-hand, as well as new aircraft, and also the value of any repair work done to aircraft brought back for overhaul. The value of these other sales is very small compared to those of new aircraft.

of developing them. If the aircraft is subsequently bought by commercial operators or licensed for manufacture abroad, the Ministry expects to recover part of its money. Although the £12 million already spent on the Brabazon is quite exceptional, development is too costly to be fully borne by the producer; to develop an engine costs perhaps £1,250,000, and modifications to a single wing section can absorb £250,000.

The only large British aircraft being built with private money is the De Havilland Comet, though even here the Ministry of Supply is paying for the development of the engines. The De Havilland company had orders for sixteen Comets from the Ministry of Supply and BOAC. By Christmas, there should be sufficient flying experience to give performance figures on long-distance flights, and the company can already discuss prices (which, though still to be fixed, are expected to be between £300,000 and £400,000) and delivery dates. Although at least three American manufacturers have prepared drawings for an aircraft of the same class and others have thought about it, nothing has actually been put in hand. The Comet, therefore, promises to enjoy a great advantage once it has accumulated a necessary minimum of flying experience. Even then, however, the experience of commercial operation of jet aircraft will remain to be acquired. The turbo-jet engines have the drawback that they give

an economic performance only at heights and speeds double those now flown on civil operation. The great speeds make for ground control difficulties, and the high altitude multiplies the problems of pressurisation.

Turbo-prop aircraft, with their lower cruising altitude, do not suffer from these difficulties, and the Viscount or the Apollo could go into operation at once if they were ready for delivery. But although the first flight of the Viscount was made 15 months ago, Vickers are only now tooling up for production. When work started on the aircraft, it was understood that it would be used by British European Airways. The Armstrong-Whitworth Apollo, a slightly smaller aircraft which made its first flight last April, was to be used on the West Indian routes of BOAC, and would also have been available for export while Vickers were occupied with home orders. But neither manufacturer yet enjoys the advantage of a signed order from the Corporations; negotiations over the Viscount are still proceeding. British manufacturers complain that the Corporations change their minds too frequently, are preoccupied with irrelevant details, and in general fail to give the clear lead that is needed. So long as the Corporations' decisions remain uncertain, discussions with overseas buyers about delivery are difficult; when aircraft have been developed with the aid of public money, the manufacturers are under an obligation to meet the needs of the British Corporations first.

Since an aircraft company needs to build 100 of one type of aircraft to recover its full investment, an export market is of vital importance. Gas turbine aircraft are proving hard to sell, but there is no doubt in anyone's mind that they will be bought. Some manufacturers think that the transition can be more easily made—that is, that sales difficulties can be more easily overcome—with an airframe which has been designed to fly both with piston engines and turbo-prop engines. Two Handley-Page aircraft, the Ambassador built by the De Havilland subsidiary Airspeed Ltd., and the big Bristol 175, have been designed on these lines. The makers are able to change from piston engines to gas turbines without interrupting production, and an operator buying a piston-engined version now can have his engines changed later to gas turbines at a fraction of the cost of buying a new aircraft. Engine manufacturers are hoping that a similar conversion could be carried out on existing piston-engined aircraft. Both Armstrong-Siddeley and Rolls-Royce turbo-prop engines have been successfully tried out in Dakotas, and

Armstrong-Siddeley are now offering this conversion to Dakota operators as a commercial proposition. This step brings the Dakotas into line with new International Civil Aviation Organisation standards (coming into force in 1952) and saves replacement before the aircraft has completed its useful life. Well over 1,000 Dakotas are known to be in operation.

Conversion on these lines suggests a possibility of strong competition for the manufacturers of complete aircraft. For the moment, the British have the gas turbine field to themselves. But it is rash to assume that because they have lagged in the past, the Americans are incapable of building gas turbines. If airframe manufacturers in America were to buy British engines now, they could probably put converted aircraft on scheduled freight runs within six months, long before a British manufacturer could deliver one of the new aircraft. The recent talk of selling large numbers of aircraft to American airlines is, therefore, too hopeful. The American lines would need Government permission to operate foreign aircraft, and are unlikely to ask for it if there is any chance that their own manufacturers can supply similar machines.

British manufacturers who have lately visited the United States think that the effect of American national pride is underrated here; even the licensing of British developments, although it takes place, is resented. It is true that some American airlines are taking a more businesslike interest in British aircraft than was expected, but there is a feeling that, if they do buy one or two, it will be to examine them rather than to use them as replacements for American aircraft. The British firms may be exaggerating the difficulties of the American market. Their technical lead is very strong, the prices of their aircraft are more than competitive, and on the face of it they should gain an entry—provided that they can deliver earlier than the Americans. Time has always been the key to aircraft sales; and from this point of view it is unfortunate that both Vickers and Armstrong-Whitworth, whose aircraft fit into the existing traffic systems, have been left in such uncertainty about orders that it will now take them time to get into production. The Comet, which has escaped this disadvantage, cannot operate on crowded routes without a reorganisation of ground control. Hopes that the Ministry of Supply would arrange to give manufacturers partial cover for the cost of going into production appear to have come to nothing. It is regrettable that much time has already been lost.



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Cable Complexities

INITIAL reactions to the scheme announced by Cable and Wireless (Holding) this week have been mixed, and, on balance, unfavourable. It is not that the scheme introduces any major changes of thinking on the part of the board. The directors propose, as they promised last April, to distribute a "substantial portion" of the compensation received from the Government for the operating company. Indeed, they have gone further, and are proposing to distribute practically the whole of it. Nor can it be said that the scheme fails in its balance of treatment of the various classes of stockholders. That may be a hard saying for the holders of the $5\frac{1}{2}$ per cent preference stock, but their prospects of obtaining more than par in the event of a liquidation were never high, and in recent months they have faded out completely.

Within these limits, the scheme is ingenious and reasonably presented. It is based on two main principles. First, substantially the whole of the compensation money is to be distributed; and secondly, it contemplates the continuance by the company of its present investment business. On the merits of the proposal to continue the investment business, discussion is left to a later part of this article. But the intention involves three considerations which the directors outline. The Holding company must, in future, have a simple capital structure, and in this there is obviously no room for a preference stock carrying a $5\frac{1}{2}$ per cent dividend. A fair balance between the various classes of stocks must consider the special position of the Eastern Telegraph preference stock. And, finally, the ordinary stockholders should have the promise of a satisfactory yield on their investment.

The first stage is to repay the existing £16,766,591 of $5\frac{1}{2}$ per cent preference stock at par. That is the holders' right in a liquidation. But to mitigate this loss of a high yielding security, preference stockholders are offered a "modest share in the award" in the form of an option to receive instead £65 in cash plus £40 (nominal) 3 per cent Savings Bonds 1960-70. These bonds now stand at 94, so that the attraction of the option is at present no more than £2 12s. per cent and rests, eventually, on the attitude of preference stockholders towards holding a stock with 20½ years still to run.

As for the ordinary stock, it is proposed, first, to distribute £125 nominal of 3 per cent Savings Bonds 1965-75 for each £100 ordinary stock now held. At the present price of 92, the Savings Bonds would be worth £115 for each £100 of ordinary stock. Further, it is proposed to exchange each £100 of ordinary stock (there is £6,883,103 in issue) for £75 of a new 4 per cent preference stock and £75 of ordinary stock. This will involve a bonus distribution of 50 per cent, which would have to surmount the ban lately imposed by the Capital Issues Committee.

The next stage is the repayment of the £2,000,000 of Eastern Telegraph preference stock. This is to be paid off at 150, absorbing £2,000,000 in cash and £1,000,000 in 3 per cent Savings Bonds 1960-70. The argument here is that Eastern Telegraph has net assets of almost £14 million, which might have been paid out

in dividends to the ordinary stockholders (which means as to 99 per cent to the Holding company. The directors hold that the company should continue in being, but with a smaller capital. In a liquidation, it is probable, though not certain, that Eastern Telegraph preference stock would rank *pari passu* with the ordinary. The point could only be finally determined by litigation, and the directors are proposing as a fair compromise that the stock should be repaid at a 50 per cent premium.

These are the main features of the scheme. There are complicated intergroup liquidations and reductions of capital which are consequential on the main scheme, and are chiefly designed to leave all the seven underlying cable companies in existence with uniform capitals of £100,000. The main point of public consequence here is that the Eastern Telegraph debentures (£4,000,000 in all) are to be repaid at 3 per cent premium; the stocks have no fixed date of redemption.

If the scheme is adopted, the balance sheet of the re-formed company will have the following appearance:—

VALUES AS AT AUGUST 31, 1949			
4% Pref. Stock	£ 5,162,327	Land and buildings . .	£ 1,121,672
Ord. Stock	5,162,327	Quoted Investments . .	11,263,635
Surplus	3,839,296	Unquoted invests:—	
		Cables Inv. Trust	
		Ord.	1,085,000
		Others	2,322,634
		Net current assets . .	14,123,241
		Less Cash for Pref.	
		and Deb. repay-	
		ments	15,752,232
			£14,163,950
			£14,163,950

What the scheme proposes, therefore, is to retain the existing corpus of investment holdings, and to distribute practically the whole of the compensation stocks. That will provide a portfolio of £10,600,505 of quoted investments other than Savings Bonds, and £532,405 of investments quoted on Stock Exchanges abroad. There will be £3,407,634 of unquoted investments, of which rather less than one-third consists of the holding of Cables Investment Trust ordinary stock. No information is provided in the scheme about the nature of the investment portfolio; to expect a list of individual holdings would be asking for a good deal, but stockholders would have been assisted in judging the scheme if they had been given some analysis of the holdings, by industry, country, or class of security. The circular declares that "it can be stated with confidence that the group has an organisation and accumulated expert knowledge which would be wasted by liquidation." That is no doubt true; but although the further claim is made that the business of the Holding company since 1928 has primarily been that of the management of investments, it has not been to this side of the business that stockholders have been in the habit of looking, and it is about this side that they know least and have been told least.

In terms of prospective earnings, the scheme shows tolerably favourable prospects for ordinary stockholders. In exchange for their present income of £4 per £100 stock, they can expect £9 15s. (assuming a minimum 4 per cent dividend on the new ordinary stock out of

prospective earnings of slightly over $7\frac{1}{2}$ per cent). But it is not to prospective income that many of the ordinary stockholders are looking. They are looking to prospects under a liquidation. The directors argue, as they have done before, that liquidation would destroy the existing organisation, and would involve difficulties in liquidating a portfolio which includes some securities acquired "as sound long-term investments without any particular regard to marketability in the accepted sense." They claim that liquidation would have to be prolonged, and might well leave shareholders in the end with a total sum "substantially below the estimates of break-up values made in some quarters."

But that, surely, is not quite the point. A more realistic standard of comparison, in this context of capital values, would be the prospective market price of the new ordinary stock, rather than unofficial estimates of the break-up value of the portfolio. If the Savings Bonds are taken at their present worth of £115, the £75 new preference stock at par, and the new ordinary stock, on a 5 per cent yield basis, at £60, it might be worth £240. The market's scepticism about such calculations (the ordinary stock fell to £230 after the scheme was published) is apparent. What, in fact, is being offered to ordinary stockholders under the scheme is an opportunity to remain invested on a prospective yield basis of slightly over 4 per cent. And if, as frequently happens with investment trust equities, the market value of the new ordinary stock were to settle appreciably below its break-up value, there would be a fall in the total value of the new holdings offered in exchange for the existing stock.

Ordinary stockholders should not be put off from a liquidation, if they regard it as desirable on broader grounds, by the argument that liquidation would be prolonged and might be disadvantageous. With the long and successful history of the E. D. and R. N. Realisation companies in mind, they can afford to dis-

count such objections fairly liberally. But the question whether to liquidate rests, indeed, on wider considerations than this. The fact is that stockholders know and are told comparatively little about the one matter which is relevant to the scheme. Can the board of the new company be expected to invest on behalf of their stockholders to better account than they can invest for themselves? Is £100,000 out of a net annual income of £725,000 an economic loading for the services which the board have to offer? If ordinary stockholders were to decide in favour of liquidation, the question of the rights of the Eastern Telegraph preference stockholders would have to be submitted to the courts, and the outcome would be prolonged, uncertain, and perhaps costly. There is no clear and unequivocal answer in favour of liquidation to be gained from estimates of how ordinary stockholders might fare. There are still the unrepentant bulls of the ordinary stock who think they might do better in a liquidation. There are other holders of the ordinary stock who would be quite content to leave their interests in the hands of the board, to take their annual income and to leave capital values to look after themselves. The Ordinary Stockholders' Committee have announced that they will oppose the scheme, and will shortly put out their reasons. For the average stockholder, the scheme itself seems still to leave open the broad question of principle whether liquidation is preferable to continuation as an investment trust. His decision might have been easier if he were given specific proof of the advantage to be gained from the latter course. It is perhaps the real weakness of the scheme, fair in detail though it is, that its arguments against liquidation are not supported by greater factual evidence. After all, the responsibility for administering one of the biggest trust portfolios is not a light one; general claims of expertise in investment practice are admissible, but clearer evidence of past administration and the present position of the funds would do much to enhance them.

Business Notes

What Next on the Sterling Balances?

Discussion of the problem of the sterling balances is now likely to remain in the limbo until the outcome of the joint talks between Britain and the United States is known. These talks, as Lord Pakenham announced in the House of Lords this week, are due to begin before the end of November and preparatory work for them is now going on in London. It has been widely reported that the United States will press for some sort of a definitive solution to the problem this time and may even be ready to share with the British Government the task of grasping the nettle from which Dr Dalton recoiled after the Washington loan negotiations in 1945.

If some detailed plan is really being worked out behind the scenes, recent official comment in London, Delhi, Karachi and elsewhere can be excused its terseness and apparent lack of substance. Sir Stafford Cripps's rather vague statement in the Economic Debate really boiled down to nothing more than an admission that Britain cannot afford to continue repaying war-accumulated debt at the same rate as hitherto—despite the Government's recognition that it is in the general interest that less developed areas should not be hampered, by lack of capital, in their attempts to contribute more to their own support. The response of the creditor countries to this statement—to judge from such official and semi-official comments as have been made in public—has generally been

pitched in the same moderate key, although each creditor naturally puts first the need for local development, and concedes Britain's present inability to maintain the rate of payment merely as a tempering condition. Comment of this sort is quite reconcilable with the suggestion that a request is to be made to the United States to share the burden of debt servicing with Britain. It is also, however, reconcilable with a desire on the part of both creditors and debtor to continue the present disastrous policy of keeping the whole problem in respectable hibernation throughout the winter, and fighting each battle away from the public eye—in the separate negotiations which in the past have taken place in the two months following midsummer.

Meanwhile, a written answer in the House of Commons has revealed that total releases from the sterling balances in the first three quarters of this year amounted to £206 million—equal to some 15 per cent of the total value of exports and re-exports in that period. This figure can be compared with the releases of £267 million in the whole of 1948 (which included the £40 million released to Argentina in connection with the railway deal), of £156½ million in 1947 and of £5 million in 1946. It can also be compared, rather ruefully, with the annual release of £43 million tentatively anticipated as a reasonable rate of release at the time of the Washington loan agreement.

Two Reports on Simplification

The second of the group reports of the Anglo-American Council on Productivity* deals with simplification: the benefits to be derived from "a policy of deliberate reduction of variety" in the materials, intermediate components, and end-products of manufacture. "In our present economic situation," observes the foreword, "high productivity and low cost acquire a new importance." It is unfortunate to open a specific and useful industrial study with a general fallacy of this kind. The importance of high productivity and low costs is not new; it has been overlooked. One consequence has been that the general impulse towards the simplification of production in Britain has been unnaturally weak; and no short-term impulse, applied to meet a need which is conceived as temporary, can replace it.

The report shows how in the United States competitive pressure, the "cost-conscious climate," and the general obsession of industry with high productivity have long been impelling the manufacturing community towards simplified processes and, in each plant, a narrowing range of products turned out on a growing scale in long runs. It gives instances of the manner in which this has been done in various industries. It describes the official and trade agencies concerned with standards in the United States and shows how the receptive attitude of American manufacturers makes the pressure applied by these institutions so readily effective. Decisive, perhaps, is the relationship between industry and the consumer—who, while he gains in lower prices, loses through the restriction of his choice. American industry makes a deliberate effort to convince the consumer that the advantages of simplification to him outweigh the disadvantages.

Appropriate marketing techniques are, therefore, an essential part of any movement towards simplification. The report (HMSO, 9d.) of the Committee under the chairmanship of Sir Ernest Lemon, which was appointed by the Minister of Supply to consider the standardisation of engineering products, shows awareness of this:

Manufacturing industry should ensure that its commercial and selling policy pays due regard to the overall savings which accrue when production is concentrated on a standardised or simplified range of products.

The Lemon committee discards any idea of compulsory standards, but makes suggestions designed to render British industry more responsive to change: the reader publication by large firms of the standards in use by them; a greater readiness (by, among others, "industries under public control") to consider other using and manufacturing interests instead of determining standards unilaterally; a bolder and more energetic policy by the British Standards Institution. It also points out that standardisation and simplification usually require the spending of money on re-equipment, and urges that the Government "should consider whether it is possible to amend taxation in this respect." This is shrewd; exhortation will not replace incentive, nor will it overcome fiscal deterrents.

International Commodity Clearing

The most important item on the agenda of the Food and Agriculture Organisation conference which meets in Washington on November 21 is the proposed International Commodity Clearing House. This new organisation (of which an outline was given in *The Economist* of October 1st) is intended to be a public corporation with a capital equivalent to \$5,000,000 contributed by member countries in their national currencies. Its function would be to sell surpluses of food and other agricultural products to importers, to be

* Simplification in Industry. Anglo-American Council on Productivity. 1s.

paid for in the importer's currency or at a considerably reduced price in the currency of the supplying country. There is, oddly enough, nothing in the scheme about the prices to be used. To take a specific case, the ICCH would enable importers short of dollars to purchase surplus dollar goods in their own currencies.

Theoretically, the idea seems attractive, but there are many practical obstacles which have first to be overcome. The Director-General of FAO (Mr N. E. Dodd) has urged member governments to be prepared for earliest action. "Nothing could be more discouraging and disastrous," he has said, "than for the proposal to set up ICCH to be approved in principle and then for endless months to be wasted while committees intermittently meet to consider details. The world cannot wait for protracted deliberations. . . . Deliberate action is called for—promptly and comprehensively." This certainly smacks of prejudging the issue. It is a proposal, not a plan, which is coming before FAO, and it requires deliberation, even if deliberation has to be protracted, before it should be translated into action. The same tactic has been seen before at various international wheat conferences and in commodity discussions where the United States had an interest or a desire for immediate action.

The basic principle of the scheme is that countries with surpluses of agricultural produce would be willing to sell them for inconvertible currencies. But will the United States or even Canada accept sterling now in payment for their surplus products? If countries were willing to accept inconvertible currencies in payment, where would be the need for a new and expensive organisation such as the ICCH? If the scheme were put into operation, within a relatively short period the ICCH would use up its capital contributions of hard currencies and accumulate a vast sum of soft currencies. What happens then? Are the soft currencies forcibly made convertible into gold or dollars or does the ICCH have a bonfire of, say, sterling bills every twelve months?

The member governments of FAO would be well advised not to take the Director-General's remarks as being the final word. Two major matters remain. First, it is idle to suppose that the ICCH would be a first stage in the return to convertibility of soft currencies into hard. It is more likely to reinforce the very factors which keep the two currency systems apart. Secondly, at what level of prices do the various products become surplus and who is responsible for fixing prices so high that surpluses become inevitable?

Industry and Exports

Electricity During the Winter

The early start of electricity cuts suggests a difficult winter ahead. Economy warnings have been broadcast daily since the cold weather began, and on October 28th 20 per cent of the load was shed. In fact, the electricity supply position ought not to be any worse than it was last year. By the end of 1949 between 700,000 and 800,000 kw of new generating capacity will have been installed in the year; 500,000 kw of this is already in operation. Since demand increases at the rate of about 700,000 to 800,000 kw a year, this year's new construction will have done no more than maintain the *status quo*.

In normal circumstances, the power cuts should not have been necessary so soon. Total generating capacity is about 12,000,000 kw and the peak demand nine days ago was probably a little under 9,200,000 kw. But 25 per cent of the generating plant was out of service. All plant needs an annual overhaul, and as much plant as possible is taken out of commission during the spring and summer in order that the bulk of it will be back in service during the peak winter months. Normally, January sees the peak of the winter loads, but

International Effects of Devaluation:

CAN THE STERLING AREA HOLD TOGETHER?

NEW TUSSE WITH ARGENTINA?

FRANCE SINCE DEVALUATION

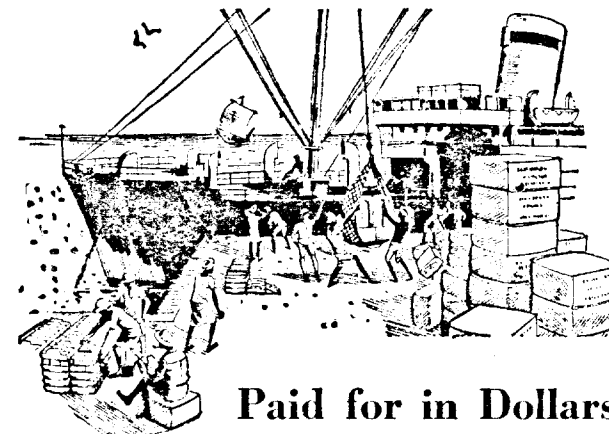
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November

By November manufacturers have completed delivery of their Christmas orders and, although the large demand for exports must be met, the children at home will not be forgotten. A great nation of shopkeepers is preparing to put goods into its shop windows, and bankers make ready to meet heavy seasonal demands upon their services. Whichever side of the counter will be your concern during the Christmas shopping season, you can depend upon the service of the Midland Bank, whose wide commercial experience is available at over 2,000 branches throughout England and Wales.

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last winter's peak did not occur until March, and this delayed the start on overhauls.

The weather will decide what is to happen as the winter goes on. Not more than 90 per cent of generating capacity is likely to be in operation at any one time. Even in January, when it is planned to have all possible plant working, five per cent is scheduled for overhaul. Since much of the plant is old, it is thought reasonable to assume that another five per cent will be out of operation for mechanical reasons. If the winter is mild, the position will be the same as it was last year when there was very little load shedding; if it is normal, a gap of 1,000,000 kw can be expected between peak demand and peak supply. If it is severe, the gap will be one of 2,000,000 kw.

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The British Electricity Authority emphasises that the peak loads occur for only four hours of the twenty-four. In the off-peak hours there is plenty of generating capacity, and no fear of a fuel shortage at the power stations has arisen. A campaign has lately been noticeable, one apparent purpose of which is to stimulate consumption, especially domestic consumption, in these off-peak hours. This seems ill-advised; the effect may well be to increase peak load demand as well. Appeals for economy in peak hours, unsupported by incentives, have yet to achieve demonstrable success with the domestic consumer.

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The Capital Cuts in Electricity

When Sir Stafford Cripps said in the House of Commons that the largest proportion of the £25 million cut to be made in the fuel and power investment programme was to fall on electricity, he made it clear that the new power stations would not be much affected. The British Electricity Authority is building 38 new stations and extending 43 more. Apart from the national need for more generating capacity, most of this work is in hand and can hardly be suspended. Each project takes from four to five years to complete, so what economies can be made are in those marginal schemes which are not likely to be started yet. The bulk of the economies falls on the plans of the fourteen Area Boards for improving distribution. It is easy to show immediate savings on some projects.

The Area Boards, which are responsible for distribution, had planned to spend £150 million on improving distribution in the next three years. But while some of this money was to be spent on rural electrification, most of it was to be used for the improvement and strengthening of existing networks. Cables in some industrial towns are carrying loads far heavier than those for which they were designed, and the danger of breakdowns in these networks grows more acute as generating capacity is enlarged. There is reason to suppose that this danger is not negligible, and that—even without the capital cuts—it would have persisted for at least two years more.

The capital cuts are still being worked out in detail, but as they stand at present they involve a reduction of a third in the combined programmes of the Area Boards. Even if all the rural electrification projects are dropped immediately, as seems likely, it will still mean that the programme of work on the town distribution networks has to be spread over four or five years, and that, long before it is finished, a substantial amount of new generating plant, imposing additional burdens, will be in operation. It would be wrong to suppose, therefore, that these cuts can be made without affecting the electricity expansion plan as a whole.

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Export Coal Prices

The resentment expressed in Denmark this week at the increases in export prices for some grades of British coal

is too strong to be dismissed lightly. It can, no doubt, be argued that this is merely one of many changes in the price structure of the European coal trade which can be expected to follow from devaluation, and that in these changes the movement of Polish and German prices is proving even more unfavourable to the consumer than the movement of British prices. But if Britain does not wish to pay more for Danish goods, some care needs to be taken to avoid the appearance of demanding more for British goods as a result of devaluation; and the same argument applies to trading relations with other countries.

Devaluation has tended to raise the prices of German and Polish coal to the European importing countries, and to put Britain in a more favourable competitive position than before. Export prices for Ruhr coal are quoted, not in marks, but in dollars. Without a deliberate revision of the German price lists, German coal would automatically have become dearer; and further, the existing differential between German inland and export coal prices would automatically have been widened. To avoid this, and to meet the requirements of the Allied High Commission, the German government produced a new price list in which dollar prices were generally reduced. But the opportunity was taken to adjust the relative prices of certain qualities; for instance, Ruhr coking fines were increased in price relatively to other qualities, and metallurgical coke was reduced. At the same time the transport charges for long rail hauls within Germany were increased; Denmark has now to pay three marks a ton more for carriage, and Germany's customers in southern Europe have to pay eight marks a ton more. In the upshot—and because the mark was not devalued to the same extent as sterling—German coal prices are now slightly higher than British; before devaluation the British prices were the higher.

The National Coal Board has not embarked on any general increase in coal export prices as a result of devaluation; apparently, however, it is taking the opportunity to change the price relationships between the different qualities. Thus the qualities of British coal most in demand (large screened coal, some gas coals, and the better grades of anthracite) will become dearer, and the qualities least in demand will become cheaper. The trouble is that for many individual customers, and even for some importing countries, this is indistinguishable from a price-raising policy. It is accepted less readily from a state monopolist than it might be from individual business firms in competition with one another; and it excites unfavourable reflections on the disparity between British coal prices for the home market and for export.

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Development Councils Debate

The prospects of usefulness of development councils, and the merits of the Government proposals for any particular industry, tend to be obscured by the more topical question of whether the Government will get its various proposals of this kind through in the lifetime of the present Parliament. The Commons debate on Tuesday, in which the draft order for a development council for the clothing industry was approved, showed the bulk of the clothing manufacturers to be hostile to the proposal, and the Government to be determined to force it through. In the circumstances, the debate was a good deal concerned with whether or not the Government had gone back on its original intention of seeking to create development councils by co-operation rather than by command, and whether or not the Opposition had abandoned its original attitude of benevolence towards the Industrial Development and Organisation Act.

This was unfortunate. There was no great dispute about the improvements in the clothing industry which are desired; the better use of labour, export promotion, standards of quality, better training, and the mitigation of seasonal fluctuations in employment. But, although the President of the Board of Trade stated these commendable purposes, it was

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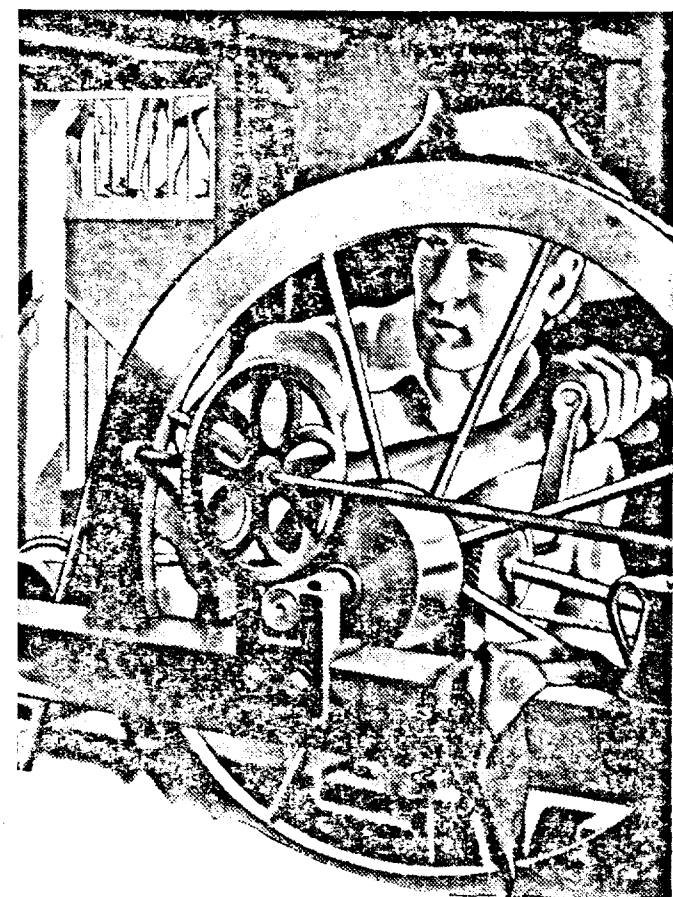
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not easy for him to show that the development council will bring them about. If the experiment fails, it will not be an inexpensive failure; a compulsory levy of perhaps £100,000 a year (not more than £150,000 in any one year, but not more than £300,000 in any period of three years) will be raised to pay for it—and, as Mr Wilson at one moment appeared to recognise, it will very likely be the consumer who finally pays. It is fair to ask for a reasonable prospect of success; and if, as now appears certain, the development council is imposed on a hostile trade, what are the prospects of success?

The fact seems to be that the feeling in favour of this type of centralising movement in the non-nationalised industries has largely been dispersed since the Government's early days. It is no gibe against the efforts of the Board of Trade to say that the attempt to get industrial interest and support for development councils has to a large extent failed; but this is so. The Government's central purpose was to create for each industry "one responsible body of persons who can speak for all interests in the industry with a single voice"; and this, administratively attractive though it is, assumes a desire for unanimity which industries do not always feel. The clothing trade with its many diversified and unrelated groups does not feel itself to be a single industry at all. Other trades are less anarchic, but still may not wish to be organised by law. Right or wrong, their feelings are a relevant fact which it is foolish to brush aside.

* * *

Appointed Day for Road Haulage

The Minister of Transport has now made an order, fixing the appointed day for the 25-mile limit for road haulage as February 1, 1950. After that date goods may not legally be carried for hire or reward beyond a radius of 25 miles from the operating base of the vehicle. To this general restriction there are certain exceptions. These include the special traffics (such as bulk liquids, furniture removals, and abnormal and indivisible loads, among others) for which exception is made in the Transport Act itself.

Hauliers will be able to exceed this distance restriction if they have permits from the Road Haulage Executive to do so. The Act made provision for the issue of "original permits" to protect the position of hauliers who were operating in November, 1946. The provisions are complicated, but their broad intention is to provide a free period in which the 25-mile limit may be exceeded, provided that application for a permit has been duly made. But although it is stated that 17,000 applications for such permits have been made, the area of the industry to which they apply has been greatly reduced, for already some 30,000 road vehicles have been acquired by the Transport Commission out of a total of 40,000, and all notices for compulsory acquisition will have been served by the end of this year.

The fixing of the appointed day represents the most important stage in the long process of taking over road haulage by the Executive. The long shadow of restriction envisaged under the Act will in due course become actual and effective. It will then remain to be seen how the Road Haulage Executive uses its full powers. At present its work of integration is in an early stage. The road undertakings are being operated very much as they were acquired, but the study of flows of traffic which is now being conducted will presumably lead to reorganisation of services and the determination of systems of charges (in conjunction with new charging schedules for the railways) will put the theory of co-ordination to the test in the next few years. It is important that, in the meantime, no threat to the freedom of the "C" licensed vehicle should be tolerated. The Commission and its Executives have powers of near-monopoly which should suffice for the discharge of their duty to provide an efficient and adequate system of public transport.

Restriction on Cotton Yarn Exports

At the time of devaluation, the Chancellor of the Exchequer suggested that the change in the dollar-sterling-rate itself provided a sufficient incentive to British traders to sell their goods to hard-currency markets. If this is generally true, cotton yarn is an exception, as the action taken by the Board of Trade this week demonstrates. After consultations in Manchester on Monday between the Board of Trade, the Cotton Board, and representatives of the spinners and doublers, it was announced that the issue of export licences for cotton yarn for soft-currency markets was being stopped for the time being.

Interference of this kind with the pattern of export trade is unwelcome, even though the reasons behind it may have been compelling. It was noticeable before devaluation that yarn exports to some soft-currency countries were increasing rapidly. Yarn exports to Pakistan rose from 1,500,000 lb. in the second quarter of 1948 to 5,100,000 in the second quarter of 1949; exports to Holland rose from 400,000 lb. to 2,400,000 lb. in the same period. Since devaluation the pressure for British yarn from soft currency countries has been further intensified. The reason is easy to see; the expenditure of sterling on yarn saves the expenditure of dollars on raw cotton, and devaluation has automatically made the shortage of dollars more acute in many countries which have cotton manufacturing industries to keep going. Britain, for its part, is not anxious to turn its dollars into soft currencies by re-exporting American cotton at an early stage of manufacture. But it is regrettable that no way could be found of warding off this abnormal demand without forcing the more permanent foreign customers to look elsewhere for their supplies.

* * *

Emphasis on Tankers

Little change in the tonnage of ships under construction is recorded in the September quarter returns of Lloyd's Register of Shipping. United Kingdom shipyards have increased their work in hand by 52,209 tons gross, and are now engaged on building 2,095,217 tons of new shipping. In the rest of the world, tonnage in hand increased by 109,460 tons to 2,512,522 tons. Thus, the British proportion of the world total remains at just over 45 per cent. There are no returns for Germany or the Soviet Union, and none on this occasion from China. Fuller information about activity in Japanese yards, however, shows that 46 vessels, totalling 137,760 tons gross, are being built, and 13 of these are of 4,000 tons or more. Of the present British output, some 765,812 tons, or nearly 37 per cent, are for foreign owners; 292,788 tons are building for Norway and 102,893 tons for Argentina, but only 13,900 tons for the U.S.A. and 64,010 tons for Panama.

The statistics still show a rapid increase in the proportion of tankers. Six months ago 1,526,823 gross tons of tankers (of more than 1,000 tons) were under construction in the world. By the end of June the tanker total had risen to 1,667,000 tons, and last quarter it increased further by over 241,000 tons to 1,908,167 tons gross. In the United Kingdom, tankers under construction increased by 161,021 tons gross during the quarter, making a total of 894,385 tons, or nearly 200,000 tons more than six months ago. They now represent about 45 per cent of the tonnage of all merchant ships under construction in British yards. Few passenger ships remain on the stocks, the postwar replacement of cargo liners is being worked off, and the reconversion programme is nearly completed. Unemployment is appearing, particularly in the finishing trades, but this must be regarded as the inevitable shedding of extra labour drafted into the industry to meet the abnormal demands of the war and post-war years. For some time to come the industry will still be able to offer good employment for a normal labour force, for



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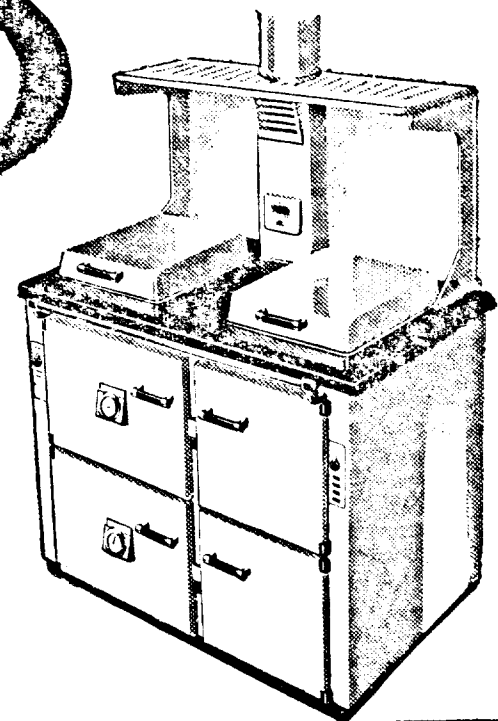
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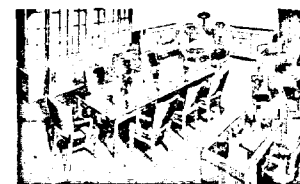
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it has about 3,750,000 tons gross on the order books, including work in hand.

What worries managements and men, however, is that total business in sight is considerably smaller than it was a year ago. In recent months new contracts have been coming in much more slowly than completed ships have moved out. Completions amounted to 339,862 tons in the quarter, while in the same period 336,985 tons were launched and work on 401,850 tons was started. So far this year about 990,000 tons have been completed, 958,000 tons launched and 964,000 tons begun—figures equivalent to an annual output of about 1,250,000 tons gross if the rate is maintained. Thus present orders should occupy the yards fully for about three years more (in the case of particular builders, of course, the period might be less), and then a rapid decline in activity will be threatened unless the industry can attract further orders.

Finance and Banking

Sharp Rise in Bank Deposits

The clearing banks' return for October shows an appreciable rise in published deposits, and a much larger rise in "net" deposits. These, computed in the usual way, by excluding the disclosed items in course of collection, rose by £79 million on the month, to £5,868 million. Even this increase, however, certainly understates the true rise, since the September figures were heavily distorted by the accumulation of cheques in course of clearing caused by the sudden post-devaluation closure of the banks. This distortion, as noted here last month, naturally affected not only the published items in course of collection but also the inter-branch transit items which most of the banks group in their balance sheets with their advances. Most of the £37.7 million rise in the advances item in September was understood to be due to this extraneous factor. If allowance is made for this, the true increase in deposits during October must have approached £110 million, compared with an increase of £84 million or less in the corresponding period of last year.

Similarly, the fall of just under £2,000,000 in the advances item obviously conceals a large increase in loans and advances as such. Because of the distortion of the September figures, the trend of advances can best be gauged by considering the movement over the past two months: between August and October this year advances rose by £35.8 million, compared with increases of £28.3 million in the similar period of 1948 and £29.8 million in 1947. Evidently, the latest increase arises from seasonal needs, and does not yet reflect the increased demands which are likely to arise from the effects of devaluation upon import costs and upon the prices of raw materials. The trend of advances in recent months does not, of itself, suggest that there was any need for the new directive to the banks which the Chancellor announced last week. The advances total, at £1,466 million, is now roughly £111 million above its corresponding 1948 level, whereas in January last the increase on the year was over £150 million. Over the whole period, therefore, the upward trend was decelerating; and its steeper movement in the past few months is sufficiently explained by the difficult conditions ruling in the new issue market.

Of the true increase in deposits, the concealed portion of possibly £30 million naturally reflects the demands for advances. The remainder—that is, the £79 million disclosed increase in "net" deposits—appears to be wholly attributable to governmental demands. This rise in governmental requirements is also seasonal and is, indeed, rather less than might have been expected from the trend of the revenue position as shown in the Exchequer return. In the four weeks most nearly comparable to the period covered by the banks' return, there was a net overall deficit of £100 million—before allowing for the cash portion of the supplementary payment to the IMF. The additional borrowing has, of

course, been entirely confined to Treasury bills, since the switch from Treasury deposit receipts has been carried a good deal further. During the month, the TDR holding was reduced by £158½ million to only £744 million, reducing the ratio to deposits to 12.3 per cent. Simultaneously, call money and bills have both reached new high records and now aggregate £1,718 million, raising the ratio to deposits to the almost unprecedented level of 28.4 per cent.

* * *

Wider Sterling Discounts

It is a matter of some concern that the discount on free sterling abroad continues to widen. The pound note in Switzerland has fallen to SF. 10.65 after showing signs of stability at SF. 11.50 three weeks ago—indeed, immediately after devaluation it was quoted at a modest premium. It is, of course, misleading to attach too much significance to these quotations, which are conditioned largely by influences that have little to do with the official exchanges. But a renewed discount of 12 per cent in little more than six weeks since devaluation cannot be ignored.

The more significant quotations for transferable account sterling are hardly faring better. The discount on Dutch account sterling has not changed much in the past fortnight, but French account sterling has further fallen to a discount of 7 per cent and Chinese account sterling is by now below \$2.60 to the pound. All these quotations are lower still in Hongkong, where transferable account sterling can be bought for \$2.50. These discounts become serious at the point where

BANK NOTE RATES
(In Swiss Francs)

Currency	Last Pre-Devaluation Quotations			Post Devaluation			
	Official Rate	Bank Note Rate	Discount	New Official Rate	Bank Note Rate	Discount	Bank Note Rate
					Sept. 25		Nov. 2
£ sterling	17.35	11.40	35	12.12	12.50	3*	10.65
US dollar	4.31	3.98	8	4.31	4.31	Par	4.32
French franc (100 francs)	1.20	1.09	9	1.22	1.16	5	1.14
D Mark (100 marks)	n.a.	62.00	...	104.00	67.00	36	67.00
Belgian franc (100 francs)	9.86	8.75	11	8.65	8.65	Par	8.70
Dutch guilder (100 guilders)	162.00	103.00	36	114.00	106.00	7	100.00
Italian lire (100 lire)	0.71	0.64	10	0.71	0.64	10	0.65
Swedish kronor (100 kronor)	119.50	72.00	40	84.50	75.00	11	70.00
Danish kroner (100 kroner)	90.00	53.00	41	62.66	55.00	12	50.00

OTHER FREE STERLING RATES
(In US Dollars)

			%		%		%
Transferable A/c Sterling:							
Dutch account	4.03	2.70	33	2.80	2.75	2	2.62
French account	4.05	2.70	33	2.80	2.75	2	2.64
Security Sterling:							
Govt. securities	4.03	1.75	56	2.80	1.85	34	1.65
Industrial shares	4.03	1.80	55	2.80	2.05	27	2.00
Gold Price (dollars per ounce)	35	47	34*	35	...	...	43

(a) In the Swiss free market. * Premium.

"commodity shunting" is once again a profitable exercise, and this point has been reached for a number of exports. For manufactures the discount is still too narrow. Motor cars, which on occasion had been "shunted" before devaluation, are expensive to ship and there is little fear at the moment of industrial exports being paid for in sterling instead of the dollars which ought to be earned. Such third country trade in manufactured exports is unlikely to arise unless the discount is widened to 10 to 15 per cent. But the crucial rate where wool transshipment becomes profitable rests around 5 to 7 per cent and appears to have been reached. In furs, skins and hides, shunting trade has certainly become profitable again and in diamonds such business has never stopped.



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SUMMARISED BALANCE SHEET OF GESTETNER, LIMITED, AND CONSOLIDATED SUBSIDIARIES as at 31st August, 1949.

	£	£
Issued Capital	665,918	Fixed Assets, at Cost
Capital Reserves	176,346	Less: Accumulated Depreciation
Revenue Reserves and Unappropriated Profits	1,025,261	
Outside Shareholders' Interests	532	
	£1,868,057	

SUMMARISED APPROPRIATION ACCOUNT OF GESTETNER, LIMITED.

Profit for year, after providing for Taxation, Depreciation, Staff Insurance Schemes, etc.	£188,889
Distribution for year:—	
Preference Dividend (7 per cent.)	Net £10,106
Ordinary Dividends (30 per cent.), plus bonus (7½ per cent.)	Net 83,205
	93,311
Retained in the business	£95,578

Extracts from the Directors' Report are appended:—

"The Directors propose to capitalise £403,417 15s. 0d. of the General Reserve and issue 1,613,671 "A" Ordinary Shares in the proportion of one Share for each 5s. unit of Ordinary Stock; the "A" Ordinary Shares thus issued will be converted into Stock transferable in units of 5s. each. Export and home market sales increased substantially during the period under review and created a new record. More Gestetner machines were installed throughout the world than ever before. Currency restrictions and import regulations in many countries still put difficulties in the way of meeting the increasing demand for your Company's products. The current year may well be a period of consolidation, although there is no reason to expect a fall in sales. Your Sales Organisation everywhere are geared to meet any change-over from Sellers' markets.

"The total expended on Capital Account during the year was £150,391. Your Directors are determined that the Company's products shall continue to retain their pre-eminent position in the business world."

Future of the Australian Banks

The Australian General Election is now only five weeks off and the Federal Opposition parties are making it plain that they intend to bring Mr Chifley's unhappy attempt to nationalise the commercial banks into the forefront of discussion. They contend that, despite the Privy Council's rejection of the Commonwealth Government's appeal, the issue is still a live one, since a new Labour Government could carry through the project of bank nationalisation without constitutional amendment by re-introducing the abortive 1947 Act in a slightly different form; or it might achieve almost the same result by making use of the powers granted under the still constitutional 1945 Act to drive the private banks out of business.

From a legal standpoint, these contentions are probably correct. The Privy Council judgment, after laying down the economically satisfactory dicta that banking "should be included among those activities described as trade, commerce and intercourse" and that freedom of trade may be deemed to be impaired even where there is no reduction in trading volume, went on to discuss what measures of Federal intervention were ruled out under Section 92 of the Constitution (which provides that "on the imposition of uniform duties of customs, trade, commerce and intercourse among the states . . . shall be absolutely free"). It suggested that Federal interference might be constitutional if its prime purpose was "regulatory" (as would be the case, for example, with a ban on the carriage of noxious drugs across state frontiers) or if restriction of freedom of trade was a remote instead of a direct result of Federal action. In other words, although it is unconstitutional for any Australian Government to condemn private banks to sudden death, it may be quite constitutional to strangle them slowly without indecent directness. Fortunately, however, it may now be doubted whether even a re-elected Labour Government would carry its war against private enterprise as far as this—although continued competition between the state-owned Commonwealth bank and the private banks would have to be expected. The original decision to nationalise the commercial banks was taken in haste after an unexpected ruling of the Australian High Court declaring one section of the 1945 Banking Act invalid. In the last few months it has become clear that the disappearance of the private banks would weaken instead of strengthen central banking control in Australia (since the states would then certainly extend their own banking activities into the trading field). In all the circumstances, therefore, Mr Chifley may well be wise enough not to pursue, by direct or indirect means, a goal which was originally conceived in little more than a fit of bad temper.

* * *

Swiss Gold Losses

Devaluation by the majority of Switzerland's competitors and, more important, its customers, has inevitably raised the question whether the Swiss franc can be maintained indefinitely at its present rate. That some such doubts are entertained is clearly borne out by the efflux of gold and foreign exchange from Switzerland since September 19th. In the first five weeks following devaluation the Swiss National Bank's gold holdings fell from SF6,281 million to SF6,148 million, and its foreign exchange assets dropped from SF313 million to SF236 million. At the same time the Swiss Government lost more than SF250 million of foreign exchange. The movement seems by now to have spent its first force; indeed, in the week ended October 31st there was a small reflux of both gold and foreign exchange. Thus the latest figures show the National Bank's gold stock at SF6,161 million and foreign exchange at SF254 million.

Notwithstanding the considerable influx of hot money in the weeks before devaluation, the loss of some SF430 million is significant. It is the more significant because the drain largely arises from the repatriation of fugitive French

balances. The French franc has, in consequence, been very firm in the Swiss market, while the Swiss franc on the Paris free market has declined steadily. A further cause has been some closing of open positions in sterling, accompanied in the immediate post-devaluation period by purchases on some scale of forward sterling at a premium. Lastly, the Swiss themselves have been buyers of finance dollars on the Swiss market, with the result that for the first time since the war the discount in "free" dollars has been eliminated.

While the cause of much of this drain is thus a purely financial reflex stimulated by devaluation all around Switzerland, uncertainties about the longer-term future of the Swiss franc have played their part. Devaluation has certainly made Swiss goods more expensive for many of Switzerland's most important customers and the cost of tourism has increased by the full amount of devaluation. But it should not be forgotten that before devaluation the cost of Swiss goods to sterling importers, for instance, was distinctly attractive. Moreover, while most countries continue to ration their Swiss franc expenditure by import licences and tourist quotas, it is perhaps unlikely that higher prices in terms of local currencies will mean that these quotas are not taken up in full.

* * *

Premiums on Dollar Stocks

Two influences appear to underly the persistent rise during the past two weeks in the premium which buyers in London are prepared to pay above the New York price for American dollar securities. The premium is now fully 17 per cent; after devaluation it fell to 12 per cent, compared with 37 per cent before devaluation. Part of the explanation of the renewed rise may be found in the London market's reaction to New York price movements. Ever since switching in dollar stocks was again permitted in 1947, London prices for dollar stocks have moved by wider margins than in New York; the margins have expanded when New York was firm, and they have also emphasised any declines by contracting in a falling market.

But the rise in London premiums is due to something more than Wall Street's recent firmness. The view is gaining ground that, at a 17 per cent premium, dollar stocks are cheap. Two reasons are put forward for this view. First, under the Anglo-American double taxation convention of 1946, common stock dividends can be regarded virtually as taxed income by those holders of dollar stocks in this country who pay income tax at the standard rate of 9s. in the £. The British holder can offset the American corporation tax and withholding tax against his own tax liability here. These American taxes deducted at source amount to roughly 45 per cent of the gross dividend, and are thus equivalent to income tax at 9s. in the pound. The one can therefore be offset against the other. To take an example, an American company may pay a dividend of \$6 per annum. The company is likely to have paid American taxes of at least \$4 per share. As far as the Inland Revenue is concerned it is, therefore, not a \$6 dividend, but a \$10 dividend, on which 9s. in the £ or \$4.50 (45 per cent) is payable in British taxes. But \$4 or more will already have been deducted in the United States, leaving only 50 cents or less to rank for British income tax.

The second reason put forward is concerned with yields. Even after paying a 17 per cent premium it is possible to obtain 6 to 7 per cent net yield on, for instance, first-class American public utilities with unimpeachable dividend records. Such yields are attracting the increasing attention of institutional investors in Britain. Evidently, they are not taking too seriously the suggestions that dollar stocks might be requisitioned by the Government and paid for on New York terms instead of London terms. The institutions are rather better equipped to make the necessary applications for obtaining the tax relief granted by the tax

convention and are less concerned than the private investor about the time lag of perhaps 18 months before the rebate is credited. Brokers' orders suggest that the bulk of the buying does, in fact, come from the institutions, and that their purchases are concentrated on public utilities and bank shares. In the past few days, the London office of one firm of New York brokers had 44 orders for public utility and bank shares against four orders for industrial common stocks.

* * *

Distribution of German Assets

A written answer by Mr Glenvil Hall, the Financial Secretary to the Treasury, about the future of German assets held by the Custodian of Enemy Property, is characterised by all the vagueness of earlier government pronouncements on this admittedly involved topic. Briefly, it has been decided to follow the precedent established after the first world war. Claims by creditors in this country arising from prewar contracts against German firms, individuals or the Reich government are to be satisfied out of German property held by the Custodian. Where a German firm owing money to a British firm had assets in this country now vested in the Custodian, the British creditor will apparently be given the alternative of taking in final settlement the sequestrated assets of the German debtor, or, alternatively, of taking his chance by awaiting his portion of the eventual share out. Two of the many questions which have yet to be answered are worth raising. Will a bank be allowed to choose between these alternatives for each of its claims, or must it plunge blindly for one course or the other for all of its claims? When will the Custodian make available to claimant creditors the full information to indicate whether a German firm in which a British creditor is interested has any assets in this country?

It seems now fairly certain at least that none of the specific assets claimed by a particular debtor will, as was threatened earlier this year, be credited to the international reparations pool. Britain is to receive 28 per cent from this pool; but the claims of British creditors will be limited to the funds which are actually held by the Custodian. They will have no claim on the reparations pool, the British share from which will be paid by the Government. At any rate there is no likelihood that British holdings of German assets exceed 28 per cent of the prospective pool, and no fear, therefore, that any part of them will have to be transferred to the Reparations Agency. Nothing has been disclosed to indicate how much the Custodian holds. The Administrator to be appointed for distributing the assets should provide claimants with sufficient information so that they can make sensible decisions. This is the more important since, in contrast to the situation after the first war when German assets exceeded German pre-1914 debts, Mr Hall has warned creditors that "the dividend payable will not be large."

* * *

The Demand for Wool

The wool market has been very firm since devaluation and prices at the London and Liverpool sales confirmed the upward trend in primary markets. On the average, prices are about 15 per cent above those ruling in July, but demand has concentrated mainly on crossbred types, which no doubt reflects the stiffening of consumer resistance to high priced textiles. Britain as usual has been taking the bulk of the wool offered but competition from the Continent has been active and American buyers have also appeared once more, though not as yet on any significant scale.

Why has the demand for raw wool been so strong in recent weeks? World commercial stocks are not very plentiful—probably not much more than six months' supply—which is a bull point for the market. The Soviet Union has also been buying quite heavily and as usual without much regard

for the level of prices. Again, countries may have bought in anticipation of a strong American demand for raw wool later in the season. But clearly devaluation by itself is unlikely to expand world demand for wool textiles and, therefore, for raw wool, so that some adjustment in the present level of wool prices seems possible.

Next Monday, the third meeting of the International Wool Study Group will open in London with representatives from all the important wool producing and consuming countries. Its main problem will be to assess world supply and demand for wool and to see what steps should be taken internationally if a world shortage appears inevitable. Since the end of the war, consumption of wool has considerably exceeded output, and the balance has been made up from stocks held by the Joint Organisation and the US Commodity Credit Corporation. By the end of last June, however, these stocks had declined to about 650 million lb (greasy), or a little over two months' supply at the current rate of consumption. This quantity would be adequate, theoretically, to bridge the prospective gap between world production and consumption this season, but the types of wool which remain in stock are unlikely to be those which manufacturers want. But if demand continues at its current high level what happens next season if stocks are exhausted? World output could not expand by 650 million lb in a single season. It would seem, then, that there is some prospect of a world shortage of wool—if demand continues at its present level.

Shorter Note

The first British television transmitter designed for the 625-line negative modulation system used in the United States is being taken to Washington this week by Pye Ltd. This makes possible a direct comparison between the performance of British and American equipment working on the same system, and will put to the test the claim that British equipment is technically superior to American. The result of the test will be important, in view of the large potential market for transmitting equipment in the United States and Canada.

COMPANY MEETING

ARMSTRONG SHOCK ABSORBERS, LIMITED

PREDOMINANT POSITION

The fourteenth ordinary general meeting of this company was held on November 1st, in London, Colonel J. D. Macindoe, M.C. (chairman), presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended June 30, 1949:—

The trading profit of our wholly owned operating company, Armstrong's Patents Company, Limited, for the year to June 30, 1949, after charging that company's working expenses but before providing for depreciation, directors' remuneration and taxation, amounted to £98,195 compared with £89,923 in the previous year. Your directors propose to maintain the rate of dividend at 15 per cent, less income-tax, and have decided to transfer the sum of £24,000 to general reserve as against £22,000 in the previous year.

During the year covered by these accounts, your company has maintained and consolidated its predominant position in the automobile shock absorber field and therefore remains in a strong position for the future. Owing to pressing needs for additional factory space for vital shock absorber production, and owing to the difficulty of obtaining building licences and permits, your directors decided to sell the subsidiary, Kolectric, Limited, which was accomplished at a profit of £900. The space made available by this sale is now being used to advantage for shock absorber production.

We have still not proceeded with the provision of further capital for the business because we have found conditions unsuitable for obtaining capital on satisfactory terms up to the present time.

The report was adopted.

STANDARD MOTOR COMPANY, LIMITED

RECORD TURNOVER EXCEEDS £31 MILLION

STRONG ASSETS POSITION

INCREASING SALES

MIR C. J. BAND'S SPEECH

The forty-sixth annual general meeting of the Standard Motor Company, Limited, was held on November 2nd at Coventry, Mr. C. J. Band (chairman of the company) presiding.

The chairman said: Once more I have pleasure in proposing the adoption of the directors' report and the balance sheet and accounts for the year ended August 31st last.

The accounts and balance sheet have been in your hands for several weeks, and the figures are so clearly set out that it is unnecessary for me to say very much about them. I may, however, emphasise two or three of the more striking facts. The turnover exceeded £31 million, a record in the history of the company and one that reflects the greatest credit upon all concerned in the management of the company's affairs, especially when the many difficulties experienced during the past year are taken into consideration.

Although the capital additions during the year slightly exceeded £1,000,000 the written down value of the fixed assets shows a reduction of £330,000, due to the heavy depreciation which your directors have thought it prudent to provide in accordance with the policy which they have adopted for many years. Almost £7,000,000 has been invested in capital assets during the last five years.

IMPROVED LIQUID POSITION

Turning to the net current assets, stockholders will be gratified to see the great improvement in the net liquid position to £2,575,817, compared with £1,599,441 last year. Stock (which has been taken in the usual manner) has been reduced by more than £1,000,000, to £3,748,064, cash in hand has risen by £836,862 to £2,320,809 and debtors have increased by £970,953 to £1,519,840. There has been a reduction of £575,998 in the amount owing to creditors, the figure now standing at £4,551,586.

The total net assets of the company are now £7,599,826, an increase of £646,144 over last year. In any consideration of the real profits earned, this is the only figure on which any computation may be based. It is difficult to see how anyone, looking at the turnover and the real capital of the company, could contend that the profits earned are excessive.

May I now say a few words about the profit and loss account. There has been a very large increase of £966,049 in the balance from trading account.

It is essential, however, that the heavy cost of tooling for modern production methods should be amortised quickly to enable the company to keep abreast of ever-changing conditions, and no less a sum than £623,050 falls to be written off this year for dies, etc. Depreciation of fixed assets is again higher due to the large amount spent on new plant and follows the policy which has enabled us to face competition within the industry by having the most up-to-date factories and production methods. There is also a large increase in the amount provided for taxation, the figure required being £675,000.

PROFIT AND DIVIDEND

The net profit for the year is £555,249, an increase of rather more than £100,000 above the previous year.

Your directors recommend the payment of a 25 per cent. dividend, less tax, which is the same as last year, and the allocation of

£75,000 to the employees' special fund. Personally, I cannot bring myself to agree with the policy laid down by the Chancellor of the Exchequer with regard to the freezing of dividends, and I would express the hope that this policy may be changed before we meet again next year. I believe that one of the most urgent alterations required by the country today, in view of the serious financial position in which it is placed, is to give some incentive to every citizen, whether an employer or an employee, and that until this is done we as a nation cannot hope to recover the position we held in the past.

The employees' special fund is, of course, still carrying out the excellent work for which it was created.

Stockholders will observe that, if the directors' proposals are approved, the amount carried forward to next year will be £376,236, which is almost equivalent to two years' net dividend at the rate now recommended.

SALES AND THE FUTURE

In these days it is not easy to forecast the future. Stockholders may be interested to hear that the sales of the Vanguard, including the estate car and the company's commercial vehicles, are increasing from month to month. Certain detail improvements have been made, more particularly in the bodywork. Improvements in the Triumph car have also been made, and I feel sure that sales of this model will be satisfactory. The Mayflower, the new model introduced at the last show, has had a wonderful reception, and will, I am sure, have a phenomenal success.

Stockholders will be gratified to know that production of the Ferguson tractor, of which we have the sole manufacturing rights in the eastern hemisphere, will be speeded up this month and will be substantially increased during the next three months. Providing nothing unforeseen happens, it is hoped that the weekly output by next spring will be at the rate of 1,000 units. Considerably more than 100,000 have been produced and sold since the inception of tractor production.

EXPORT PRODUCTION

Stockholders will have noticed in the leaflet accompanying the report and accounts that no less than £20 million worth of the products of the company were exported in the last financial year. May I say that a substantial part of the exports went to dollar countries.

Important decisions have been made to enlarge the exports of the company. Companies which will soon be operating have been formed in Australia and India for assembling both cars and tractors and which later on will be carrying on the manufacture of certain parts. Arrangements are already in hand for the formation of similar companies in Canada and South Africa. Assembly plants for our cars are in operation in Belgium, Eire, Sweden and New Zealand.

We are urged by the Government to increase production and to export more, especially to the dollar countries. I think I can say that so far as the Standard Company is concerned these requests will be complied with, always assuming the Minister of Supply will allocate more steel, especially sheet-steel, to the company and its suppliers.

CHAIRMAN'S THANKS

I cannot conclude my remarks without tendering on my own behalf, and may I say all stockholders, grateful thanks to our managing director, his executive staff and all the company's employees for the manner in which they have carried out their duties, which has resulted in the excellent report and balance sheet which are before you and the adoption of which I now propose.

I will ask Mr E. J. Corbett to second the proposition.

Mr E. J. Corbett, in seconding the resolution, which was carried unanimously said: A great deal of economic nonsense is being talked today about the profit motive. He added: But if you look at the figures in our balance sheet and realise the Government takes £600,000 of the available profit of the company, leaving £555,000, which represents 1.77 of our turnover, and the distributed profit to shareholders represents .632, I think you will agree the chairman's comments in this respect are fully justified.

The retiring directors, Mr H. S. Weale and Mr E. J. Corbett, were re-elected, and it was resolved that £75,000 be voted to the employees' special fund and that the fee of the auditors, Messrs Thomson McLintock and Company, be agreed with them by the directors.

IMPORTANCE OF AGREEMENT WITH SIR JOHN BLACK

Continuing the chairman said: I come now, ladies and gentlemen, to item number five on the agenda—the ratification of the provisional agreement between the company and the managing director referred to in the directors' report.

The agreement, which is provisional, in that it becomes binding if it receives the approval of this meeting, is laid on the table here for you to inspect, should you wish to do so.

In my opinion, it is unfortunate that so much publicity has been given to the proposal. This has led, I think, to a considerable amount of confused thinking. The initiative in making the proposal to Sir John that he should bind himself in this manner came not from Sir John but from myself and the other members of the board, and we make no apologies at all to the critics. Ladies and gentlemen, the important thing here and the thing which we as a board have had to consider, is the interests of the company, and the directors are of opinion that this agreement with Sir John Black is the most economical and effective method of securing those interests.

A BUSINESS BARGAIN

I have observed that some commentators upon the proposal have described it as a free gift by the company to our managing director. It is, of course, nothing of the kind. It is a business bargain negotiated with our managing director by which he binds himself irrevocably, for the remainder of his life, not to be interested, either directly or indirectly, in the manufacture of motor-cars or tractors should his connection with the company for any reason be severed. This is, as I am sure you will agree, a most serious step for our managing director to be asked to take.

No one will deny the part Sir John has played in the fortunes of this company, and you will know the place he has secured for the company and himself in the motor industry—and for the company to risk his competition would be a grave error and one against which, in my opinion (and, I may say, that of all the other members of the board), it is imperative to guard the company in its own interests and, of course, those of its stockholders and employees, whose concern it is to see this company strong and prosperous.

A TRUE PERSPECTIVE

I read in one of our daily papers the comments of the City Editor, which, in my view,

placed the position in its true perspective. I will read an extract from his comments:—

"By the vigorous prosecution of a courageous postwar development programme, the Standard Motor Company has climbed to a very strong position in the motor and tractor manufacturing industries. Naturally, the maintenance and even improvement of that position is the constant concern of the directors. With that end in view, they have recently entered into an agreement with the managing director, Sir John Black, under which, should his connection with the company at any time be severed, he is bound during the remainder of his life not to carry on or be engaged or concerned in the manufacture of motor-cars and tractors in widely defined areas. As consideration he is to be allotted £25,000 of the unissued Ordinary capital."

"For this arrangement the directors now seek the approval of the stockholders. The latter may well consider, as the board does, that this covenant is of the utmost importance to the company. Sir John has played a leading part in building up the fortunes of the Standard business and £100,000, the approximate market value of the stock to be issued to him, does not seem to be an extravagant price to pay to secure complete protection against the possibility that one day Sir John might decide to leave the company and become a serious competitor."

I would add that it is not a novel agreement and that precedents exist of the course recommended by the directors. As to the amount of the consideration, I can only say that I would not expect so valuable and capable a man to give up his freedom of action for anything less than the amount already conveyed to you.

I believe I am correct in stating that in certain parallel cases a similar course has been taken by directors without seeking the approval of the shareholders, but in a matter of such importance we considered the proper course was to place the matter before the stockholders. I am hoping that the shares proposed to be allotted to Sir John will be retained by Sir John and his family for very many years.

AGREEMENT APPROVED

The resolution which I now have pleasure in proposing is as follows:—

"That the conditional agreement dated September 26, 1949, made between Sir John Black and the company produced to the meeting and for purposes of identification signed by the chairman thereof be and the same is hereby approved."

I will ask Mr E. J. Corbett to second the proposition.

Mr E. J. Corbett, in seconding the resolution, which was unanimously approved, said: In view of certain criticisms raised—some without very much knowledge of the situation—I would like to emphasise that it is brought to the shareholders by the board purely as a safeguard for the future. Economic shadows are spreading over the whole world, and we are having our share of them in this country at the moment and shall continue to do so. Is it not clear that it is the duty of the directors of large industrial companies to take what steps they can to enable them to meet the difficulties which may have to be overcome in the near future?

ALLIED INDUSTRIAL SERVICES, LIMITED

RECORD OUTPUT

The fifteenth annual general meeting of Allied Industrial Services, Limited, was held on October 28th at Bradford, Mr W. H. Rhodes, C.B.E., the chairman, presiding.

The following is an extract from his circulated statement:

The output of our various factories was, in total, in excess of any previous year,

which, coupled with every effort to reduce production costs, has resulted in a satisfactory year's trading. The expenditure on plant and buildings during the year amounted to approximately £48,000, and a sum of £50,000, as shown in a note on the balance sheet, is estimated for future commitments of a similar nature.

The maintenance of supplies has been constantly before your board, and with this in mind an investment has been made in a well-established company supplying types of material we require. Nevertheless, the position generally remains acute, and it is difficult to envisage much improvement during the present year.

The net profit amounts to £145,848. Following the increase in the interim ordinary dividend from 9 per cent. to 15 per cent., the final dividend proposed is 35 per cent. instead of 41 per cent.

We have received from H.M. Treasury permission to capitalise part of our accumulated reserves by the issue of one new ordinary share for each such share now held. This will bring the issued capital of your company somewhat nearer the actual capital employed. The output to the end of September has been in excess of that for the same period in the previous year.

The report was adopted.

METAL TRADERS LIMITED

STRENGTH AND LIQUIDITY MAINTAINED

The twenty-ninth annual general meeting of Metal Traders Limited will be held at the registered office of the company, 7 Gracechurch Street, London, E.C., on November 28th.

The following is the statement by the chairman and joint managing director, Mr Frank L. Baer, issued with the annual report and accounts:—

Although the upward movement in prices of non-ferrous metals continued right through 1948, there were already signs in the late summer months of that year that a state of saturation might be round the corner and bring in its train a downward adjustment of values with all the attendant complications. In view of the fantastic heights to which prices had risen, it was only to be expected that once the downward trend began it was unlikely to stop until a reasonable level had been reached.

In his address to the shareholders in 1934, our late chairman, Lord Abertay, said: "Our trading business is not without its speculative element, but the London Metal Exchange, unique in its traditions and functions, affords us a basis whereby speculation becomes an incident rather than the main theme of our affairs."

As the London Metal Exchange remained closed, and no hedging facilities existed, your board decided, and, as events have shown, decided wisely, to reduce commitments all round. Some contraction in our activities has resulted, but—and this is our main concern—the financial strength of the company and the liquidity of its resources have been fully maintained.

Following a moderate rise in prices of non-ferrous metals from the low points touched, there has been a quick rebound to conform with the alteration in the official dollar/sterling rate of exchange.

Although results for the year show some falling off, the directors regard the dividend which they are recommending as satisfactory under all the circumstances.

RESULTS OF ASSOCIATED COMPANIES

Metal Traders, Inc. New York.—Metal Traders, Inc., have had a successful year, and after providing for every contingency

were able to pay a satisfactory dividend on their increased capital of \$500,000. The management are to be congratulated on the excellent results achieved.

L.P.C. Chemicals and Dyes, Limited.—Import restrictions and actual import bans in many parts of the world were responsible for greatly reduced turnover and consequent diminished earnings. So far this year there have been no signs of any revival of business.

Brookside Metal Company, Limited.—From January until the autumn of 1948 this company was extremely busy, but, in view of the general policy laid down, the management curtailed its activities very considerably in the last quarter of the past financial year. Yet the results were substantially the same as in the previous year.

An adequate scrap yard in Reading was acquired during the period under review.

CAPITALISATION OF RESERVES

As already announced, the directors have decided to write up the value of the investment in Metal Traders, Inc., to £125,000 from £50,000, at which figure it stands in our books, although the New York company increased its paid-up capital from \$250,000 to \$500,000 in 1948. The difference will be added to general reserve.

The directors are also of opinion that the existing somewhat anomalous capital structure should be corrected. They propose, therefore, to seek permission of the Capital Issues Committee to capitalise £374,184 of the reserves by issuing free to the shareholders nine new £1 shares for each £1 of stock now held, and proportionately in the case of fractions. Assuming approval is given, the new shares will be converted into stock, which will rank *pari passu* with the stock now in issue.

The balance sheet will then show issued capital £415,760, general reserve £100,816, and carry forward £133,870.

GOODE DURRANT AND MURRAY, LIMITED

RECORD SALES

DEMAND MORE SELECTIVE

MR. G. P. SCHOOLAR ON THE POSITION

The fifty-first annual general meeting of Goode Durrant and Murray, Limited, was held on November 3rd, at 197, Great Portland Street, London, W. Mr L. A. Kemp presided in the absence abroad of the chairman, Mr George P. Schoolar.

The following is the chairman's statement circulated with the report and accounts for the year to July 20, 1949:—

The directors have pleasure in presenting to the shareholders a balance sheet disclosing a result that can be considered satisfactory, under the circumstances. The period under review has been an anxious one and, although sales have created a record, the demand for merchandise has been more selective—especially during the latter part of the year. Goods in short supply are easily disposed of, but in lines where supplies are overtaking demand, sales are much more difficult, and competition is increasingly keen. In view of the very high prices of textiles, we regard the position with some uncertainty.

FORCEFUL TRADING

The results were obtained by forceful trading. The rates of profit margins governing our Australian business as controlled by price regulations, appear to be based on the assumption of complete stock clearance at the percentages set out by the prices department, without any margin for error or reduction of price to effect sale of difficult lines, or to meet a market decline. Any drop in turnover will immediately affect results.

Skilled factory labour continues short, and output insufficient. The disastrous coal strike in Australia had a serious effect on the whole country; the loss of wages in industry will never be made up, and the upset to secondary industries will be felt for some time to come. Trade with New Zealand continued good, but import licences restricted business. African trade experienced restrictions, but we had a satisfactory year. The lack of import licences will cause a large curtailment in the volume of business during the current year. This will allow time for stocks to be reduced and finances adjusted.

DISTRIBUTION MAINTAINED

You will observe that your directors are recommending the appropriation of £42,000 to reserve for contingencies, and also the allocation of a further £10,000 to the super-annuation fund for employees. The latter fund is available for those members of the staff who cannot be included in the insurance scheme already set up. Ample provision has been made for doubtful debts; stock is clean and conservatively valued. The reserves for future taxation are made on the recommendation of the company's auditors. The crushing burden of taxation continues to absorb the greater part of the company's net profit, and limits the resources for capital replacement and investment in overseas territories.

The balance of profit available enables us to recommend a dividend of 10 per cent. on the Ordinary shares and, in addition, a bonus of 5 per cent.—the same as paid last year. The balance sheet on this occasion shows the comparable figures for the previous year.

OBSCURE OUTLOOK

We are now three months on in the company's new trading year, and can state that business is far from easy. We are inclined to the opinion that more difficult days are ahead. Preference for British goods is still in evidence, but price factors are of more concern than was the case during the time of acute shortage, and competition from European suppliers and from India is diverting business from the United Kingdom. This drift will grow unless British suppliers face up to the situation.

It is not easy to forecast at any time, and on this occasion the future is obscure, owing to unusual influences. The agricultural outlook was unpromising in both South and West Australia, owing to dry conditions persisting until well along in June. The position has improved very considerably since, and prospects of a fair average harvest are promising. The position for wool is sound, with fair clips in sight. The general outlook in Australia is good and, given freedom from labour troubles, the economic situation should continue sound. Immigration is proceeding rapidly and unemployment is practically nil.

WORLD SITUATION

The world situation, from a commercial standpoint, is not reassuring. Financial problems are the main concern. Import licences are being withheld, pending currency agreements. We are hoping these difficulties will be surmounted, and a free flow of exports restored as a result of the devaluation of currencies.

The company has been well supported by a loyal staff, who have made a great contribution to the satisfactory results both in Australia and London. It is gratifying to realise that their efforts have secured to the company an important share of the increased export trade of the United Kingdom.

The report and accounts were unanimously adopted.

At an extraordinary general meeting which followed, a resolution adopting new Articles of Association was passed.

HAROLD WESLEY LIMITED

INCREASED EXPORTS

The third annual ordinary general meeting of Harold Wesley Limited was held on October 27th in London, Mr Percy Day-Winter (chairman and managing director) presiding. The following is an extract from the chairman's circulated statement.

In last year's statement circulated with the accounts I ventured an opinion that there might be an increase in paper supplies, and also that the Dominion of Canada would lift the embargo on imports of paper articles. This opinion has, in both respects, been justified and we have been able to secure, although not for the full year covered by these accounts, increased supplies of raw materials and, since December, 1948, been able to export to Canada; also for the year under review our exports to the United States of America increased over those of the previous year.

The additional quantities of materials obtained have enabled us to increase production and reduce costs and selling prices. Home and export sales have, however, been increased and it is considered satisfactory that we are able to present accounts showing a trading profit only slightly less than that of the previous year, and a net profit slightly higher, due to the smaller requirements for taxation.

DIVIDEND OF 22½ PER CENT.

Your directors therefore recommend a dividend of 22½ per cent. for the year under review and after placing a further sum of £5,000 to reserve for future liability to income-tax, the balance of profits carried forward has been increased from £31,319 to £45,442.

Stock-in-trade at June 30, 1949, was greater than that held at the commencement of the year and having regard to the reduction of raw material prices, depreciation has been taken on stock, where necessary, to bring it into line with current replacement cost.

Additions to plant and machinery amounting to £20,434, have been made during the year, and in this connection I would refer you to Note "A" on the balance-sheet, which informs you that outstanding commitments for capital expenditure amount to approximately £34,000, indicating that your company is continuing its policy of equipping its factories with the most modern machinery.

Your directors are very pleased to inform shareholders that the company has at last received a licence to build an extension to its Burton-on-Trent factory. Construction has commenced and should be completed by the end of 1949. This, with the additional machinery that will be installed upon completion, will increase our productivity, give us greatly needed room for additional storage and make for more economical operation.

With regard to the prospects of the ensuing year to June 30, 1950, shareholders will be pleased to hear that we are busier than ever in the long history of the business. Your company's merchandise commands a ready sale at home and abroad and, given circumstances as they are today, it would appear that we should have a good year of business.

Your company's subsidiary Wesley and Clark Engineering Company Limited, has had a successful year and has delivered machinery to the export market to the extent of 58 per cent. of its total production, and has a well-filled order book for home and export trade.

Again your directors desire to place on record an acknowledgement to all grades and sections of employees for the satisfactory work that has been accomplished during the year under review.

The report and accounts were unanimously adopted and a final dividend of 14½ per cent., less tax, making 22½ per cent., less tax, for the year, was approved.

WILLIAM DOXFORD AND SONS

SATISFACTORY ACCOUNTS

The 57th annual general meeting of William Doxford and Sons, Limited, was held on October 28th in London.

Mr E. P. Andreae, Ph.D. (the chairman), in the course of his speech, said:—

Once again I have pleasure in submitting for your consideration a very satisfactory statement of accounts covering the year ended June 30, 1949. After providing for taxation, a net profit of £237,163 is shown, as compared with £192,174 for the previous year. I have, in the past, drawn attention to the growing importance of our marine engineering department, which centres around the now world-famous Doxford oil engine and the ancillary development connected with it. This has naturally called for the employment of large sums on capital account, and has proved to be a very important contributor to the profits of the company, by widening its scope far beyond that of the actual shipbuilding activities. In other words, I think it advisable to make it clear, at the outset, that the expansion of turnover in directions other than the building of ships has materially contributed to the increase in our profits.

Your directors recommend the same dividend and bonus as has been paid for the last two years. In addition, they have decided that it would be prudent, and in the interests of the company, to capitalise £50,000 of the undivided profits resulting from the ploughing back of profits in past years, and to distribute this amount in the form of fully-paid shares amongst the ordinary shareholders in proportion to the number of shares held by them.

NEW SHIPS

During the year under review we completed and delivered to their owners five cargo ships and two oil tankers, all powered, of course, by Doxford oil engines. In addition, several sets of our engines were built by us and installed at our Palmers Hill quay in ships built by other shipbuilders.

Our Palmers Hill works, primarily equipped to meet the ever-increasing demand for spare parts and maintenance work, continues to be of great value to the company. The Doxford oil engine continues to command the confidence of the marine engineer. During the past year we have issued four additional licences to engineering firms at home and abroad, and they will shortly commence building to our designs.

Another new departure which has been recorded with much interest in the technical papers was the recent completion, and highly successful test-bed trials, of an engine of much smaller power than our usual design. This engine develops 1,100 B.H.P. on service, and will be fitted in a large trawler now under construction in Scotland. We are very hopeful that this and other designs in the low power range will still further extend our activities.

What effect devaluation of sterling is going to have on our industry is, as yet, unpredictable. Time alone will show. In so far as our own company is concerned, I can with confidence say that the immediate future is assured. We have contracts on our books which will certainly keep us well employed for the next two years. Beyond that, I cannot express any opinion, but I am sure that with our up-to-date shipyard and engine works, we shall, even in bad times, be able to obtain a fair share of any orders that may be forthcoming.

The report was adopted

FRAS. HINDE AND SONS, LIMITED

CONTINUED OUTPUT INCREASE CONTRIBUTION TO EXPORT DRIVE CAPT. W. M. H. POLLEN ON THE OUTLOOK

The twenty-fifth annual general meeting of Fras. Hinde and Sons, Limited, was held, on October 26th, at St. Mary's Silk Mills, Norwich, the chairman of the company (Capt. W. M. Hungerford Pollen, M.C.) presiding.

The following is the statement by the chairman, which was issued with the report and accounts:—

Ladies and gentlemen.—Once again I have to tell you of a tragic loss. Mr C. Walden, secretary and a director of this company, died on January 30th after a short illness. He had spent more than 20 years of his life in this service to which he gave his unremitting care, devotion and loyalty. This sad loss was a great grief to all of us who worked with him.

Mr A. L. L. Arnold, a senior employee of the company, has joined the Board. He is our dyeing and finishing manager, and also has long experience in every department of our business. We feel sure that we have gained great strength from his appointment to the Board. Mr Arnold holds office until the forthcoming annual general meeting, when he will retire under the provision of the articles of association and offer himself for re-election.

Another loss to the company will be the retirement of Mr E. F. Williamson on his attaining his seventieth birthday. We value his services very highly, and much regret to announce his decision not to offer himself for re-election at the annual general meeting.

TRANSFER OF LOOMS

The transfer of our looms from their makeshift positions to the new weaving shed was accomplished without interfering with production. Indeed, for the third year in succession, I am able to report an increase in yardage woven, in spite of the rigid standard of perfection on which we insist. The money value of our production is, however, lower, as we decided to foster and increase our export markets by reducing our profit margin. This has been successful in spreading the good name of our fabrics as well as contributing to our country's need for hard currency.

The second phase of our rebuilding at St. Mary's is progressing well and new looms are being delivered. At Mile Cross and Oulton Broad we have carried out extensive repairs and maintenance work which we could not do previously, indeed, our plant and buildings are now in better order than they have ever been in before, and we hope to see greater production from them in the near future. The third phase of reconstruction at St. Mary's is now being planned so as to complete our war damage replacements.

DIVIDEND MAINTAINED

The accounts show a reduced trading profit for reasons already stated, and we do not consider it wise to increase the dividend of 25 per cent. Income tax and profits tax absorb £58,000 in respect of the current year's trading. Stock in trade at £159,026 is £18,172 higher than last year; the increase is explained by the necessity of carrying greater stocks of raw materials to supply increased production. You will notice that a new reserve of £60,000 has been created under the heading of reserve towards the increased cost of replacement of fixed assets. £35,000 of this comes from the current year's profits, and to this has been trans-

COVENT GARDEN PROPERTIES COMPANY, LIMITED

RECORD PROFITS

The twenty-fifth ordinary general meeting of Covent Garden Properties Company, Limited, was held on November 3, in London, Mr Louis Nicholas, J.P., F.C.A., the chairman, presiding.

The following is an extract from the chairman's circulated statement: The aggregate profits of the company and its two subsidiaries, English Property Corporation, Limited, and Sanctuary Buildings, Limited, amounted for the year ended June 30, 1949, to £409,695, which compares with £406,216 for the year ended June 30, 1948.

The profits for the year ended June 30, 1948, were the highest in the history of the company, and these profits have been more than fully maintained in the year under review. The gross income of Covent Garden Markets and the surrounding property belonging to your company again shows a slight increase, but the net income shows a small decline over that of the previous year, resulting from the increased charge for rates caused by an increased assessment and additional expenditure upon repairs and other outgoings.

During the year the company obtained the necessary licenses to carry out a large number of the repairs to markets and other properties belonging to the company and its subsidiaries. A large proportion of this work has now been carried out and it is hoped to complete it during the current year.

The net profit of the company is £109,176, as compared with £85,975 last year. To this has been added the amount brought forward from last year, and the sum of £10,000, a provision made in past years for possible losses on loans on mortgage which is no longer required, bringing the total profits available up to £180,203.

DIVIDEND ARREARS PAID

Out of this sum your directors have paid or provided for the dividends on the Preference shares for the year, and have paid the dividends on the Eight per cent. Preferred Ordinary Shares for the two years ended June 30, 1947, and propose to pay a further two years' dividend on the Preferred Ordinary shares immediately after the general meeting, which payment will discharge all outstanding arrears of dividend upon these shares up to June 30 last. After giving effect to these proposals, there will remain a balance to be carried forward unappropriated in profit and loss of £61,953, as compared with £61,027 brought in.

Last year I reported to you that the Government had given notice of its intention to acquire under the Town and Country Planning Act, 1947, the Royal Opera House, but after negotiations the Ministry of Works has agreed not to proceed with the compulsory acquisition of this property, but to take a lease for a term of 42 years, with an option on its part to break after the 21st year, upon terms which your directors consider satisfactory. This lease has not yet been completed.

It is most difficult under present conditions to give any estimate of the results for the current year, but up to the present I am pleased to say profits of the company have been well maintained. If the profits for the year ending June 30, 1950, are not less than those of last year and nothing unforeseen takes place, the directors hope to be able to then recommend a small dividend on the Ordinary shares.

The report was adopted.

ferred the existing reserve for postwar reconstruction. The reason for this reserve is that the provisions for depreciation have been based on the original cost of the assets, which is vastly below the present costs of replacement.

HIGH QUALITY FABRICS

Export markets open and close with bewildering suddenness and prices are far more competitive. The former is very difficult to cope with, though the latter indicates a return to normal healthy trading conditions. We base our hopes for the future on our increasing output, and the production of the finest quality pure silk fabrics with which we are primarily concerned; a large part of our production will continue to be the best quality nylon and rayon fabrics, and we are always on the lookout for new raw materials, which can be used in the highest quality fabrics. We have orders that will keep us in full production for many months to come, and we feel sure that whatever the coming year may bring there will always be a demand for the best quality goods in which we specialise. No one can predict what profits will be, as the increasing cost of production and the opening and closing of export markets are matters that we cannot control.

On behalf of the board and shareholders, I would like to thank most sincerely the managers, the staff and the employees at all our mills for their hard work, loyal service and splendid co-operation during the past year.

The report and accounts were adopted and a dividend of 25 per cent. was declared on the ordinary shares for the year ended June 30, 1949.

The retiring directors, Mr L. G. Beveridge and Mr A. L. L. Arnold, were re-elected and the remuneration of the auditors, Messrs Price Waterhouse and Co. was fixed.

FINNEYS SEEDS LIMITED

ANOTHER SUCCESSFUL YEAR

The third annual general meeting of Finneys Seeds Limited was held on October 25th in London, Mr Ernest Cornwall, the chairman, presiding.

The following is an extract from his circulated statement:—

In presenting the accounts of Finneys Seeds Limited for the twelve months ended June 30, 1949, the bi-centenary of the chief operating company, it gives me great pleasure to report another successful year's trading with a satisfactory profit, although it is less than the record figures of last year. We have made sufficient to repeat the dividend at 12½ per cent. The turnover has been well maintained, but in common with every other business we find that costs continue to rise. However, we start the third century with a sound record of experience and a healthy, progressive business.

The agricultural side of the business has been good, but there has been some recession on the horticultural side, primarily due to the large importation of foreign vegetables, especially onions. The heavy cost of imported foodstuffs should result in every encouragement being given to the producer in this country, but I do not think that all that could be done in this direction is being done.

The weather for the harvesting of almost all seeds during recent months has been excellent, and probably never have seed crops been gathered in such perfect conditions, so that the supply of home-produced seeds for next year should be of the highest quality.

Our endeavour is to produce and handle only the finest stocks and strains of seeds for agriculture and horticulture of the highest possible standard. We have every confidence that progress will continue to be satisfactory.

The report was adopted

Investment Statistics

Company Notes

D. and W. Murray.—Total group profit increased from £416,264 to £470,593 and net profit from £158,511 to £180,807 in the year ended July 19, 1949. The dividend and bonus again total 17½ per cent.

Amalgamated Anthracite.—Consolidated profit amounted to £279,944 (£271,617) in 1948.

Higson's Brewery.—Group trading profit declined from £231,345 to £125,072 in the year to September 30, 1949. A total distribution of 25 per cent is recommended for the year (30 per cent).

Morphy-Richards.—Consolidated profit increased from £114,156 to £131,772 and net profit from £37,214 to £41,798 in the year to June 30, 1949. A total distribution of 160 per cent is recommended for the year (same).

John Crowther.—Group trading profit increased from £466,194 to £513,815 and net profit from £179,845 to £196,401 in the year to June 30, 1949. Net current assets at year end amounted to £1,511,648 (£1,332,211).

Electric and Musical Industries.—Consolidated net profit amounted to £346,720 (£498,192) and parent company's net profit to £206,250 (£143,000) for year to June 30, 1949. The dividend of 6 per cent and 2 per cent bonus are repeated.

British Celanese.—Increased turnover, particularly in export sales, resulted in an expansion of group profit from £3,671,489 to £3,885,764 in the year to July 2, 1949. Net expenditure on buildings, plant and machinery amounted to £1,444,423 and on maintenance (including deferred repairs), £1,070,555. Net current assets at the year-end were £7,165,139 (£7,301,587). Stocks increased from £3,290,731 to £3,352,459 and debtors declined from £1,744,302 to £1,566,389. Liquid funds amounted to £6,290,609 (£5,749,913) at July 2, 1949.

Courtaulds.—It is intended to form a new company to operate in Australia with a nominal capital of £A10,000,000. The sponsors include leading Australian financial and industrial interest. The greater part of the share capital will be raised in Australia.

North British Rayon.—Trading profit of group amounted to £163,421 (£167,519) in year to June 30, 1949. A dividend of 10 per cent is recommended for the year.

Financial News.—Consolidated profit amounted to £116,749 (£120,343) in the year to June 30, 1949. A total dividend of 60 per cent for the year is recommended.

Trinidad Leaseholds.—Net profit for the year to June 30, 1949, was £548,134 (£653,510), after charging depreciation, £681,387 (£641,979), taxation £1,485,000 (£1,750,000) and adding £139,836 (£304,274) to internal reserves; an appropriation of £300,000 (£400,000) is made to other reserves. A dividend of 8.4d., tax free per 5s. stock unit has been recommended.

Southern Malayan Tin Dredging.—Net profit for the year to June 30, 1949, amounted to £156,000 (£157,528). A final dividend of 3d. per share is recommended, equivalent to 1½ per cent on total capacity invested in business.

The Borneo Company.—Net profit declined from £135,602 to £93,998 in the year to March 31, 1949. The dividend has been raised from 5 per cent to 7½ per cent.

Southern Kinta Consolidated.—Trading profit increased from £157,279 to £632,705, and net profit from £55,779 to £155,970 in the year ended March 31, 1949. A dividend of 22½ per cent is proposed for the year.

Wright's Biscuits.—Group profit increased from £232,857 to £297,755 in the year to June 30, 1949. The final dividend of 50 per cent is unchanged, making 65 per cent for the year.

Capital Issues

Macowards.—Shareholders are to be offered 150,000 4s. ordinary shares at 8s. per share.

Brand and Co. (essence and sauce makers).—Arrangements are being made to place 150,000 five per cent redeemable cumulative £1 preference shares. In addition to the new preference issue there is outstanding £150,000 in £1 ordinary shares.

Hiram Walker and Sons (whisky distillers).—A debenture issue of £1,000,000 in £500,000 four per cent "A" debenture stock, 1954, and £500,000 four per cent "B" debenture stock, 1959, has been placed privately.

Constructors.—Application has been made to deal in £150,000 5½ per cent cumulative £1 preference shares. Capital consists of £250,000 of which £150,000 is in the above preference issue and £100,000 in 5s. ordinary shares.

Ankobra River Power.—A debenture issue of £150,000 five per cent mortgage guaranteed debenture stock, 1962, has been placed at 98 per cent.

Winterbottom Book Cloth.—Treasury approval has been given to capitalise £427,384 of reserves by issuing one £1 ordinary share for each four £1 shares held.

New Issue Prices

Issue	Issued	Price, Nov. 2, 1949
Arrow, 5½% Pref.	20 5	20 5-20 9
Barbados Elev., Prof.	21 0*	19 3-20 3
Bosham Food, Prof.	21 0*	19 6-20 6
Charles (T.), 2½%	22 0	3 14-3 7½
Crowther (Holdings), Prof.	22 0	22 14-22 7½
East African Power, Prof. (10% paid)	20 0	7½d-4½d dis
Do. Ord. (20% paid)	30 0	2 7½-2 10 100m
Goathurst, 1½% Pref.	2 3*	2 6-2 3
Gray's Carpets, D.B.	100	96-97
Haden, 5½% Pref.	20 6	19 0-19 9
Harland Eng., 5%	5 0	3 0-3 5
Do. Pref., 10% (6 5 paid)	11 5	6 0-7 0
Island, 5½% Pref. (25 paid)	99	21-11 dis
Do. 4½% Pref. (15 paid)	20 0	4 3-4 3
New Zealand, 3½% (25 paid)	98½	12-13 dis
N. Rhodes, 1963-65	97	96½-96 8
Rotary Hoos, 5%	16 0*	11 12-12 5
Smith, W. H. (Hdls) A.	40 0	39 6-40 0
Do. 4½% Pref.	8 0	7 9-8 5
Do. 4½% Pref.	20 0	21 6-22 0
Do. 7½% Pref.	80 0	1½-1½ pna
Vereeniging Est. (L)	100	15-17
Whitbread, D.B. (20 paid)	20 0*	19 3-20 3
Wilmot-Broaden, Prof.		* Placing

EXCHEQUER RETURNS

For the week ended October 29, 1949, total ordinary revenue was £79,975,000, against ordinary expenditure of £62,188,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £9,767,000, the deficit accrued since April 1st is £27,382,000 compared with a surplus of £242,071,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Oct. 30, 1948	April 1 to Oct. 29, 1949	Week ended Oct. 30, 1948	Week ended Oct. 29, 1949
ORDINARY REVENUE					
Income Tax	149,000	443,571	439,254	10,769	13,202
Surtax	105,000	27,550	38,500	550	1,100
Stamp, etc., Duties	176,000	102,660	110,700	3,900	3,900
Excise	48,500	32,713	29,100	1,600	1,400
Ports Tax	240,000	90,382	156,460	7,851	6,400
E.P.T. Refunds	62,700	62,700	25,300	300	700
Other Inland Rev.	1,000	109	80		
Special Contributions	25,000	18,600	14,800	1,050	300
Total Inland Rev.	208,550	778,221	814,194	26,020	27,002
Customs	829,650	469,408	455,013	14,007	12,440
Excise	665,600	434,200	406,000	37,300	35,600
Total Customs & Excise	1,495,250	903,608	861,013	51,307	48,040
Motor Duties	54,000	10,887	10,823	519	468
Seas and War Stores	44,000	68,457	63,967	74	
Surplus Receipts (from Trading, P.C. (Net Receipts))	18,000	826	14,045		
Wireless Licences	12,000	5,360	5,940	1,185	1,350
Ocean Landings	1,000	590	420	190	120
Receipts from Sundry Loans	20,000	9,142	10,466		
Miscell. Receipts	50,000	92,617	46,431	2,016	2,995
Total Ord. Rev.	3,777,750	1,869,708	1,827,298	81,311	79,795
SELF-BALANCING					
Income Tax on E.P.T. Refunds	159,630	85,980	89,200	4,700	4,700
Income Tax on E.P.T. Refunds	5,700	4,536	6,471	182	474
Total	3,942,080	1,955,222	1,926,698	86,193	85,149

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Oct. 30, 1948	April 1 to Oct. 29, 1949	Week ended Oct. 30, 1948	Week ended Oct. 29, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	285,522	280,693	...	...
Payments to N. Inland	30,000	13,053	20,468	1,047	3,673
Other Govt. Fund Services	12,000	3,798	5,969	52	55
Total	527,000	302,373	307,130	1,099	3,728
Supply Services	280,207	131,582	153,784	61,730	58,460
Total Ord. Expend.	3,329,707	1,618,195	1,844,914	62,829	62,188
Sinking Funds	...	9,442	9,767	30	...
Total (excl. Self-Bal. Expend.)	3,329,707	1,627,637	1,854,681	62,859	62,188

Self-Balancing	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Oct. 30, 1948	April 1 to Oct. 29, 1949	Week ended Oct. 30, 1948	Week ended Oct. 29, 1949
Self-Balancing	159,630	85,980	89,200	4,700	4,700
Income Tax on E.P.T. Refunds	5,700	4,536	6,471	182	474
Total	349,530	171,813	195,352	67,362	...

After increasing Exchequer balances by £121,470 to £2,092,230, the other operations for the week decreased the gross National Debt by £14,597,218 to the £25,608 million.

NET RECEIPTS (£ thousand)		NET ISSUES (£ thousand)	
Interest on National Debt	593	Post Office and Telegraphs	428
Raising (Temporary Accommodation) Acts, 1944 and 1947	8,049	E.P.T. Refunds	578
	8,642	Guarantees Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	10
		Local Authorities Loans Act, 1945, s. 3(1)	6,650
		New Towns Act, 1946, s. 12(3)	760
		War Damage: War Damage Commission	3,060
		Finance Acts, 1946 and 1947, Postwar Credits	548
			11,711

Statistical Summary

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	14,159	Nat. Savings Certs.	350
2½% Def. Bonds	25	3½% Def. Bonds	424
Tax Reserve Certs.	5,713	Other Debt	101
Other Debt	13,364	Ways & Means Advances	27,485
		Treasury Deposit Receipts	19,500
	33,261		47,860

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1948						
Oct. 30	2250.0	2424.6	278.5	...	1435.0	6388.1
1949						
Aug. 6	2230.0	2247.7	331.1	...	1224.0	6042.8
" 13	2260.0	2228.1	312.6	...	1199.0	5999.7
" 20	2300.0	2237.3	326.3	1.25	1189.0	6055.8
" 27	2330.0	2231.2	310.8	...	1169.0	6040.9
Sept. 3	2380.0	2231.7	357.6	1.25	1122.0	6092.6
" 10	2430.0	2238.5	357.8	0.75	1078.0	6105.1
" 17	2490.0	2272.2	346.4	1.5	1026.0	6136.6
" 24	2540.0	2241.2	390.6	4.8	970.5	6147.0
" 30	4813.9	415.0	6.3	...	911.0	6145.1
Oct. 6	2650.0	2226.5	398.8	4.3	870.5	6150.1
" 15	2710.0	2218.7	369.7	12.5	836.5	6147.4
" 22	2773.0	2210.1	400.9	11.5	797.5	6190.0
" 29	2830.0	2164.3	384.7	0.3	778.0	6157.2

TREASURY BILLS (£ million)

Date of Tender	Amount		Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1948				
Oct. 29	170.0	291.1	170.0	10 1.46
July 29	190.0	321.6	190.0	10 4.99
Aug. 5	200.0	309.4	200.0	10 5.36
" 12	210.0	275.7	210.0	10 6.03
" 19	200.0	287.4	200.0	10 5.64
" 26	220.0	263.5	220.0	10 5.33
Sept. 2	220.0	305.9	220.0	10 2.58
" 9	230.0	261.1	230.0	10 3.43
" 16	220.0	261.9	220.0	10 3.46
" 23	230.0	277.6	230.0	10 3.32
" 30	220.0	283.3	220.0	10 5.84
Oct. 7	230.0	272.8	230.0	10 5.92
" 14	230.0	261.1	230.0	10 5.84
" 21	230.0	294.5	230.0	10 5.64
" 28	230.0	296.5	230.0	10 5.62

On October 28th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 68 per cent of the amount applied for at 199 178. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 199 178. 5d. and above in full. £250 million (maximum) of Treasury Bills are being offered for November 4th. For the week ended November 5th the banks will be asked for Treasury deposits to a maximum of £30 million at 6 months.

NATIONAL SAVINGS (£ thousand)

	Week Ended		Total, Apr. 1 to Oct. 22, 1949
	Oct. 23, 1948	Oct. 22, 1949	
Savings Certificates	2,200	1,900	60,400
Receipts	2,000	2,500	70,650
Repayments	200	Dr. 600	Dr 10,250
Net Savings	800	475	16,560
Debt Bonds	1,067	719	22,476
Receipts	Dr. 287	Dr. 244	Dr. 6,118
Repayments	11,699	11,561	351,806
Net Savings	10,612	11,706	378,644
P.O. and Trustee Savings Banks	1,687	Dr. 145	Dr 26,748
Receipts	1,687	Dr. 989	Dr 42,916
Repayments	360	510	14,059
Net Savings	2,332	2,366	70,998

BANK OF ENGLAND RETURNS

NOVEMBER 2, 1949		ISSUE DEPARTMENT	
£		£	
Notes Issued:		Govt. Debt	11,615,100
In Circulation	1260,048,177	Other Govt.	50,335,425
In Bank, Department	40,308,646	Securities	1288,178,896
		Other Secs.	794,207
		Com. other than gold	11,797
		And of Fid. Issues	1,300,000,000
		Gold Coin and Bullion (at 248s. 6d. per oz. fine)	356,823
			1,300,356,823

BANKING DEPARTMENT

Capital		Govt. Secs.	
£		£	
Rest	14,553,000	Govt. Secs.	394,093,941
Public Depts.	3,291,488	Other Secs.	50,335,425
Advances	64,771,688	Discounts and Advances	21,480,920
H.M. Treas.	10,023,976	Securities	28,834,499

Established 1843

One Shilling

WEST END BRANCH: 30A Bury Street, St. James's

London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD.
R. S. Farley, 111, Broadway, New York, 6.—Saturday, November 5, 1949.

THE ECONOMIST, 22, Ryder Street, St. James's,
London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail
Matter at the New York, N.Y., Post Office.

AT the age of 48 Georgi Malenkov is by any standards a formidable and successful man. As a leading member of the Politburo which rules the Soviet Union he was chosen this year to celebrate the anniversary of the Bolshevik revolution in the traditional speech before the Moscow Council. As secretary of the central committee of the Communist Party—the post from which Stalin wove his way to power—he must feel that he has under his hands the controls of world revolution. As recognised candidate for a part—or the whole—of Stalin's legacy of power he can afford to be second to none in the fervour and firmness of his dogma. As the expert on party organisation and as the emissary who helped to shape the Cominform for eastern Europe he is a maker of policy compared with whom Vyshinsky is but a tool. Much more than Stalin and Molotov he represents the ruling class created by thirty-two years of Bolshevism and Stalinism. His vision of the world outside the Soviet Union is not sharpened by memories of Russia before 1914; the ideological slang of his party comes spontaneously to his lips. If the peoples of the Soviet Union—and the world outside—are to be given a stocktaking of the present and a glimpse into the future, Malenkov is the man to do it, for he is a product not a pioneer of the Russian revolution.

It was a grim and horrifying picture of himself and the world as he sees it that Malenkov drew last Sunday. A picture of war held at arm's length only by the strength of the Soviet Union. A boast that never before in its history had Russia been surrounded by countries so friendly: the people's democracies of Poland, Hungary, Czechoslovakia, Rumania, Bulgaria, all "cemented by ties of eternal friendship"—with Korea, Mongolia, and China, also politically converted but with the cement not yet hard. Outside this charmed circle all is hostility, frustration and decay. The United States, says Malenkov, has a plan "to enslave the entire world" more crazy than the ambitions of the Nazis and the Japanese combined. Faced with an inevitable slump, it is planning to "create by violence and new wars" an empire "which is scaled to surpass all the world empires of conquerors that ever existed in history."

These are gloomy thoughts to broadcast over the Soviet Union on the eve of a national festival, tidings that might be expected to make flesh creep in an audience less experienced than the one that Malenkov faced in the Bolshoi Theatre. But, as Hitler used to, he defied the monsters of his own fantasy. A third world war would be "the grave of capitalism"; the game is up for "atomic diplomacy." The Soviet people, convinced of their own indomitable strength, are against war and for peace—they don't want to fight, but by jingo, if they do. . . . The imperialists, on the other hand, turn to military adventures, "because they fear the peace-time competition of Socialism."

It is wise to assume that Malenkov, like his predecessors on previous

anniversaries, is serious and that his ideas are an exact reflection of Stalin's. For practical purposes, it has to be assumed that the rulers of the Soviet Union do in fact believe that capitalism must die in their time, that its final convulsions will be violent and that the main purpose of their policy must be to hasten death—to restrain the convulsions. To all of them—as persons and as a group—it is a matter of life and death that their “scientific diagnosis” should be proved correct. All that seems hard to explain is treated with frightened abuse—Titoism, the effort of western Europe to unite, above all parliamentary Socialism in Britain and America's refusal to drift into a slump. The western world, they say, is doomed; but its efforts at recovery are sometimes so vigorous that they feel bound to assist the “historically inevitable” process of disintegration. Their method is the cold war.

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Malenkov's general argument shows no sign of a desire for agreement with the west, beyond a reference to the proposal of a pact of the Big Five “for the strengthening of peace,” made by Vyshinsky on September 23rd at Uno, too abusive to be taken seriously. But against this uniform and unchanging background, and within the strategy of the cold war there can be great variety and flexibility in Soviet tactical method and aim. There is room there for a “peace campaign” and a rearmament budget side by side; for preparations to withdraw from Europe and steps to take a firmer foothold there; for policies which simultaneously encourage the nationalists of Germany in their denunciations of the Oder-Neisse frontier and the Poles in their hope that the Russians will stand by them against the Germans; for assurances that the Soviet and American systems can live side by side in peace and promises that the ultimate aim is world revolution.

It is because of this ability of Stalin's to keep two balls in the air at once that Malenkov's speech was given special significance by the news from Warsaw that came on the following day. It was announced that Marshal Rokossovsky had become Minister of Defence of Poland; and the Marshal, by birth a Pole, marked his arrival in Warsaw by issuing an order to officers and men of the army

to protect Poland, her independence and sovereignty, to guard her boundaries on the Oder-Neisse Line and the Baltic Sea, and to tighten brotherly relations between Poland and the Soviet Union.

Clearly, the appointment of a military leader so unpopular among Poles who remember the tragedy of Warsaw's siege, can be interpreted in two ways: as a sign that Moscow is so worried by the spread of Titoism that it feels bound to gain direct control of the strongest army in eastern Europe and to integrate it with the Red Army; or that it intends to rely on Poland as the bulwark against resurgent Germany. It can be read as a sign of distrust or trust of the Poles. If it means the former, then it can be assumed that the Soviet Government still has hopes of winning the allegiance of a united Germany to its system. If it means the latter then, for the time being at any rate, the Germans take second place to the Poles in Stalin's good books.

It is on this point that Malenkov's speech throws some light. His references to Germany were long and explicit. The German question, he said, “cannot be

solved unless German democracy takes into its own hands the fate of its country.” The Ruhr magnates must be dispossessed and “radical democratic change carried out.” The establishment in eastern Germany of the Pieck Republic meant that

requisites for the radical solution of the German problem are already being created there on a democratic foundation.

In round terms this means that it will be henceforth Soviet policy to offer the east German state such political and economic favours as will enable its leaders to bid for and win leadership of nationalist feeling throughout Germany, regardless of party. So much was already implied in Stalin's telegram on October 14th to Herr Pieck. Last Sunday Malenkov was merely breaking the news to the Soviet public.

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Obviously the men of the Kremlin have had to wrestle with precisely the problem which has been exercising the three western Foreign Ministers in Paris this week—how to build up and profit from the political and economic strength of the Germans without endangering security and alienating allies. They have the advantage that they need not publicly explain their policies, that they can swing rapidly from one tack to the other, the course always remaining the same. And that in turn enables them to consider bids in the auction for Germany which are out of the question for the western governments. They could now, if they wished, withdraw all troops from eastern Germany; although they would run risks in doing so. For the western governments it is not possible to contemplate such a withdrawal for a long time to come—nor do the western Germans want the occupation troops to go. Having reassured the Poles with Marshal Rokossovsky's pledge about the Oder-Neisse line, the Russians can now give the eastern Germans a certain freedom in their foreign relations whenever they think fit. The western governments are not inclined to do this. Having tightened their grip on eastern Europe with the purges and trials of the last months, the Russians can secure for the eastern Germans such economic and other advantages as the satellites have to offer. The western governments can—on present plans—only offer Marshall Aid up till 1952, and even that now seems doubtful.

What in fact the Russians do, which cards they play, depends to a great extent on what Mr Acheson, Mr Bevin and Mr Schuman now do for western Germany, and on the extent to which the efforts for European recovery and defence look like succeeding according to timetable. The west still holds the initiative in the diplomatic struggle, and it is perhaps for that very reason that it is showing signs of serious disagreement for the first time since 1947. It is only by keeping constantly in mind what are the ultimate purposes of Soviet policy and the means by which they can be frustrated that the American, British and French governments can overcome the differences of aim and method which are now appearing. There are signs that the Soviet Government are prepared for a tactical retreat in Europe if they are convinced that their German policy is failing; but of that they will not be convinced until it is clear that western policy in Germany is succeeding. To create the conditions for that success is the main task of Mr Bevin and his colleagues in the months ahead.

Economic Liberation

THE programme of action that has been put forward in earlier articles consists of four separate but closely connected policies. Two of these—an effective disinflation and a reduction to £3,000 million of the taxes levied by the central government—were discussed last week. The remaining two—a liberation of the economy from its present restrictive bonds, official and private—fall to be discussed in the present article. To single out these four policies is not, of course, to imply that there are not plenty of other lines of action that ought to find place in a complete programme. One requirement—that the basic canons of social justice should not be infringed—can, indeed, almost be regarded as a policy in its own right. But the selection of these four can be justified because they form together a coherent emergency plan for surmounting the present crisis of the British economy. These at least are necessary if the economy is to survive; the other desirable things can come later, as the fruits of survival.

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Virtually the whole of the present official apparatus of price control has been built up in the past ten years. Price controls are not, of course, the only form of governmental economic controls, or even, in their impact, the most irritating and obstructive. But they are the fundamental controls; all the rest of the apparatus—rations, allocations, quotas—follow in the wake. If demand and supply are not allowed to adjust themselves to each other by the normal route of rising prices, they must be brought together either by the sweat of the administrative brow or else by queues, favouritism and corruption. But if it becomes no longer necessary, or desired, to prevent prices from following their natural course, most or all of these other controls can be dispensed with.

The reasons for instituting price control, at its inception in wartime, were compelling. War always leads to an excess of demand over supply—partly because supplies are limited and partly because demand is swollen by monetary inflation. To allow this excess of demand to have its “natural” effect of raising prices would, in wartime, be disastrous; it is worth running any risks of making the economy rigid and of muffling its usual motive powers to avoid the still greater evil of a runaway inflation. When the war is over, many of the shortages are rectified; moreover, the perils of rigidity become greater and greater as time passes. But so long as the general situation remains inflationary—so long, that is, as the demand for goods-and-services-in-general exceeds the supply of them—it is still the lesser evil to maintain the controls.

That is why it is not a sensible policy simply to call for the removal of controls—“set the people free.” To do this so long as the inflation lasts would simply be to set off the old familiar spiral of prices, wages and costs chasing each other upwards. It would do great social injustice and fatally undermine the external credit of the currency. What is more relevant to the immediate argument, it would do little or nothing to stimulate the natural adjustment processes of the economy, without which there can be no hope of restoring its efficiency. It serves no useful purpose for all prices to rise indiscriminately.

An effective disinflation is therefore an essential preliminary to any process of liberation. But if it were once boldly carried out, much of the economy would liberate itself almost automatically. As was pointed out in a Note of the Week in the last issue, “it takes just as elaborate and costly an apparatus to sustain the consumer, as it were, a couple of inches above *terra firma* as to hold him safely up over the deepest abyss of exploitation.” There is not a great deal of inflation in the British economy; there are many commodities where demand is only slightly above supply; but it is the marginal two inches that causes the trouble and keeps the whole economy suspended rigid. If the total of demand could be lowered the requisite two inches, much of the control apparatus would fall away—that is to say, the market prices for a large number of commodities would fall below their controlled prices, and quotas (or coupons) would go a-begging.

It would not be enough, however, to rely on this automatic liberation. What is here proposed is that, an effective disinflation having first been produced, there should be a deliberate attempt to sweep away as many of the price controls, and their attendant rationing, allocation and quota schemes, as is humanly possible. It should be clearly recognised that it would not be nearly enough to make a bonfire of those controls that would by then have ceased to be effective—Mr Harold Wilson does that from time to time—but the axe would also have to fall on other controls that would still be effective—that is, where the abolition of the control would lead to a rise in the market price.

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This is an essential element in any policy of liberation. We are, however, as a nation, so accustomed to the policy of first creating inflation and then trying to stop it from having its normal effect that any deliberate talk of raising prices sounds like treason. But the whole purpose of a policy of liberation is to allow individual prices—and wages—to move relatively to each other. To create conditions in which “movement relatively to each other” excluded any increases would involve a very severe deflation indeed, with massive unemployment. It is not even necessary to insist that there should be more decreases than increases; the policy should deliberately envisage some increase, on the average, in the rates of wages, if thereby the competition and the movement that can alone increase efficiency and lower costs can be secured. If the home market is made less profitable, the profits of selling to America at the new rate of exchange will become more attractive, and if the industries that can reap those profits are allowed to collect the materials and the labour they want, by bidding them away from others, higher wages would be the means to larger exports. There is all the difference in the world between the indiscriminate, spiralling rise in all wages and prices that Sir Stafford Cripps is trying to avoid—rightly, since he has not eliminated the inflation from the system—and the discriminating increases that are here proposed, which would be a means to higher efficiency and lower costs. There is, of course, less room for this sort of manoeuvre within the rigid limit of a fixed exchange rate of \$2.80 than there would have

been with a more flexible exchange policy. But there is still enough room, provided that the disinflation is first made effective enough to secure that prices and wages rise only when there is a real economic justification for them to do so.

In any event, nobody should be under any illusion about the fact that a policy of economic liberation involves a rise in some prices and in some wages. But to this there is another set of familiar objections. To the extent that any prices rise, relatively to incomes, "rationing by the purse" is involved. Here again, the comment to be made is that this is precisely the object of the policy. To call it "rationing by the purse" is of course to put the most pejorative colour on it and create prejudice against it. But if it is put in another way and described as the policy of enabling those firms and industries and individuals to have a priority claim on the resources of the community who can make the most economic use of them, it becomes the obvious foundation of a policy aiming at the restoration of economic efficiency.

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Indeed, if efficiency were the sole object of policy, there should be no limits to "rationing by the purse." But social justice is a co-equal objective, and it must be recognised that in the present circumstances of Britain, a complete return to free prices would cause much hardship. There are some things—the staple foodstuffs most notably—where supplies are still absolutely short. It was proposed last week that the food subsidies should be removed (the ban on wage increases simultaneously being withdrawn); it would be asking too much to propose that, in addition to the increase in food prices that this would entail, there should be a further rise owing to the removal of price control. On the other hand, it would be a very large hole in the policy of liberation if the quarter of total consumption represented by food were entirely exempt from it. The way of escape from this dilemma may be by means of a two-price system for the basic foodstuffs, in which a certain quantity, the basic ration, is sold against coupons at an artificially low price and the rest of the available supplies sold freely at whatever price equates demand and supply. In Germany, this has been found an effective way of reconciling social justice and economic incentive. The "utility" principle—by which tax remission is used as a means of securing that a proportion of the total supply is made available at low prices—is, of course, another application of the same idea. The two-price system might also be extended to individual raw materials that are still absolutely scarce.

In these various ways, it is believed that virtually all prices could be brought within the ambit of the policy of liberation. In some cases, an effective disinflation would automatically dismantle the machinery of control; in others, a moderate rise in price would bring demand and supply together; and in the obstinate residuum of absolute scarcities, some scope for incentives could be provided by a two-price policy.

The whole policy could, however, be frustrated if the only effect of dismantling the public controls and restrictions were to reinstate a mass of private controls and restrictions. A price control or a quota scheme or a ban on new entrants is no less of an obstruction to the mobility on which efficiency depends simply because it is privately imposed. This is a problem that was growing in urgency long before the war, ever since the Conservative Govern-

ment decided, as a corollary to the Import Duties Act of 1932, to put a positive premium on cartelism in British industry. There is no need to go to the extremes of American anti-trust legislation. If security is to be one of the co-equal objectives of economic policy, there is obviously a case for reasonable security for the employer as well as for the employee. But if efficiency is also to keep its co-equal place—or, more accurately, to be restored to it—then there must be some retreat from the conditions of the 1930s. Nor is this retreat likely to be secured by such timid methods as the Monopolies Act of last year, which entirely excludes from its purview two of the biggest areas of restrictionism—the trade unions and the statutory corporations—and even where it does operate puts upon the attorneys of the public interest the onus of proving their case. Real progress will be made only by reversing this bias, by re-enacting the old prohibitions of the common law against all forms of combination in restraint of trade, and then putting upon those who wish to indulge in any of them the onus of proving that it will be in the general interest to grant them licence. Such a policy would not be popular with anybody. But it is essential in fact and in logic. Those who jib at it disqualify themselves from any complaining about the confining effects of government control.

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The four policies that have now been briefly expounded in this series of articles hang closely together. They are, in fact, completely interdependent, and a programme of reviving the motive power of the British economy cannot pick and choose among them. It will be impossible to secure an effective disinflation (as Sir Stafford Cripps has discovered, though he has not yet admitted it) unless there is also a sizable reduction in the burden of taxes, since taxation of the present height is itself strongly inflationary. To set prices and wages free without first squeezing the inflation out of the economy would be highly dangerous. To remove official controls would serve little purpose unless the private obstructions to flexibility were simultaneously reduced. Disinflation is a necessary preliminary to any restoration of flexibility; but, on the other hand, the more flexible and responsive to pressure the economy is made, the smaller is the degree of disinflation that will be needed, and the fuller employment can remain.

It cannot be claimed for the policy sketched out in these articles that it would be popular with all sections of the electorate. But it is claimed that it provides a logical and consistent means by which the British economy could be put upon its feet without any real sacrifice of the principles of stable employment and social justice. It is a policy that defines its objects and selects methods that are designed to attain them—and of what other policy now before the British public can the same be said? It is a policy that should be judged as a whole, and judged by its ultimate effects, not by its electoral impact. Only a government with its strength freshly renewed at the polls could contemplate it; but any government that made up its mind to seek national regeneration over the whole lifetime of a Parliament, rather than immediate popularity, would be bound to proceed on some such lines as those here set out. The last article in the series will enquire into the chances of such a government emerging from the coming general election.

Test Point in Malaya

DURING the past eighteen months Malaya has faced two dangers—Communism and economic recession. From the one it has been slowly and painfully rescued for the time being. The cost of the operation—still continuing—is something like £25,000 a day. From the other it has been temporarily saved by the drug of devaluation. But the question must now be faced: what next? How secure is Malaya in the brighter future which seems for the moment to be ahead of it? How does it stand in relation to long-term Communist pressure from China and elsewhere? And what, if anything, should now be done by the country's rulers, the British, to consolidate what has been gained?

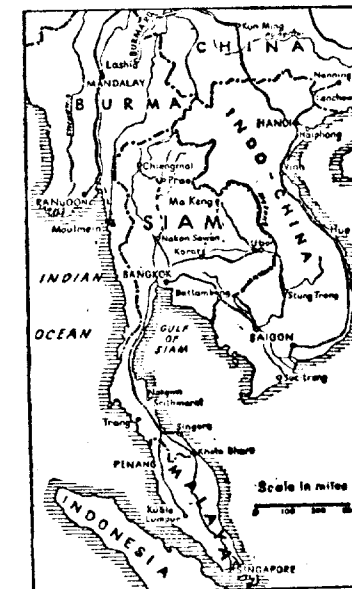
The campaign against the Communist bandits, who launched into rebellion in June of last year on instructions received at the Moscow-directed Asian Communist conference in Calcutta a few weeks before, has cost about 1,500 civilian and military casualties in killed, wounded and missing. An almost identical number of bandits has now been eliminated. To accomplish this, the British forces have been far more numerous, expensive and efficient than the resources of any small and independent Asian state could have provided on their own. But even although the rebellion has failed in the sense that it long ceased to have any chance of usurping power, this handful of a few thousand desperate men continues to hold up peaceful development over very wide areas. And this is not a situation which can continue indefinitely without doing lasting damage both to the political and to the economic life of the country.

Rubber, which provides Malaya's economic background, has lately been the medium of a threat even more fundamental than that of banditry to the territory's stability. Before devaluation, the price of natural rubber had fallen to about 10½d. a pound, a figure so low that only the better estates could operate with a reasonable margin of profit. Since devaluation, the price has risen to around 1s. 1½d. a pound, a level which enables the European estates, as well as the native producers, to make ends meet, so long as their costs are not also increased by a rise in the general price index—and particularly so long as rice continues to be available in adequate quantities from Burma. It would be too much to say that the Malayan economy has now been entirely relieved. The danger that widespread economic distress would soften up the country for Communism, by making normal life intolerable for a large proportion of the population, has, at least temporarily, been averted. But the uncertainties ahead are still so great that there is a noticeable tendency for the older Europeans in Malaya to get out while they still can, and a still more noticeable reluctance among young men in Britain to take up planting as a career.

The British administration, however, cannot so lightly turn its back on a difficult territory. Despite the two temporary gains that it has consolidated, it faces a complicated future. It is the last colonial power to occupy any substantial part of south-east Asia without opposition from the main weight of public opinion. Yet it must cater for a shift in that opinion occasioned by events to both north and south—both in Indonesia and in China. All eyes are therefore upon it. Malaya has

become the testing point of the existing order in South East Asia.

What are the influences which its British rulers must foresee and ward against if they are to maintain Malaya's security and prosperity? The first is the development of the Malayan Communist party. Malaya is, surprisingly enough, alone among the countries of south-east Asia in not possessing an active and lively organisation. (That in neighbouring Siam, for instance, numbers, with fellow travellers, at least 50,000.) The bandits should not be mistaken for a mass movement. The Malayan Communist party is 20 years old, but even when it organised popular resistance during the war through the Malayan Peoples Anti-Japanese Army, its strength never exceeded 10,000 members. But this figure may prove far from static. Now that the Communists have won their great victory in China, Chinese Communism is likely to exercise increasing influence in Malaya both because it is Chinese and because it is



Communist. Only the richer and better educated Chinese in Malaya have any real stake in the country and are assimilated. The other Chinese, the poorer and the less successful, are for the most part recent immigrants, and have never lost that elastic attachment to their homeland which is a characteristic of the Chinese however far afield they go. Now, with China itself Communist, these immigrants are bound to be more and more affected by events at home.

Some of them will, of course, be used as active agents by the men of Peking. Here the British answer must be so far as possible to restrict immigration, and to draw a line between the Chinese in Malaya who owe allegiance to Malaya and those who owe allegiance to China. But whatever happens the danger will be there.

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On the economic front some of the benefits accruing from the recent rise in the sterling price of rubber have already been described. Others are rubber's new cheapness in terms of dollars, and the American administration's undertaking at the Washington September talks to resume stockpiling and to lower the legal minimum use of synthetic in the United States. All these factors will probably help to consolidate the temporary turning point in the downward drift of the Malayan economy. It should, however, be Britain's first task to stress and go on stressing in Washington that this improvement must somehow be maintained—through a continuation of American purchases of rubber and tin—if the West is to retain a foothold and goodwill in this, the most favourable part of south-east Asia.

But how are these arguments to be reconciled with the antipathy of Americans and others to colonialism? Very few people in Malaya, least of all the Malays themselves, want to see the British go in the immediate future. Yet it is the declared object of British policy in Malaya, as in other colonial territories, to prepare for self-government—which, of course, includes the status of a dominion member of the Commonwealth. But already, quite apart from any question of Communist pressure, the British are out on something of a limb in Malaya. It is only the accident of racial rivalry and the even balance between Malaya's two and a half million Malays and an almost equal number of Chinese—not to mention the 750,000 Indians—which has left the British in undisputed control for far longer than either the French or the Dutch in their nearby territories. And, although delaying any serious movement for independence, these facts certainly cannot be expected to postpone it indefinitely in an area where national self-consciousness is marching as fast as it is in south-east Asia. Even if the inhabitants fight among themselves, they will all sooner or later want this part of Asia for the Asians. The question was mooted in London some months ago of making a public declaration that the British would not leave Malaya for at least ten, twenty or even thirty years. In the end no time limit was set. That was wise. But all plans broached in Washington or elsewhere for the future of the territory had best be based upon the assumption that a time limit is in mind.

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Against the advantages of talking terms, however, must always be offset one matter of overriding importance—the role that Malaya plays, or could play, in the cold-war planning of the anti-Communist Powers. There has been, hitherto, a division of opinion between London and Washington on this subject. The Japanese proved that Singapore was no fortress. Today many people in Washington doubt whether any territory on the mainland of south-east Asia can ultimately be held against the rising tide of Asiatic Communism-cum-nationalism. But London, for economic rather than strategic reasons, takes a different view. Malaya's only

hope of sustaining its present relatively high standard of living—high, that is, for Asia—is to continue its present role in the sterling area. There, it is not only eminently prosperous internally, but an asset on a broader basis—as a leading exporter to the dollar world, contributing no less than one-fifth of that area's dollar earnings. If these assets are to be retained in the interests of all their present beneficiaries, the territory must have for some time to come all the defensive and administrative backing that Britain can give it. How far can this British point of view be made clear to Washington? The Americans are entirely unwilling to underwrite colonial regimes anywhere; but, to judge by Mr Bevin's recent talks with Mr Acheson, they seem to be changing their minds about Malaya. They are prepared, at least for the moment, to give a modest blessing to what the British are doing there. It is worth emphasising again and again to them that every British action must be trebly weighed—in the light of British and American needs in the cold war, of the sedate progress of an Asian state towards self-government on a non-Communist model, and, last but not least, of the effect of Malayan developments on relations with such vital members of the Commonwealth as India and Pakistan.

Devising the pattern of British policy for Malaya is therefore no light matter. It must be firm enough to keep bandits at bay, progressive enough to keep a jump ahead of Communism, tactful enough to suggest that a time limit is always in mind, popular enough to keep Malaya in the Commonwealth and the sterling area. The assignment would be simpler if the Malayan population were homogeneous. But if it were, the chance would not exist, for Britain would long since be on the road now being trodden by the Dutch in Indonesia and the French in Indo-China. The position constitutes the most crucial test which British overseas administration is at present facing. The cynosure of all eyes, it entails the handling, on an exposed promontory, of a difficult admixture of races. If the work of the next decade or so produces a friendly and prosperous member of the Commonwealth, there will be no more striking advertisement for British methods. If not, there will be one more twentieth-century tombstone to the western way of handling Asian peoples.

The Professional Practitioner

MUCH has been written of the changing economic and social position of the "professional classes"—a term that is generally a synonym for that section of the middle class not engaged in industry or commerce. What is frequently overlooked is the difference in the problems and fortunes of the salaried occupations—the civil service, teaching, soldiering and so forth—and the professions proper—that is to say doctors, surveyors, accountants, barristers and solicitors who live by charging fees for advice given or services undertaken in accordance with standards laid down by the profession itself. The latest National Income White Paper showed that, of total personal incomes, professional earnings still constituted 1.8 per cent in 1948, as they did in 1938, although the share of salaries and *rentier* incomes has diminished considerably. This indication that the professional practitioner is quietly holding his old position seems, as far as it goes, to suggest a reassuring stability. But is this anything more than the accidental balancing

out of opposing forces? Is the postwar flood of arrears of work and loose money still masking the first symptoms of a slow decline?

In the first place, there is in many professions a noticeable drain of younger men into salaried posts in industry and government. In architecture, the bigger opportunities offered by public works in their widest sense attract better men than formerly, although probably many of them will return to private practice when the peak of the government expenditure on housing and building and new towns has been passed and private building, both residential and commercial, revives. Medicine has evolved its own unique halfway house. Accountants are feeling a more permanent lure; nationalisation, and the new developments in cost accounting and scientific management, have combined to improve the salaries in openings for juniors by something like 150 per cent since 1938. Experienced accountants, at present, can earn high salaries in industry. So far as can be foreseen, this

trend towards salaries and away from fees is a permanent feature of accountancy; yet it is the office of the practising accountant which forms the nursery for the very distinctive set of professional methods and codes which is so demanded.

Similar trends are noticeable elsewhere. At present, the independent surveyor is in enormous demand in connection with war damage and town planning legislation, and though this boom is temporary, it may be that the need for this type of work is on a permanently higher level—yet even here the accumulation of property in corporate and official hands may lead to a growth in the proportion of salaried surveyors. With solicitors, however, the same forces work differently. There are comparatively few salaried posts of a lucrative kind to draw them out of private practice, but recruitment to the profession is falling off, which suggests, in part, a loss to comparable professions offering greater security than the uncertainty of living on fees. Certainly living on solicitors' fees has many drawbacks at present; scales, as regulated by law, have risen only by 50 per cent since 1881. Work such as conveyancing, buoyed up by rising values, has to be used by a firm of solicitors to subsidise its litigation work, which is often downright unprofitable.

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A second influence at work is the growth of professional occupations inside government departments and nationalised boards. Eventually it may be possible to reduce the number of professional employees for narrowly specialised purposes by training internal recruits to do the more elementary routine connected with their work. Some tasks, obviously, will always require minds with a thorough professional and technical training, but when the dust of reorganisation has settled, many accountants or doctors at present largely engaged on administrative work may be replaced by men with more limited skills. Accountancy is a case in point. The National Coal Board took into its service many practising accountants who are now working out the complex accounting problems of one huge concern, reducing them to a routine. The Exchequer and Audit Department provides a nucleus for a government audit system which in time might cut out the profession from the nationalised sector, as well as reduce the prestige of its methods in the private sector of industry. Similarly, solicitors and counsel suffer a loss of possible fields for litigation work whenever a national board replaces numerous small units in an industry.

Yet a third change in the climate of the private pro-

fessional man is the comparatively modern idea that his services should be made available, not only to those who can afford them or as occasional charity to the pauper, but to every member of society, irrespective of his means. The free legal aid scheme will probably mean, like the health scheme, an increase in the volume of work paid for at a slightly lower rate. Both professions were themselves strong advocates of state assistance to poorer clients, on grounds of social justice; both have ingeniously avoided a salaried service and kept their professional citadels intact.

But doctors in general practice already complain that in many localities they work harder for a smaller income; solicitors and counsel will receive for most types of "assisted" cases only 85 per cent of their already low scale, and although not all members will go on the panels the volume of work will probably affect the whole profession. It is perfectly reasonable to argue that (save for the question of justice to existing members) doctors and dentists, lawyers and barristers, should be prepared, in the long run, in return for an assured volume of work at the state's expense, to forgo something of the standards many professional people enjoyed when they largely took their chance of high fees from the well-to-do. But even on the narrowest view, any welfare scheme is uneconomic which eventually cheapens the quality of the services obtained. Status, in the last resort, is obstinately linked with income.

In the case of the Bar, it is notoriously difficult to estimate the volume of demand for counsel's services. One big constituent of the present boom, postwar divorces, will probably die down in a few years; another, running-down cases, cannot continue its phenomenal growth indefinitely. Looking ahead, say, thirty years or so, the shrinkage of the work of the Probate and Admiralty Courts and the Parliamentary Bar, the substitution, in many fields, of the internal decisions of government departments for legal disputes between firms or individuals (in the nationalised sectors of industry, for example) and not least the general decline in the public's taste for litigation, can only mean, in total effect, fewer practising barristers.

Finally, it may be expected that wider educational opportunities of the future will affect recruitment. Professions which article apprentices are finding article fees hard to obtain; good juniors of any kind are in short supply. Even accountancy's bright prospects have not prevented a steady decline in recruitment since the peak in 1931. Solicitors will have seriously to consider whether their conditions of training will continue to com-

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pete with the attractions of assisted university education for their proper share of the more studious and responsible products of the grammar school.

A greater adaptation of university courses to professional needs may solve the recruitment problems of some professions. The enlarged size of the universities may produce in time proportionately more aspirants to the dignities of architecture, medicine, dentistry or the Bar. Salaries which keep the wolf from the door immediately after qualifying will then influence an impecunious student's choice. Newly-fledged architects can now earn about £550 a year, and starting, as distinct from higher, salaries show the same tendency in most professions. Private practice, however, has two distinct costs of entry. The first that of qualifying; the second that of building up a practice or buying a share in one already established. In the future an increasing number of people will achieve the first step, but the proportion (and indeed the absolute number) of those who can afford to enter practice will probably decline. Nothing has altered the cost of entering private medical practice. Dental practice still has a costly threshold. The young barrister normally expects to cover his costs only after four or five years. It is not possible to foresee in any particular profession, or over the whole professional field, whether, if the intake of the relatively impecunious is increased, the number of salaried openings, in practitioners' offices or in industry or government, will be sufficient to absorb them. Even where it is, there is still the danger of destroying the existing balance between a profession's backbone of independent practitioners, and its salaried members.

One cannot generalise about earnings among so many individualists. All, however, have sharply rising expenses which solicitors estimate on an average as 70 per cent of their fees. Much as this may vary between firms, or professions, higher staff salaries seem a permanent feature. The large firm or partnership by extensive division of labour can utilise in the most fruitful way all the time of its more highly paid staff; in the small busi-

ness the time of the experienced man is likely to be filled in partly with work his juniors could do. The narrowing margin between fees and costs, therefore, may eventually force most professions towards concentration into those bigger units which tradition has, so far, held at bay. (This trend is already noticeable in stockbroking.)

"All professions," says one of Shaw's characters, "are a conspiracy against the laity." Certainly the standards they set and the fees they charge are accepted almost without question. It may not be good Marshallian economics, but it is an indisputable fact that the individual practitioner charges, not the marginal utility of a piece of advice, but a contribution to the status of his profession as a whole. It is less obvious, however, that because membership of an established profession gives a practitioner this freedom from the "higgling of the market" it also gives him, as an individual, a virtual independence of his employers. It enables him to resist financial pressure. It enables him, as an expert, to do what he thinks best—not what his client imagines should be done. It enables him, in short, to raise his standard of competence and conduct to heights which, on a purely commercial basis, he could not attain. His independence, therefore, while valuable to him, is even more valuable to the rest of the community.

The decline in the strength of the independent profession is not an urgent matter of today and tomorrow, nor is there any villain of the piece to dramatise the issues. But it should be a matter of genuine concern in a democratic society, for it is unquestionable that the maintenance of high standards of competence and conduct depends upon the private fee-earning practitioner, endorsed by a corporate professional body. If the private practitioner were to lose his foothold among the shifting economic forces of the future, the community would lose that unique combination of independence and integrity which his calling evokes—an independence which relates not only to professional standards, but which represents one of the strongest safeguards of genuine political and intellectual freedom.

NOTES OF THE WEEK

Fortnight in Paris

Swift and spectacular results are not to be expected from the short meeting in Paris between Mr Acheson, Mr Schuman and Mr Bevin. There has been little time to prepare the ground, partly because the new French government is barely a fortnight old, partly because no one was really expecting, until nearer the end of the year, a thorough review of policy towards western Germany. Of the events that have forced the three Foreign Ministers to revise their views about dismantling—for which they as a body, and not the British on their own, are responsible—the appearance of the Pieck Republic in eastern Germany and the calculated indiscretions of the American High Commissioner, Mr McCloy, stand out as decisive. It is as important for the future that the three High Commissioners should receive—and follow—identical instructions on a long-term policy as it is that the Bonn government should feel the curb exchanged for the snaffle, and show its paces as freely as the government in Berlin.

Mr Acheson may not have had an easy passage with his European colleagues. They and their officials are still recovering from the effects of watching Mr Hoffman last week pulling some of the strings attached to future Marshall Aid. They remember his rapt expression as he preached "inte-

gration" before the Council of OEEC, with a machine recording proceedings which are normally regarded as private, and cameras taking pictures of Europe being told to get busy. Mr Acheson's technique—indeed the whole approach of the State Department to the European governments—is more polished and understanding; but he may find his colleagues unready to move forward in their German policy the distance that good sense and foresight would seem to dictate. And for an American to broach the question of a more up-to-date French policy in Indo-China, which is not even controlled by the Quai d'Orsay, is to rush in where angels fear to tread—and where Mr Nehru is said already to have slipped and hurt himself.

Integration by Numbers

This fortnight of activity, during which almost every important committee that has anything to do with west European co-operation has been meeting in Paris, has produced a wide variety of results. Even in the secret sphere of defence, where progress should in some respects prove easier than elsewhere, some curious decisions have been made. It having been arranged that the north

European and west European regional planning groups under the Atlantic Pact should work in London, so as to economise in brains and offices, everyone expected that the south European-western Mediterranean planning group, consisting of France, Italy and Britain, would join them there. That was not good enough for French pride, so this group will work in Paris; this ensures much unnecessary expenditure of money and time by three governments that are short of both.

It is satisfactory, on the other hand, that the defence organisation of the five Brussels Pact governments is not to disappear into the pattern of the Atlantic Pact; this well-knit body with much good work behind it is to keep its identity.

Indeed, it is in limited regional groupings of this kind that the next advances towards Europe's "integration" seem likely. Sir Stafford Cripps's candid warning, in reply to Mr Hoffman last week, that Britain would do all it could to help, but would not necessarily join, such groups may induce some governments to give themselves the lead for which they looked to London. We may expect a number of facetious sounding but economically plausible combinations to come up for discussion for the next few weeks. "Fritalux" is already being displaced by "Benefit," and letters have to be found for groupings in which Germany and the Scandinavians might take part, with the British doing what they can to help.

In British eyes this line of advance has the immense advantage that some continental ministers will no longer be able to conceal their own lack of precise projects and resolution behind the complaint that the British are holding up the unification of Europe. For the continental ministers it has the no less important advantage that such groupings will offer less scope for American intervention of the kind which caused ministerial eyebrows to be raised in OEEC last week.

Rising Anxiety

The debate in the House of Lords on Wednesday on British and western European defence was not up to the standard of previous defence debates in that chamber, partly because none of the military leaders of the late war happened to be taking part. The speeches, however, of Lords Trenchard, Teynham and Templewood from the Opposition and of Lord Winster from the Government benches reflected the rising nervousness of the intelligent public about the effectiveness of the Government's defence arrangements and the reality of Western Union defence. Once again the question was raised, how can the line from the Alps to Arnhem, which at a conservative estimate would need thirty divisions, be held by a force which no one can calculate at more than a third of that size? What are the mass of international and co-ordinating committees in fact producing in the shape of an allied plan? In addition Lord Winster in an able, but depressing, speech put his finger on an aspect of purely British organisation which may suggest that shortcomings of the Ministry of Defence are not solely the result of Mr Alexander's personality.

There has always seemed to me to be a certain danger in the whole idea of a Ministry of Defence: the danger of setting up a system of stooges. The Prime Minister of the day is unlikely to appoint as Minister of Defence a man so strong and of such commanding position and influence in the country that a resignation on a point of principle may involve the Prime Minister himself. Equally, the Minister of Defence, it seems to me, is extremely unlikely to select for appointment as head of a Service Ministry a strong man whose resignation on a point of principle might again involve his own position or his own resignation.

In replying for the Government, the First Lord of the Admiralty recited a series of platitudes which as much as anything reveal the contempt in which civil servants, whose

briefs are uttered through the mouths of Government spokesmen in the House of Lords, hold the institution of parliamentary debates. The only point of any substance was his statement that the Government do not intend to modify the present system of National Service call-up in favour of selective service (although he admitted that nearly fifty per cent of those eligible have to be deferred). Whether selective service be practical or not, it has sufficient political disadvantages to make the Government very wary of considering it at this moment.

A Time to Probe

The announcement that a further £8,000,000 has been advanced by the Government to the Overseas Food Corporation, almost entirely for the East African groundnut scheme, in addition to the £21 million which had been advanced by last March, has made MPs all the more anxious to press their inquiries into the administration of the scheme. Their first opportunity will be in the debate in the Commons the week after next. The Opposition will have a heavy responsibility both in the groundnuts debate and in the discussions on the other nationalised industries this autumn, since the technique of Parliamentary control is still very much in the formative stage and a great deal may depend upon the precedents laid down during these discussions. The tortuous story of previous debates on the groundnut scheme in the Commons does not, however, provide a very good omen for that particular discussion, and it is clear that the effectiveness of these probings, particularly into the criticisms of the accounts of the Overseas Food Corporation, will depend on what can be done by the Committee of Public Accounts. Hitherto it has not been clear how deeply the Committee of Public Accounts will be able to go into the accounts of the Corporation. It is very much to be hoped that the Committee will reverse its initial decision and decide to question the private auditors appointed by the Minister of Food—Messrs Cooper Brothers—about their strictures on the accounting system of the Corporation.

The Labour Party's line of defence over the groundnut scheme has been made plain in many articles and speeches already. It is broadly to put the blame as far as possible on to the managing agency, formed by the United Africa Company, to run the scheme in its opening stages. But this is a double-edged weapon. For it ignores the fact that the managing agency, though organised by the United Africa Company, was a managing agency of the Minister of Food, operating under his direct instructions and that the Internal Audit Division of the Ministry of Food was responsible for auditing its accounts. It was not made sufficiently clear in *The Economist* last week that the Audit Division was responsible only for auditing the records, not for organising the accounting system of the managing agency. To attack the agency is therefore to attack the Minister. The United Africa company must certainly shoulder some of the blame. But Mr Strachey must carry the chief responsibility both in the period of the managing agency, which operated directly under him, and even to a large degree in the period of the Corporation, whose leading members were largely his own choice, and whose progress reports have been almost entirely uttered through him. It is the duty of Parliament to probe whether here has been waste or extravagance in the spending of public money, whether that spending has been done by a private company acting as the Government's agent or by a public Corporation.

TUC Abandons its Position

In the seven weeks since devaluation the TUC has presented an even more painful spectacle of doubt and hesitation than the Cabinet itself. The special economic

committee has been wrestling with a report which would define the TUC's attitude to the changes attendant on devaluation. Last week it was known that a plan for radical action to suspend cost-of-living agreements and take effective action to limit wage increases was rejected by the General Council. On Wednesday of this week, Mr Tewson, the secretary of the TUC, made it publicly known that the General Council has still no guidance to offer its affiliated unions, and that although "certain broad and general conclusions" have been reached no word will be transmitted to the unions until there has been a meeting with Sir Stafford Cripps and Mr Bevin.

In effect the leaders of the TUC are saying to these two Ministers "You got us into this mess by devaluing the pound without consulting us, now you get us out of it." By so doing, of course, the TUC undermines any serious claim it may have possessed to be regarded as an estate of the realm, as a body capable of exercising industrial statesmanship and helping to formulate economic policy. Finding policy beyond it, now that the easy days are past when policy simply meant demanding and receiving greater benefits for trade unionists, it throws the problem back upon the Government. And provided the TUC will acknowledge that it is merely a pressure group it is with the Government that the problem should rest. In its attempts to evade the responsibilities of governing—particularly in the field of wages—the Government has tried to make the TUC do its work for it, and now the General Council has quietly rebelled, revealing—what should have been obvious from the start—that it is not a body capable either of evolving policies in the public interest or of enforcing them on the unions, but simply a collection of trade union leaders intent on furthering the interests of their members.

* * *

Prices Rise in East Germany

On November 10th food subsidies disappeared in the new Soviet German Republic; they had been withdrawn from textiles and soft coal a few days before. Explanations of this first practical step by the economic chiefs of the Pieck Republic have done little to allay public dismay. The sole consolation offered by the Minister of Finance was the news that pensions would be restored to former Nazis and raised in the lowest grades for the aged.

This step, which will raise the prices of rationed goods by from six to thirty per cent, was necessary if the east German budget was to be balanced. For, as a result of western devaluation, the price of imported textile raw materials has increased, and with it the cost of textile subsidies. Presumably the Russians and the other eastern suppliers of Soviet-occupied Germany have raised their prices in step with the west. Furthermore, state investments in capital projects, notably in the steelworks that are to reduce eastern Germany's dependence on the Ruhr, have been pressed to such an extent that the budget is too strained to bear further subsidies. The eastern German economy also suffers, of course, from the fact that reparations to Russia flow out, and no equivalent of Marshall aid flows in.

All Soviet-controlled economies are guided by the principle of maximum incentives for extra production, and the need for nationalised industries to show profits. Policy in the Soviet zone has been only one example of this policy in practice. Some time ago, the dual price system was introduced, with the idea of mopping up excess purchasing power in the hands of the skilled workers, as well as providing additional incentives to all. As elsewhere, state shops were established to sell at "free" prices the goods that could be bought over and above the ration. Now that the cost of rations is increased, the prices in the state shops are brought down. When the prices meet, rationing can be abandoned.

In the Pieck Republic, however, the carrot has been placed too far out of the donkey's reach. Food is still so scarce

that rations are not always obtainable in full; and the prices in the state shops are so exorbitant that they are out of reach of all but the *élite*—the skilled Stakhanovite or the intelligentsia. In the hands of Communists, the dual price system—introduced before the supplies warrant it—is used not only to provide incentives for workers, but as a means to eliminate the lower middle classes, who do not get adequate rations. In state shops of the Pieck Republic the housewife will still have to pay the equivalent of an hour and a half of an average workman's wage for 1 lb. of flour, and over two hours' wages for 1 lb. of sugar.

All that the new Minister of Finance could say in reply to the widespread complaints was:

When I am asked why the burden should be levied on the people, I must ask back: "On whom else?" Capitalists no longer exist in the Soviet zone, and foreign countries cannot be expected to carry the burden.

* * *

Dutch Rationing by the Purse

Last week the Dutch Government dismantled nearly the whole of its rationing machinery; its move toward "rationing by the purse" might well be worth the attention of bureaucrats in this country. Four more commodities have now joined the list of unrationed goods—cheese, meat, rice and textiles. Only coffee and coal remain: coffee because it requires scarce foreign exchange, and coal because home production does not satisfy demand and imports must be kept to a minimum.

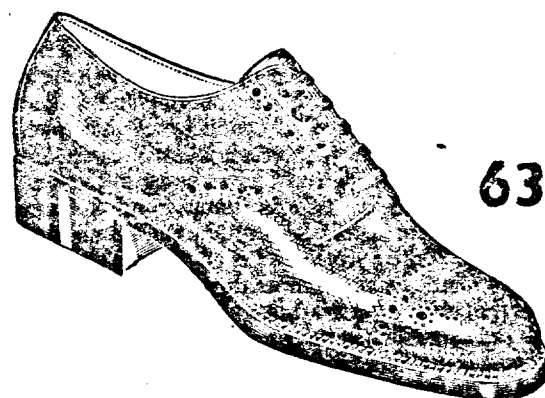
The decision to abolish rationing is part of the Dutch Government's campaign to throw off controls with all possible speed, as an essential prelude to the realisation of the Benelux Union. Hitherto, the disparity between free-enterprise Belgium and *dirigiste* Holland has been one of the big obstacles to the merger.

Derationing was made possible at this time for a variety of reasons. In the case of meat internal production, especially the output of pork, had reached a satisfactory level. Simultaneous with derationing the Government scrapped the maximum price for beef and placed a heavier subsidy on pork, the price of which has fallen by 6d. per pound. In other words, the Dutch public must now turn into pork eaters or pay a special price for the luxury of eating beef. Cheese presented a different problem. Production is not sufficient to meet the demands of both the home and export markets, and therefore price controls for cheese have been lifted; it is a valuable export commodity, and if the Dutch consumer wants to compete for it with the foreigner he must henceforth pay more.

Textiles have gone off the ration partly as a result of expanding Dutch production and partly because the Belgians have insisted that Holland drop some of its barriers to the import of Belgian textiles during the current preparatory stage of union. Since Belgium devalued less than Holland, these imported textiles are likely to be expensive—a fact, incidentally, which will make it easier for the Dutch producer to accept the new Belgian competition.

At the same time as the relaxation of rationing occurred the Dutch Government was forced to take a step backward in the matter of subsidies. It announced that, because of devaluation, subsidies totalling 150 million guilders (£15 million) will be restored on bread, milk, margarine, coal and fodder; the total cost of subsidies will thus amount in the coming year to approximately 9 per cent of the budget as compared with a projected 5 per cent. This is a reversal of the policy of gradually lowering subsidies which started a year ago, and the Government has emphasised that it is only temporary. Its object is to keep prices at the level that prevailed before devaluation until a new wage-price policy can be worked out with labour and employers. Unless the

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impact of devaluation was softened in this way, it was felt that labour would have become restive and the wage stop agreement would have been jeopardised.

Baying About the Bomb

This week the General Assembly has once again turned to the problem of controlling atomic energy. A new urgency has been given to its work by the knowledge that the atom bomb is believed to be available to the Russians. Unfortunately, there is no reason to think that Soviet successes in atomic research have engendered a more co-operative attitude towards plans for its control.

The Atomic Energy Commission sensibly decided last summer that further talk could serve no useful purpose until the Great Powers had decided amongst themselves whether the basis for an agreement existed. So far the representatives of the Big Five and Canada, who have been meeting privately at Lake Success, have failed to find this basis. The gap that yawns between the attitude of the majority and that of Moscow has been fully disclosed in a majority interim report on these talks. Those who wrote it are willing—or say they are willing—to put world security before national sovereignty; the Soviet Union is not. All would agree to a ban on atomic weapons; but, whereas the majority would have all explosive atomic materials controlled by an international agency, the Soviet Union would allow them to remain under national ownership. Likewise, whereas the majority propose to give the international agency power to carry out comprehensive and continuous inspections of national atomic plants, the Soviet plan would in general only allow for periodic and pre-announced inspections of whatever atomic facilities the national governments chose to disclose. The loopholes provided for a secretive government in the Soviet plan need no pointing out.

The French and Canadian resolution, which was submitted this week to the Assembly's *ad hoc* political committee, is a gallant attempt to remove the chief obstacle to effective control. Among other things, it calls on all nations to surrender all sovereign rights which are incompatible with world security. But it is certain to meet with just as frigid a Soviet reception as the well-meaning proposals of General Romulo, which he described as "the application of an emergency brake" and which would include a short-term ban on the production and use of atomic weapons accompanied by adequate safeguards. In fact, the men at Uno are being reduced to talking deliberate nonsense on this subject.

Most non-Soviet resolutions and statements on atomic control talk of the necessity of "exploring every avenue." But it is a perfectly well-known fact that at the end of every avenue there is a Russian waiting to say "Not this way, please." Sir Carl Berendsen, of New Zealand, has said that to search for a formula of control in the absence of Soviet co-operation, is to bay at the moon. As the Russians, for propaganda purposes, bay much better than we do, it might be better to stop talking about the matter and to give everybody's nerves a rest. The attitude of the Russians will not change on this question until it has changed on other matters with which Uno does not deal.

Fillip for the Liberals

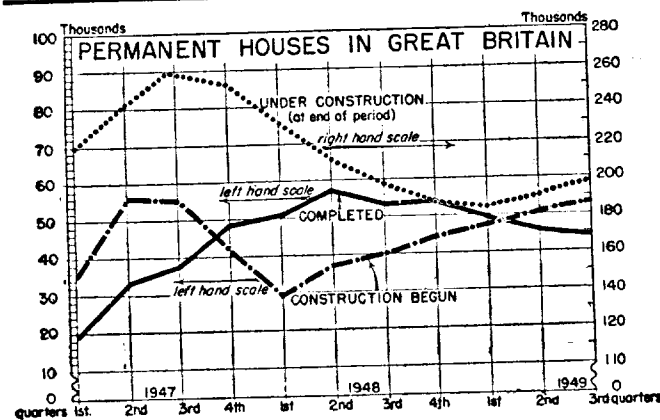
The recent appeal by Mr Frank Byers, the chief Liberal Whip, for more Liberals to come forward as possible parliamentary candidates has met with a remarkable response. The shortage of good candidates has recently been causing a great deal of anxiety to the Liberal Party, and in making a public appeal Mr Byers took the risk of exposing the extent to which the Liberal front line was undermanned

and of sapping confidence in the party's organisation. In the event, however, his gamble has succeeded for his appeal has elicited over one hundred and fifty replies, many of them from people of first-rate calibre, and including four men anxious to oppose that ex-Liberal, Mr Churchill, at Woodford. This may increase the number of Liberal candidates to a figure which may reassure the electorate that the Liberals are in a position to provide an alternative government.

A larger number of Liberal candidates in the field will also affect the fortunes of the two major parties. Public opinion polls have regularly found that about 12 per cent of the electorate say they would vote Liberal. In two fairly recent surveys about 50 per cent of Liberal candidates in the absence of a Liberal candidate they would vote Conservative, about 25 per cent would support Labour and 25 per cent were undecided. (This varies according to locality and it is generally accepted as a rough rule of thumb that at elections in the North of England Liberals vote Conservative if they have no candidate of their own, and in the South, particularly in urban constituencies, they vote Labour). If this is correct, it becomes a Labour interest that there should be a minimum, number of Liberal candidates. If there were none at all, the net gain to the Conservatives might be as much as three per cent of the popular vote or possibly 45 extra seats. The larger the number of Liberal candidates, however, the less bonus will either the Conservatives or Labour receive, particularly as these candidates will presumably contest constituencies which contain the largest potential number of Liberal votes. What, on the other hand, is fraught with danger for the Liberals is the evident intention of both the Conservative and Labour parties to contest almost all the constituencies, for the Liberal tends to fare worst in a three-cornered fight.

One Less House in Eight

There is to be one more zig-zag in the housing programme. There is no doubt that in the national interest a pruning of £35 million in housing expenditure, as a capital outlay not directly related to production, was necessary; but it is nonetheless regrettable that an industry which has had its full share of dislocations due to changes in government policy should have its balance upset once again. Mr



Bevan has now sent an interim circular to local authorities telling them how they are to implement the cut of 20,000 to 25,000 houses by issuing no further licences to private builders. Unsubsidised building is to be stopped in order that subsidised building may continue—and this in the name of economy.

As the diagram shows, the output of houses has been improving fairly steadily for more than a year—steadily, that is, compared with 1946 and 1947. During this

year the rhythm of the industry has gradually improved. From the quarterly returns* it can be seen that the number of houses completed is running at some 195,000 a year, and those under construction at 198,000. As the result of the cuts, output is now to be reduced to 175,000 a year, which is equivalent to a cut of one house in eight, and the full brunt is to be taken by private enterprise, while local authority building schemes remain untouched. No licences already given are to be withdrawn, but local authorities are to suspend "for the time being" the granting of any new licences.

It is clear that licences to private builders have been stopped partly because with 21,000 houses under construction their operations were of a handy size for cutting without involving too much departmental hard work, and partly as the price of Mr Bevan's acquiescence in abandoning the principle of a completely free health service. But the saving words "for the time being" are the private builders' life-line. The circular explicitly states that when future arrangements have been disentangled, local authorities are to be allowed some discretion to issue licences to private builders for a proportion of the houses allocated to them. That proportion is not yet determined, but it is to be hoped that Mr Bevan, or his successor, will permit a good deal of local discretion. Building costs are now so high that numbers of local authorities are dipping into the rates beyond their statutory obligations in order to bridge the gap between rents and costs. It is doubtful if many of them will be willing to build many more houses on this basis. Are the private builders willing to step in and build at least a proportion of houses at economic rents of 30s. to 40s. a week without subsidy? If so, they should get a hearing.

The Wisdom of Mr Morrison

Mr Herbert Morrison, most convincing and disarming of Government spokesmen, is ill served by his colleagues—and by events. "Put the nation first," he unexceptionally pleaded at Preston last Sunday, while Mr Shinwell, only forty-eight hours earlier, denounced the minority who "still have too much" and promised that "in spite of the snarls of the Tories" a victorious Labour government would spend the next five years in "ironing out" differences in the standard of living. "The man or the team who do a better day's work," says Mr Morrison, "should be entitled to correspondingly better earnings." But not, says Sir Stafford Cripps in effect, the man who does a better year's business, who cultivates a more difficult market, who seizes an opportunity which the national interest demands should be exploited; not, says the Labour movement in general, the professional man who qualifies himself for specialised tasks and capitalises his talents by intensive work. Redistribution, says Mr Bevan, is retribution. Mr Morrison's campaign for national unity and for adequate incentive faces an uphill road with the brakes full on.

Nor does he get, in practice, much backing for his contention that there is something excessive about the rate of national expenditure on "comparative inessentials" (alcohol, tobacco, cinemas, racing, and "other private fun and games"). Let private incomes balloon up, keep expenditure on essentials down by lavish subsidy coupled with strict and comprehensive rationing and control, discourage saving by letting every potential saver see his savings lose value every day he keeps them, and it is fairly predictable that "fun and games" will boom—and, incidentally, attract to their service a proportion of the country's resources hardly compatible with any rational manpower and capital plan. If he wants to see a more realistic outlay, Mr Morrison should appeal to his colleagues rather than to the public.

When he reminds his hearers, platitudinously but never-

* Housing Returns (Cmd. 7808, 7809) Sept. 30, 1949.

theless wisely, that one cannot both keep at home goods needed for export and obtain the materials which these would buy, that new capital equipment requires saving, that the social services cost money which cannot, if devoted to their needs, be spent on private pleasure, it is his own past which rises up to deafen the audience. The age of scarcity is ended, he told the voters of 1945, the age of plenty is beginning. Much unwisdom is uttered in the heat of election year; but this particular unwisdom has been Socialism's most characteristic stock in trade from its origins. Mr Morrison's current speeches deserve all praise; it is the actions for which he is collectively responsible which make them so ineffective as influences upon the event.

Peace Treaty for Japan

The old idea of a postwar peace treaty was that it was a settlement imposed by the victors on the vanquished, and that it should be made as soon as possible after the close of hostilities. But many have said that the Treaty of Versailles was rendered harsher by the wartime hatred remaining in 1919 than it would have been if concluded a year or two later. This gave rise in the Second World War to the notion of postponing peace treaties until after the lapse of a "cooling off" period. Now that the cooling off has turned into a cold war between the victors of 1945, it has become impossible for them to agree on terms for either Germany or Japan; so that a peace treaty now means an agreement reached separately with the ex-enemy by one or the other of the opposed camps for the purpose of winning his support rather than punishing him for past misdeeds.

The auction in Germany has already produced some high political bidding, and now there is fresh talk of a peace with Japan to be concluded by the United States and any other

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nations willing to come in on the basic American terms. This, broadly speaking, means accepting conditions which would guarantee that Japan is not pulled behind the Iron Curtain by Soviet sleight of hand. As the aim of Soviet policy, now supported by Communist China, is to prevent such guarantees, and as the Russians have hitherto insisted on the right of Great Power veto in the preparation of the treaty, there is no prospect of a general agreement. It is therefore expected that Russia and China would be left outside.

★

There are various motives for speeding up a peace treaty rather than continuing indefinitely on the present basis. The Yoshida Government is anxious for a treaty which would strengthen its position by ending the uncertainty of the treaty-less period, getting rid of the formal authority of Allied Headquarters, and enabling Japan to resume normal diplomatic relations abroad. Important sections of American opinion want it both for its expected moral effect in Japan and for the sake of fixing a *status quo* which can be defended in the impending conditions of political stress in the Far East. The British Government wants it because of the advantage, for negotiations on economic questions, of renewing direct official intercourse with the government of Japan. But there are certainly some Japanese who are alarmed at the prospect of a treaty binding them permanently to America in latent antagonism to the power now dominant on almost the whole mainland of East Asia.

The crucial point in any peace treaty must indeed be the retention on Japanese soil of American armed forces in some form. Their presence might well mean that Japan would be involved in any future war; but it would be involved in any case, the only difference being that, if the Americans were to withdraw, leaving Japan defenceless, it would be forced sooner or later on to the other side. Short of abandoning Japan to Communist infiltration and disruption, the only alternative to keeping American troops there by treaty would be to permit the remilitarisation of the country, a counsel of despair which is not advocated by any responsible person.

★ ★ ★

Nigerians for Moscow?

This week's news of a Nigerian delegation's forthcoming visit to Prague and Moscow is no surprise. The delegation is led by Dr Nnando Azikiwe, a newspaper owner and member of the Legislative Council, who is president of his country's more extreme nationalist movement, known as the National Council for Nigeria and the Cameroons. But it has been clear for some time that Moscow was closely interested in political developments in Nigeria, and it is equally understandable that an invitation to attend the International Conference on Human Relations in Prague would look too flattering to decline. Neither the conference nor the voyage can be expected to serve the interests of the people of Nigeria.

Since the Communist successes in China and south-east Asia, it has been inevitable that sooner or later signs would emerge of similar tactics being employed in Africa. The colonial territories are regarded in Moscow as the vulnerable rear of the capitalist camp; and the way to strike at it is to infiltrate into the leadership of local nationalist movements. This is less easily done in Africa than in Asia because the nationalist movements there are less highly developed.

Behind the present moves of Dr Azikiwe's delegation lie the unsettling events of the past few months in Nigeria and the current discussions about a new constitution in the colony. The first hint of trouble occurred in May, when an extreme splinter group broke away from the Nigerian

National Federation of Labour. This was followed two months later by a lightning strike on the Nigerian railways which held up traffic for about four days. Its importance, apart from the brief—but irritating—delay caused in shipping the accumulations of groundnuts, was that it looked like the first mainly political strike in Nigerian history. Further, the *Cominform* journal away in Bucharest gave the strike its hearty blessing, saying that it emphasised how the railwaymen were “leading the struggle of the people of Nigeria . . . for democratic self-government and independence from the British colonial yoke.”

It would be quite wrong to assume that the Communists have obtained anything like a firm hold even on the more nationally-conscious elements in Nigeria or any other African colony; indeed, the bulk of the native rulers have repudiated extremism, are co-operating loyally over the new constitution, and stand firm behind the British administration at this stage.

★ ★

Snubs After Strasbourg

The Standing Committee of the Council of Europe's Assembly—a select and powerful body—has not concealed its chagrin at the way in which the Committee of Ministers has dealt with the resolutions so painfully hammered out at Strasbourg. Perhaps it is because Paris has lately been the scene of such an orgy of committee and council meetings on European unity that the Ministers felt it necessary to draw a dust sheet over the Council of Europe, which would muffle its cries without suffocating it. Most members of the Assembly may feel that their proposals for economic co-operation in Europe are too important merely to be handed over to the OEEC for consideration. Some jealousy, of course, and a good deal of delay must be expected, but there is no body more fitted by its experience and membership—the number of economic experts in Europe is strictly limited—to say whether they are useful and workable.

The decision of the twelve Foreign Ministers that it is too early to make any changes in the statute—or constitution—of the Council of Europe is sensible, and has in fact been accepted by the Standing Committee. In any case, the Assembly's General Committee, which has been charged with studying the changes necessary in Europe to achieve political unity, will not report before next April. The Ministers were also well advised to come some way towards meeting the Assembly's wishes by agreeing not to control its agenda—as they are entitled to do—unless the Assembly steps outside the limits laid down for it.

The Ministers have also graciously agreed not to decide on the admission of new members without consulting the Standing Committee. This gives that body some prestige and a right which it has already exercised by supporting Western Germany and the Saar as candidates. But in the process it has been out-maneuvred, as the most compelling reason for summoning an extraordinary session of the Assembly early next year has now been removed. Not till next August, it appears, will German press reporters and photographers be able to describe to the German public what membership of the Council of Europe means, to give the Adenauer Government that pat on the back which it needs. The quite courageous restraint shown by the West German Chancellor in not pressing the claim to membership has been met with a display of procrastination.

It is said that Mr Bevin played a leading part in the Committee of Ministers' decisions to keep the wings of the Assembly clipped. This may be quite untrue; but what does seem evident is that the Ministers—in their relationship to the Assembly—are now feeling both tired and avuncular, whereas at Strasbourg they were fresh and paternal. Having been responsible for the birth of the infant Council, they should be giving it a better start in life.

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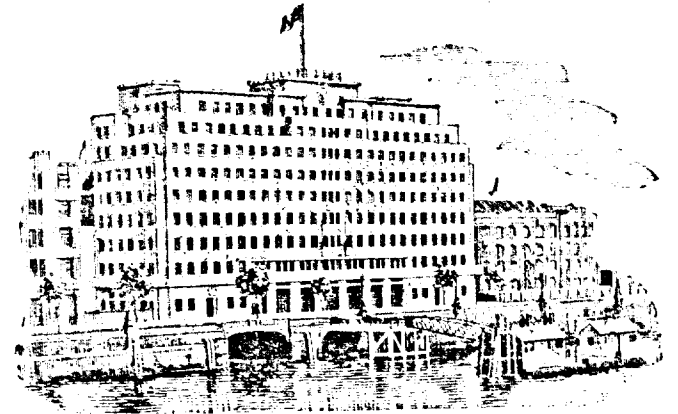
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The fable of the fish and the facts

There was once a Fish so huge and old and cunning that no-one said him nay, and so wonderfully ugly that his friends avoided the subject. "Great king!" cried a school of small whales, saluting as they passed. "Tide-breather!" "Stream-snorter!" "Storm-swallower!" The Fish grinned terribly. "Poetry," said he, "Poetry . . . Now, in plain human prose, what am I but so many tons of cooking fats . . ."

There's a time for rhetoric and a time for simple statement. TI, if they liked, might describe their manifold production processes in terms to make a pageant seem prosaic. They would rather tell you that their direct exports for 1947-8 amounted to over £10,000,000, that, if indirect exports are included, they made well over £1 out of every £100 won by the whole country in overseas markets. Every £1 earned that way is worth a cwt. of orchestral accompaniment.

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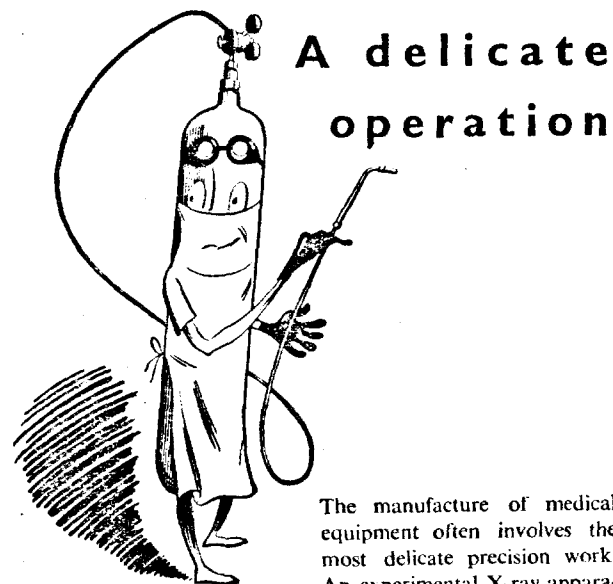
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More Assistance for the Old?

A short debate on the adjournment at the end of last week raised a matter which will probably become very prominent in the course of the next few months. Already old age pensioners had asked for a higher basic pension and been refused. Last week, therefore, in the House of Commons the plea was put forward for a higher scale of supplementary pensions for those who have to have their basic 26s. a week supplemented by the Assistance Board. The reasons advanced are the rise in the cost of living that has taken place since the rates for basic and supplementary pensions were fixed and the rise that is expected to follow from devaluation.

To these arguments the Parliamentary Secretary to the Ministry of National Insurance gave the usual non-committal, temporising answer that they would be carefully studied. It is important, however, that in the meantime the implications of the proposal should be clearly thought out. First, it should be realised that the Assistance Board has two classes of pensioner beneficiaries: those who have no other resources than their state pensions, and those who have other resources which are either wholly or partly disregarded by the Board in assessing their needs. If the Board's scales are to be altered to allow higher supplementary pensions to be paid, some means should be found of concentrating the additional assistance on those who really need it, that is, on those who, but for state aid, would be utterly destitute. Every additional sum paid to those who have resources of their own is paid at the expense of those who have none—so long, of course, as any limit is placed on the amount that can be paid out in national assistance.

This raises a second point. Even if supplementary pensions were raised by only a shilling or two a week, it would still be an extra burden on the taxpayer, placed just at a time when all policy should aim at reducing it. To start by raising supplementary pensions is to start at the wrong end of the stick. The first essential—however strong the claims of old age pensioners at the present time—is to reduce expenditure on the social services, not increase it. When that has been done, but only then, it will be both right and necessary to relieve real hardship by, among other measures, higher assistance payments.

Press Laws in the Colonies

The new Press Bill in Jamaica has been withdrawn after much opposition to it had been voiced in the colony. Since, too, it was only the latest of a series of measures that have restricted the freedom of the press in the colonial empire, it has aroused some questioning in this country. The Bill's declared purpose was to prevent the disclosure of confidential information—there has recently been considerable leakage to the press of what has been going on in the Executive Council. But the opponents of the Bill alleged that its terms were much wider than those of the British Official Secrets Act and that it could be used to prevent the press printing anything that Government officials did not want discussed.

Now that the Bill has been withdrawn, its merits and objections are beside the question. The incident does, however, throw light on certain features of colonial government. The first is that there is good reason for the press laws of the colonies to be more drastic than believers in the freedom of the press would like, simply because the standard of the press in the colonies is for the most part deplorably low. It does not follow that drastic press laws are the right answer, but those who denounce them should try to suggest a constructive alternative.

Secondly, it is worth pointing out that those who ask the Secretary of State to intervene often do not know what they are talking about. Even when a press law emanates from the Colonial Office, it is the colonial government which is responsible for its administration. Whether to prosecute or not

depends on the local Attorney-General, and the Secretary of State has no power to influence him one way or the other. When, as in the case of Jamaica, a press law emanates from a colony which is all but self-governing, he cannot say that it goes too far and should be modified. The grant of more responsible government would be quite meaningless if, after making it, the Secretary of State tried to interfere in matters of this sort.

Thirdly, the incident shows clearly one of the disadvantages of the "all but self-governing" status. The Jamaican Press Bill was introduced in the House of Representatives by the Jamaican Minister for Social Welfare, a member of the Executive Council. But Mr Bustamante, presumably on noticing its bad reception, could immediately say that although he originally approved the Bill, he now felt that it was an infringement of democracy, etc., etc., and that he would advise his party to reject it. In other words, he disclaimed responsibility for the Bill, and threw it upon the Governor, although as a member of the Executive Council and so-called Prime Minister, he was as responsible as the rest of the Council. It may well be necessary, before a colony finally attains fully responsible government, to reserve some vestige of power for the Governor. But there is no doubt that it tends to breed irresponsibility in those to whom the rest of the power has been handed over.

Italian Socialist Confusions

The Italians have a flair for *combinazione*, a word that can mean anything from a personal or business deal to a tacit political understanding. It covers the extraordinary position which has arisen since the three Socialist ministers—Signore

Shirley

A Tale. By CURRER BELL, author of "Jane Eyre." Smith, Elder and Co. Cornhill.

CURRER BELL's new work would be more appropriately called a talk than a tale. It is made up of conversations rather than narrative, and contains as many discussions as events. The reputation already acquired by the author will make it, however, the novel of the season. It is published at a favourable time, when the world is tired of politics, and before the opera has begun; when Mr Hudson and railways have become stale, and nobody yet cares about the opening of Parliament; it has already been extensively praised, and will be much sought after, and we have no alternative but to take notice of it. . . . "Shirley" is . . . as a tale much inferior to "Jane Eyre." In both works there is the same vigour, raciness and freshness of style—indeed, these qualities are even more conspicuous in the present than in the former work; the same scorn of trifling conventionalities, and the same acquaintance with the peculiarities of the North, with schools and teaching, and with the distinctive characteristics of dissent and the church. Notwithstanding numerous defects, the vigour of the writing will attract many readers, and the book will share in the popularity which "Jane Eyre" has deservedly acquired. . . .

The book is not, as a whole, natural; but there are many characters in it sketched to the life. That its impassioned and exaggerated language will be as beneficial as it will be much admired, we are inclined to doubt, while we warn our young readers that the wilfulness and more than ordinary energy ascribed to Shirley is much more pleasing in books than in actual life. Exaggeration of conduct is more likely to be pernicious than exaggeration of sentiment; and the more seductive is the eloquence of Currer Bell, the more mischievous may be the influence of the very masculine, wilful character of the heroine of the present novel.

The Economist

November 10, 1849

Saragat, Tremelloni and Lombardo—recently withdrew from Signor de Gasperi's predominantly Christian Democrat coalition cabinet. There appears to be a political understanding that the three ministers will be welcomed back into the fold in January, after a right-wing Socialist (PSLI) congress has said that they can re-apply.

The origins of this move lie embedded in the current manoeuvres for reunion between the various dissident Italian Socialist groups. For a long time the Saragat group—rather like the Socialists in France—has felt itself to be losing ground in the country because it held office under a right wing coalition leader. Further, it has come under fire from the left wing for helping to lead Italy into the Atlantic Pact. With the Socialists proposing to confer on unity in December, Saragat and Lombardo felt that a gesture was needed to strengthen their position in relation to the Romita-Silone group, if they were not to be swamped by their allies. Sigore Saragat and Romita, respectively, head the two main Socialist groups which are not co-operating with the Communists. United, they would possibly represent some three or four million votes in an electorate of something over 25 million. But Romita's relations with the extreme left wing, pro-Communist Socialists under Signor Nenni, are still very suspect in the Saragat party, and it is unlikely that a new merger will be achieved.

The tragedy of this whole story is that it shows a return of that hereditary palsy from which Italian Socialism has suffered ever since its foundation in 1892. For years Italian Socialists were unable to make up their minds whether they meant to achieve their ideals by reform or by revolution, and it was their almost incredible capacity for indecision which let

Mussolini into Rome in 1922. At present, fortunately, Italy does not depend on the Socialists to stem the Communist tide. But it would be a grave loss to Italian democracy if, by doctrinaire division among themselves, the democratic Socialists again forfeited any chance of a future claim to speak with one voice for a substantial section of public opinion.

Shorter Notes

Mr John Dugdale, the Parliamentary Secretary to the Admiralty, made two reassuring statements on Wednesday. He announced that all British operational submarines are now fitted with the *schmorkel* or "snort"—a device which enables a submarine to remain submerged for a month or more and which was used effectively by the Germans towards the end of the war—and that British submarines are, as far as is known, as fast as those of any other country. But one of the chief naval problems for Britain remains—how to counter rather than to produce such weapons.

★

A reply to a Parliamentary question suggests further fuel for Mr Wilson's bonfire of controls.

"Mr Keeling asked the Financial Secretary to the Treasury if he will publish in the Official Report the rules governing purchase tax on Christmas cards. . . . Mr Glenvil Hall replied that at present Christmas cards . . . are charged at the rate of 33½ per cent under Group 34 of the Purchase Tax Schedule unless they are charged under Group 25 at 100 per cent (or 66½ per cent if the picture reproduces a work executed more than 100 years ago)."—"Hansard," November 8, 1949.

Letters to the Editor

Promise and Fulfilment

SIR,—In your issue of October 29th you print a review of my book "Promise and Fulfilment" which accuses me of "palpable exaggerations and untruths." Of these, two are specified by your reviewer. "The worst," according to him, is the statement in my book that the British diverted the flow of oil from Haifa to Amman in order to supply the Arab armies with fuel. This, he writes, "is a physical impossibility." I assume that your reviewer means that it is a physical impossibility because the pipeline does not pass through Amman. It does not seem to have occurred to him that a pipeline is not the only means of transporting oil. No official British source has ever denied that Great Britain supplied not only the arms but also the oil of Brigadier Glubb's Arab Legion, while at the same time the Haifa refineries were closed down and Israel cut off from oil. The facts are on record, and consequently your reviewer's accusations of "palpable untruths" can only refer to a literal reading of my metaphoric statement that "the flow from the pipeline was . . . diverted to Amman." I might just as well have said that "the gold of Fort Knox has saved Greek children from starvation" and been accused of telling an untruth because it is a "physical impossibility" for Greek children to feed on gold ingots.

Your reviewer clinches his argument by stating: "Israelis in the know (the reviewer is not one of them) say that there

are mistakes of equal magnitude in the account of relations between Haganah and Irgun." The past relations between Irgun and Haganah are a matter of bitter controversy among Israelis, and every "Israeli in the know" has strong and not necessarily unbiased views on the subject. To print derogatory hearsay evidence from unspecified sources; to refuse responsibility for it and in the same breath use it to substantiate a charge of "palpable untruths," is a method of journalism about which your readers will form their own opinion.—Yours faithfully,

ARTHUR KOESTLER

c/o Macmillans, St. Martin's Street, London, W.C.2

[Our reviewer writes: On Mr Koestler's first point, the passage I challenged, which appears on page 166 of "Promise and Fulfilment," runs as follows:

The oil refineries, run by the British-owned Consolidated Refineries Ltd., closed down in mid-April. Palestine was entirely dependent on them for her petrol supply, which amounted to 12 per cent of the output of these refineries. They received about half of their crude oil through the pipeline from Kirkuk, the other half by tankers from abroad. From now on the company's tankers were employed in the opposite traffic: the existing stocks of crude oil were removed to Tripoli, the refined petrol to Beirut; the flow from the pipeline was simultaneously diverted to Amman. True to her interpretation of neutrality in the conflict, Great Britain not only continued to deliver arms to Iraq and Transjordan, but also made sure that their armies should be well supplied with fuel; while the Jews saw an arms embargo enforced upon them and their motor transport left high and dry.

The facts are: that the Iraq Petroleum Company, which is not "Great Britain," but an international concern constituted in equal shares by British, American, French and Anglo-Dutch oil companies, owing to the *force majeure* generated by the war, ceased pumping crude oil to Haifa in the spring of 1948. The British-owned refinery at Haifa closed down; from April, 1948, it ceased to function as a supplier. The IPC's constituent companies necessarily removed from Haifa, for refining at their refineries in other parts of the world, most of the crude oil left lying at Haifa. It is true that some crude oil went to Tripoli, but only *en route* to other destinations. It is not true that any refined oil went to Beirut. The remains of crude oil left at Haifa after this removal was completed—some 30-40 thousand tons in the bottom of the tanks—was sometime later drained by the Israelis and put by them through the refinery, which machinery they

"borrowed" for the purpose. The IPC in response to the normal requirements of the commercial distributors in Jordan (where the maintenance of civilian as well as military life is almost wholly dependent on motor transport) later pumped some petrol from Kirkuk to these distributors. I was not so childish as to suggest that Mr Koestler is wrong because the pipe does not go to Amman; the point is (1) that there was no "diversion" from Haifa because the oil that goes to Haifa is crude, and crude oil is useless in Jordan, and (2) that to state that "Great Britain" supplied it is incorrect because the company, though registered in London, is internationally controlled; the supply was in response to a natural trade demand and was not in excess of peacetime quantities. The amount was in any case much less than that which the Israelis seized from the Haifa tank bottoms. There were no restrictions on the sale of the oil so supplied to Jordan, as oil was not included in the arms embargo. The Jordanian forces were as free to buy it as were the Israelis to buy petrol commercially and to import it, as they did, in tankers by sea.

On Mr Koestler's second point, I confirm my statement that there is "bitter controversy" over what really happened between Haganah and Irgun, and would have made no criticism had Mr Koestler said so in his book, instead of offering his version positively and without qualification.]

Propaganda for Savings

SIR,—The article under the above heading in *The Economist* of November 5th last suggests that the National Savings Committee has failed "to provide a suitable popular lead on the real meaning of small savings from the community's point of view." The recent National Savings Week, said the writer, "had no obvious connection with economic crises, rising prices or threats of coming shortages." If he means that these grim questions were not featured in the press advertisements and on the posters which announced and heralded the Week we, of course, plead guilty.

The expert advice we receive and our experience suggest that posters and advertisements are unsatisfactory media for such purposes. They and some of the other "paraphernalia" of the Week were designed to attract the attention of the British people and to provide an opportunity and a stimulus for the combined efforts of many thousands of voluntary workers in the Savings Movement to increase savings and the number of savers, and in this they were successful.

The "real purpose" of the Week was conveyed to the "man in the street" by the speeches of leaders of the political parties, by addresses given at more than 6,000 meetings organised during the Week, by reports and articles in the press, by the BBC and the cinema. Leaflets which were widely distributed during the Week, and the notes for speakers we issued are concentrated upon some of the main arguments concerning savings and the economic crisis.—Yours faithfully,

MACKINTOSH OF HALIFAX, Chairman

National Savings Committee

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MARGARET HALL, M.A.

Yellow and Tutor in Economics at Somerville College, Oxford.

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Purchase Tax Uplift

SIR,—The case of the Attorney-General *v.* this company, which was reported at some length in your columns, has aroused considerable interest not only in this particular issue of a manufacturer selling by retail, but also in much wider issues, particularly that of manufacturers selling by wholesale.

In view of the possibility of this case going to the Court of Appeal, I feel that it would not be proper for me to offer any comment at this stage; but, in view of the importance of the matter, I shall be very pleased to arrange for a copy of the official report of the hearing in the High Court—which includes *inter alia* the arguments of counsel, the remarkably interesting evidence which was given on behalf of the Commissioners of Customs and Excise, and, of course, the judgment—to be sent to any trade association or to any firm or company who might be affected.—Yours faithfully,

ERIC M. GAMAGE, Chairman

A. W. Gamage Ltd., Holborn, E.C.1

Development Council for the Clothing Industry

SIR,—In view of the statements made by Mr Harold Wilson, President of the Board of Trade, in the House of Commons (a) that the Bespoke Tailors Guild was in favour of a development council for the clothing industry and (b) had not declared its opposition, I must draw your attention to a press conference called at the offices of the Guild on February 21, 1949.

At this conference it was said "we have never supported the proposals for the formation of a development council" and the following statement was issued:—

"Our concern and desire has been to safeguard the interests of the craftsman tailor. You will undoubtedly realise that the President of the Board of Trade has the power and, further, has expressed his intention (November 9, 1948) of making the development council a reality. Our efforts, therefore, have been, and must continue to be, directed towards the ensuring of protection of the retail bespoke trade."—Yours faithfully,

R. GILLESPIE-BROWN, General Secretary

Bespoke Tailors Guild,
10 Golden Square, London, W.1

The English Landowner

SIR,—Without wishing, on this occasion, to take sides about the rights and wrongs of owning property, may I give an example of one aspect of the economics of it? I recently had to have new window frames put into a small cottage here. The cost was roughly equal to nine years' rent.—Yours faithfully,

R. P. GIBSON

Horley Manor, Banbury, Oxon

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Books and Publications

Sense and Nonsense

"I Choose Peace." By K. Zilliacus. Penguin Books. 509 pages. 2s. 6d.

It is useful to have Mr Zilliacus around provided he gives us his tonic in short doses—less than 500 pages. It is salutary to have his ingenious and well-informed mind stating the case against British and American foreign policy and blurring the black and white patterns in which the causes of present international tensions are now presented. But the ordinary reader who seeks wisdom will be bruised and baffled by the rat-tat-tat of Mr Zilliacus's pleading. The better informed reader, who simply wants to know quickly what he has to say, will be infuriated by the lack of index, by the repetition of themes, and the manner in which every red herring is followed around at least one corner. Mr Zilliacus preens himself throughout on being clear-headed and rational where almost everybody else is being muddled and emotional; yet he is often carried away by his own emotion and by a desire to show the comprehensiveness of his mental attitude—and his files. (Let him ask himself for example what on earth pages 365-8 have to do with the theme of Chapter x.)

A pamphleteer is perhaps entitled to give no sources, but the practice is undesirable in a book which covers in separate chapters such vast subjects as the League of Nations, European history 1920-30, Labour in World Affairs 1914-49, Communism and the Soviet Union, and 150 pages on American preparation for war. It leads one to doubt, for instance, whether the author really knows what happened at the first meeting of the Cominform: on page 416 we are told that nobody objected in principle to American aid, provided it was without strings; on page 202 we are told that Zhukov "pledged the nine Communist parties . . . to combat the alleged attempts through the Marshall Plan to subvert the independence of their countries." The gravest defect in the argument, which purports to offer a way to peace through a drastic reversal of British policy, is its failure either to explain or to describe accurately those features of Soviet behaviour which have led the Americans and the British since 1947 to distrust Moscow. For instance Mr Zilliacus suggests emphatically that the Economic Commission for Europe could have been the scene of the closest Soviet-European co-operation, perhaps even the instrument of the Marshall Plan. To say this shows either ignorance of how ECE has in fact worked, or a wilful disregard of the refusal of the Russians first, and the east European governments later, to give full and accurate information such as the Marshall countries have given to ECA. His statement that the west's trade with eastern Europe is severely restricted by American veto on what is sent to Poland and its neighbours is, without qualification, misleading. These are only two examples of ways in which Mr Zilliacus's views, or description of facts, fit in with lines that are regularly put forward in Communist propaganda.

The curious thing is that Mr Zilliacus's view of what is wrong with British foreign policy could be applied so aptly to much of the foreign policy of Stalin. He says that British Governments for thirty years have been so frightened of social revolution as to become incapable of framing an intelligent foreign policy. Would it not also be true to say of Stalin that for twenty years he has been so frightened of counter-revolution as to be incapable of an enlightened foreign policy? After all, when simple Englishmen (on whom Mr Zilliacus bases all his hopes and for whom this extra big Penguin is designed) complain of the abuse, distrust, brutality, and double-dealing which have marked Soviet foreign policy since the war, they are told by people like the author that it is all because the Russians are frightened. And now Mr Zilliacus tells us that we are frightened too. If he had any historic

sense at all he would treat his readers with more respect.

None the less there is enough in Mr. Zilliacus's argument to be taken seriously: can the "common people" of Britain work out and achieve a peaceful foreign policy which would make Stalin co-operative? Can the British leave the American camp without becoming satellites of the Soviet system? Can Uno be made to work? Is American foreign policy really run by diehard and capitalist warmongers? Did Marx foresee all this 100 years ago? And . . . if President Benes could not get on with Stalin, what reason have we to think that President Zilliacus could?

Peace Offers

"Les Tentatives de Paix dans la Seconde Guerre Mondiale, 1939-45." By Maxime Mourin. Paris. Payot. 221 pages. 480 frs.

M. MOURIN's latest contribution to recent diplomatic history attempts to do two separate things which he does not always successfully distinguish. Under the general heading of "attempts at making peace" there are, first of all, the efforts common to all wars of coalitions—or nearly all—by which the diplomacy of the belligerent groups attempts to break up the common front of their adversaries, and the efforts of junior partners in such coalitions to detach themselves from the common cause. There is also the separate issue created by the attempts in non-official circles to enter into contacts with the enemy in order to bring about a cessation of hostilities, ranging all the way from the merely foolish to the downright treasonable.

The first type of activity is really inseparable from the general diplomatic and political history of the war itself, and the evidence from the Axis side is by now fairly well known. It is difficult to see that M. Mourin has done more than summarise a well-known story. Nor where he goes outside the Berlin-Rome story does he add much. Indeed, the successful defections of Germany's satellites in south-eastern Europe are only dealt with in passing; nor does M. Mourin add anything to our knowledge of the reasons for that curious episode in Soviet diplomacy, the Soviet support for the German peace offensive of October, 1940.

With regard to the other type of peace-seeking activity, M. Mourin naturally draws heavily on his own earlier book on the anti-Hitler conspiracies. He is less fortunate when he deals with the alleged peace-feelers sent out by British and American pro-appeasement groups, since his sole authority seems to be W. Root's *Secret History of the War*, which is hardly a first-hand source.

Otherwise the book is, within its limits, a reasonably accurate narrative. There are some misspelt names, and it is unfortunate that in a single footnote Britansky Soyuznik should be referred to as a Soviet journal and Dame Myra Hess elevated to the peerage.

For most readers the chief interest will be in the light such a narrative can throw upon the wisdom of "unconditional surrender"—a policy that has undergone much criticism since the Russian danger has replaced the German danger as a major preoccupation of British foreign policy. What does emerge is the irrelevance of this discussion. No group of Germans, even among the so-called opposition, had the slightest intention of giving the kind of guarantees of Germany's future good faith that would have given point to an offer of compromise if Hitler were overthrown. Nothing but the prospect of imminent defeat made any German abandon even temporarily his country's claims to dominate Europe. And most Germans to the end still hoped that some sudden breakdown in allied cohesion would enable them to escape their merited fate.

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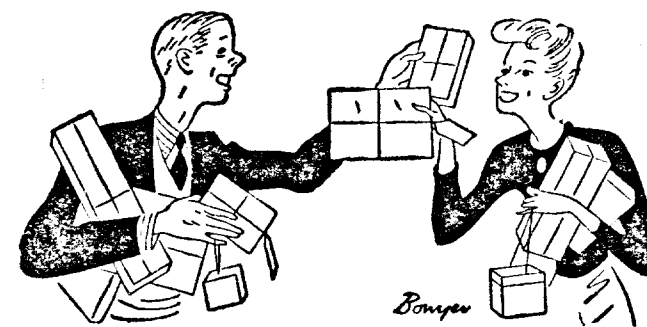
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RUSSIA

by

GENERAL BEDELL SMITH

AMERICAN AMBASSADOR IN MOSCOW

(1946 - 1949)

"There are no experts on the Soviet Union — there are only varying degrees of ignorance"

True, but an Ambassador has better opportunities of finding out what is going on in Russia than any private individual. General Smith, already famous as General Eisenhower's wartime Chief of Staff, gives a unique account of the present state of Russia and its 12 rulers. These are some of the questions to which he provides answers:

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Socialism or Democracy?

"The Socialist Tragedy." By Ivor Thomas, M.P. Latimer House. 249 pages. 10s. 6d.

"Fifty Years' March: the Rise of the Labour Party." By Francis Williams. Odhams Press. 379 pages. 7s. 6d.

ONE of the most obvious facts of the postwar years has been the decline of Socialism as the obvious credo of the progressively minded man. The natural accompaniment to Labour in office has been the dethronement of Socialist thought from the unchallenged intellectual leadership it possessed before the war. But in political terms it still remains the touchstone, the most important body of beliefs to reject or adhere to, and it is this which has prompted both Mr Williams and Mr Thomas to take up their pens.

The thesis of "The Socialist Tragedy" is a simple one and is contained in its dedication "to all Social Democrats in the hope that when confronted with the choice between socialism and democracy, they will choose democracy." The book is not in any direct sense an attempt to justify Mr Thomas's recent voyage across the floor of the House of Commons, but an effort undertaken in deadly earnest to prove that socialism is but a pale shadow of Communism. To achieve this in the first part of his book, he applies three tests, the declared attitude of Socialism and Communism to ownership, to private income and to planning, and proves—to his own satisfaction at any rate—the differences are merely those of timing, nuance, or degree. With a wealth of quotation he traces the failure of social democratic movements in Europe to provide effective barriers to Communism. The second half of the book, "Socialism and the Life of Man," attempts a more fundamental analysis. But despite much erudition and a number of telling quotations—in particular those drawn from that convenient quarry, the earlier writings of Mr John Strachey—the whole leaves the impression of an expanded piece of Conservative Central Office literature. Perhaps what is wrong with Mr Thomas is wrong with most political conservatives, the ability to destroy in words the pretensions of socialism without being able to give any coherent explanation of what better, freer, happier society they have a vision.

Mr Francis Williams is becoming the official Laureate of the Labour Party. This year his bardic duties have demanded the remembrancing of the Labour Party's Jubilee which falls due next February. What he has produced is in no sense a history of the Labour Party or movement, since the story comes virtually to a close in 1931. There is little evidence of original research, and to have Charles Booth's great book *Life and Labour in London* described throughout as *Labour and Life of the People*, undermines one's confidence in the correctness of other facts. But Mr Williams has succeeded in what was presumably his object—to impart life and colour to the history of the various organisations, the Fabian Society, the ILP, the Trade Union Congress, that eventually threw up the modern Labour Party. By describing their struggles largely in terms

of personalities, Mr Williams has made this history more readable to the young entry of the Left—for whom this book is presumably intended—than more penetrating and reliable works.

Men in the Tropics

"Men in the Tropics." By Harold Evans. William Hodge and Company. 375 pages. 18s.

"I am part of all that I have met" runs a line of Tennyson's *Ulysses*. This book brings with it the hot breath of the tropics and glimpses of the richly diverse countries of the Colonial Empire, through the ideas, over the centuries, of equally diverse Britons. "This book," says the author, "... is an ambitious kind of book, and ... aims at being both a piece of entertainment and a work of reference." He has surely succeeded in that aim. Mr Evans has chosen his authorities with extraordinary skill, and his short historical sketches are admirable. To take one example; the reader sees the West Indies through the eyes of Sir Walter Raleigh, of a pirate who shipped with Morgan, of an eighteenth-century Jamaican estate owner writing from a debtors' prison, of a Governor's wife at the beginning of the nineteenth century, of a garrison officer, a planter's lady and, last of all, of a colonial servant sixty years ago. The photographs accord with the text. With so much of hot blood and romance it would have been a jarring discord to show trousers, a Homburg hat or a petrol station. In an era of conscious Philistinism, of the conception that time now stops, of the future being merely an extension of the ideas of the present, and an oblivion of the past, this book is most refreshing.

Shorter Notice

"Maintenance of Full Employment." United Nations Department of Economic Affairs. Obtainable from HMSO. 97 pages. 3s. 9d.

If there is one thing which economic history, prewar and postwar, makes clear, it is that full employment is, like peace, indivisible. (At least this is so in a free economy. Serfs are never listed as unemployed.) There is thus a most practical significance for Britain in the measures contemplated or taken by other countries to maintain employment; their adequacy, their flexibility, and the whole-heartedness with which they are applied. This booklet consists of a questionnaire submitted in 1948 by the Secretary General of the United Nations to the Governments of the member States, and the replies received. It provides more hints at possibilities, and generalisations capable, according to circumstances, of much or little real content, than specific programmes, and although useful as a handy work of reference listing agencies and legal provisions and recording commitments, it casts disappointingly little light on the likelihood of success in each of the countries concerned. It is noteworthy that every country except the United States listed balance of payments difficulties as the chief obstacle in the way of successful action to counter unemployment, and that the iron curtain countries were, in this field as in others, almost totally uncooperative.

AMERICAN SURVEY

Steelworkers and Stalinites

(From Our American Staff)

THE ovation which greeted the re-election of Mr Philip Murray as President of the Congress of Industrial Organisations also celebrated two other victories he had won while the convention met. One was economic, the first surrender in the steel strike; the second was political, the determined effort to cleanse the CIO of its Communist-controlled unions.

The first triumph came just in time to provide suitable enthusiasm at the opening of the convention. A collective bargaining agreement was signed by the Bethlehem Steel Corporation and Mr Murray's steelworkers. The stubborn nature of the six-week-old steel strike has been due, in large part, to disagreement over a principle. The union contended that the industry should regard adequate retirement pensions for its workers as one of its normal costs, and that pensions, therefore, should be non-contributory. The industry, led by the US Steel Corporation, contested the argument. The new Bethlehem agreement concedes it, and three other large steel companies, Jones and Laughlin, Republic Steel and Youngstown have now followed Bethlehem's example, leaving the US Steel Corporation—long accustomed to setting the pace—to bring up the rear. The Bethlehem contract provides pensions, financed solely by the company, at the minimum rate of \$100 a month, less Government social security payments, for workers with 25 years' service, on reaching the age of 65.

There were obvious advantages, in the form of better labour relations, for the firm which reached the first settlement, particularly if it came in time to strengthen Mr Murray's convention hand. Moreover, the exhaustion of steel supplies had reached a point beyond which Presidential intervention could hardly be long deferred, while losses from the strike made the benefits of agreement temptingly clear. Furthermore, the Bethlehem Corporation was in a position to concede, without loss of face, the principle which the union had fought to establish, and thereby furnish the industry with an escape exit. Unlike the US Steel Corporation, which changed in 1940 from a non-contributory to a contributory pension scheme (confined to those earning \$3,000 or more a year), Bethlehem has long operated a non-contributory plan for all its staff.

Under this arrangement, Bethlehem's workers have received pensions averaging about \$46 a month. In addition, they receive Government social security payments. These average about \$26 a month for the country as a whole and, since steel workers' earnings are in the top brackets, their benefits are above this average. For the company to make up the minimum pension to \$100 a month represents an increase

of some 70 per cent over Bethlehem's present pension costs, but the new burden will be considerably less than that on companies which have had no pension scheme.

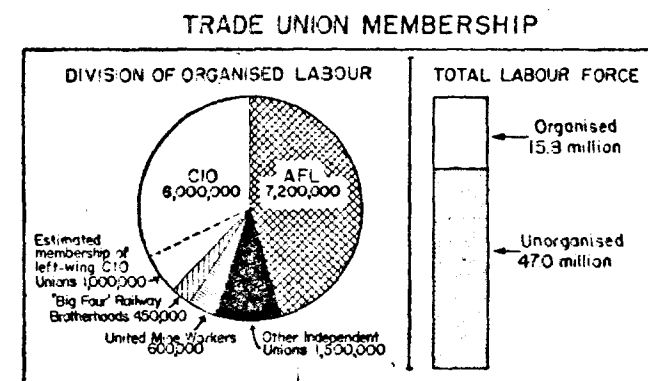
For these companies—and only 13 of the 32 companies that appeared before the fact-finding board in September were operating pension schemes, of which only seven were non-contributory—the cost will be materially higher than the 10 cents an hour proposed by the board. Yet Mr Murray has indicated that the Bethlehem formula must be accepted by the companies which still have to reach agreements with the union. It is not clear how this can be done by companies already operating at a loss or on slender profit margins. One has estimated that to meet the union demand for retirement provisions alone would require a reserve, to cover liability for previous service of present employees, equal to the total present value of all its plant and equipment. The liability for past service accepted by the Ford Company, under the pensions agreement signed with the United Auto Workers at the end of September, is estimated at \$200 million; the Ford Company, however, happens to have a labour force with a high proportion of workers near the retirement age.

Just how much account the steel union will be willing to take of the relative financial positions of the companies remains to be seen; the auto workers have recognised the problem of the smaller and weaker businesses by proposing that all the firms in an area should join together to set up an insurance scheme for all union members. Under the circumstances, businessmen may be tempted

to abandon their opposition to increases in Federal social security protection, for, under the Ford and Bethlehem contracts, any increase in Government pensions lightens the load on industry.

These important matters remain to be worked out. Meanwhile, Mr Murray has won recognition of the principle of non-contributory pensions, and is in a position to look his old rival, Mr John L. Lewis, in the face. In fact, the glance might be just a trifle down the nose, for Mr Lewis's present bargaining position is probably weaker than it has ever been.

The closing of the steel mills shortly after Mr Lewis substituted the no-day week for the three-day week removed one of the principal users of coal from the market and made existing supplies last longer. In his offer to the Indiana coal operators, Mr Lewis failed to divide and conquer as Mr Murray has done. Moreover, Mr Lewis's welfare scheme, begun two years ago, depends for its funds on coal being mined; today, a coal strike means not only loss of wages, but loss of royalties and hence of benefits for aged miners. Finally, in view of the Lewis record of opposition, it would



FORESIGHT

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have been understandable if President Truman had over-come, in the coal strike, his general reluctance to use the Taft-Hartley Act. All this explains why Mr Lewis decided to beat Mr Truman to the draw. Reversing his traditional "no contract, no work" policy, Mr Lewis has suspended the coal strike until the end of the month, as his contribution towards reaching an agreement.

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This disguised capitulation, contrasted with the successful steel strike, will enhance Mr Murray's prestige at a time when the members of the eleven left-wing unions, expelled, or threatened with expulsion, from the CIO, must choose between following their present leaders into the wilderness or joining new right-wing unions authorised by the federation. Official figures, which are probably high, give a total of about a million members to the eleven unions accused of following the Communist party line. The convention took two steps to rid the CIO of them: it barred Communists from the executive board, which is responsible for policy, and expelled the Farm Equipment Workers and the United Electrical Workers. The latter accounts for approximately half the members of the left-wing and until last week was the third largest CIO union. The executive board was then given the power to expel the remaining nine rebels, if the charges made against them are sustained. A new charter for another electrical union was the first bid for the allegiance of the rank and file, bids which, in the long run, at least half a million workers are expected to accept. Mr James Carey, who lost the presidency of the Electrical Workers some years ago on the Communist issue, is virtually certain to head its new rival.

The CIO is now united in its allegiance, and general admiration is being expressed for Mr Murray's courage and capacity to grasp first the issue and then the nettle. But the house-cleaning is bound to result in some economic disruption, even if the dissidents do not form a third labour federation—as they may. Efforts to wrest bargaining rights from the rejected organisation will be accompanied by membership drives. The courts can count on a busy season: where factional allegiances are fairly evenly divided, what happens to the property of union locals? What happens if a collective bargaining contract carries the signature of officers of both the local and the national union, and the local elects to remain within the CIO?

Considerations such as these may have determined the postponement of the expulsion of unions such as the fur workers and the longshoremen, in which there is no ready-made loyal opposition to Communist control, as there was in the electrical union. (Mr Bridges, head of the longshoremen, is in double jeopardy; not only have CIO charges been preferred against him and his union, but the United States is once more bringing suit to expel him.) In the coming struggle for bargaining rights between the two factions, employers are likely to be caught in the middle; some may decide to wait until a National Labour Relations Board election determines which is the legal bargaining agent.

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

Super-Market

[FROM OUR AMERICAN STAFF]

THE constant enmity between chain stores and independent shopkeepers has again taken legal form in the attempt of the Government to dissolve into its component parts the largest of the grocery chains, the Great Atlantic and Pacific Tea Company, known to every American housewife as the A and P. It had already been convicted under the Sherman Anti-Trust Act of practices that unlawfully stifled competition, and this new process is a civil suit to implement the criminal conviction. It is an attempt to force the company to separate its manufacturing and processing from its selling business, to divide its 6,000 retail stores into seven separately owned food chains and to dissolve its brokerage subsidiary which handles perishable goods. Thus the Government's action appears to be directed not against chain stores as such, but against the big chains which integrate their component businesses both horizontally and vertically in order to restrain and monopolise trade at all levels of the food industry. Little of this technical complaint reaches the housewife who does her daily marketing at the A and P. Even if it did, she would probably agree with the Judge who, deciding against the company in 1946, nevertheless said: "To buy, sell and distribute to a substantial portion of 130 million people \$1.75 billion worth of food annually at a profit of 1½ cents on the dollar is an achievement one may well be proud of."

The highest form of development of the chain store is the self-service shop, which is now being copied by independent grocers. Known as the super-market, it houses under one roof staple groceries, perishable fruits and vegetables, meat, fish and bakery products. Its success is based on what a visiting Briton once called "the lamentable insistence of the American woman on helping herself," and it has brought about a revolution in the shopping habits of the housewife, the selling methods of other shops, and the packaging methods of the manufacturer and wholesaler.

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The essence of super-market technique is that the housewife no longer waits for the assistant to bend a lordly eye on her, but sells to herself. She goes straight to the shelves (the shelves of each chain are stacked according to a prescribed pattern), takes off what she wants, and puts her parcels into a rolling two-storey wire basket. Obviously she could not do this if tea had to be measured, sugar weighed, butter or cheese cut to her order. Measuring, weighing and cutting are done ahead of time, and the product packaged and placed on the shelves. The grinding of coffee, for the fussy few who do not want to buy it tinned, is virtually the only individual grocer's service which remains to be done on the spot. When the purchase is complete, the housewife wheels her basket (commonly called a "baby buggy") to the checking-out desk, where the two or three assistants that run these huge establishments stand beside intricate cash registers, ready to ring up the cost of each item, accept the indicated sum, and stuff the packages into a box or paper sack. The saving to the merchant in labour costs is obvious. This American method of food distribution also saves the time and energy of the housewife, who is not compelled to queue up unless she goes in crowded hours when the checking-out counters are taxed beyond the speed of the cashiers on duty.

The technique of marketing in one of these giant shops varies with the neighbourhood and the customer. In

suburban districts the super-markets are built with adjoining parking lots, where housewives may leave their cars while doing their shopping once or twice a week only. In the heart of the metropolis, where land is too expensive for such luxury, the housewife shops daily, and carries food home on her arm. The city customer often strolls aimlessly round the counters, picking what strikes her fancy, putting back a tentative purchase on the wrong shelf, fingering the melons and pinching the peaches. For her the super-market is a social centre and, with her baby riding in the top basket of the rolling pair, she avoids going home as long as she can. If the market provides music along with recorded incitements to purchase this bargain or that, so much the better. The problem for the chain store is to balance the economic value of the sociable customer as purchaser against her disvalue as a blocker of aisles and occupier of space which might be used more profitably. Experiments are under way for replacing rolling baskets with some system of conveyor belts.

The prepurchase packaging of staple food products in small units is now almost universal, but along with its advantages go abuses. Weevils seldom appear in packaged oatmeal, prunes need no longer be inspected for worms; on the other hand, the housewife who knows what a package costs seldom stops to find out what it weighs. The unscrupulous packer may reduce weight, or even size, by a considerable amount before she is moved to complain or to buy another brand. The prepurchase packing of fresh vegetables, fruits and meat is a newer development, and thus far not so successful. Potatoes come packed by weight in paper sacks, and are ostensibly graded to size, but of this the housewife is never sure until she gets home. Oranges are sold by weight in string bags, and certain types of spinach

are washed at the farm and marketed in transparent bags; the housewife complains of spoilage not discovered until she unpacks her purchases. She reaches for the packaged perishables because they are convenient, and in 1949 convenience is the added intangible that sells more goods, but, according to kerbside gossip, she is not yet convinced that they give her good value. The same objection is made to the growing practice of packaging fresh meats. Certain super-markets cut standardised portions in the morning, wrap them in cellophane with weight and price noted, and display them on cooled shelves where the housewife may pick them up without waiting for the butcher to cut to her order. The practice, while not yet entirely satisfactory, is in the spirit of the times and there is every reason to expect its popularity to grow.

Each of these super-markets must sell its thousands of dollars' worth of goods a day in order to justify the cost of the organisation behind it. They are suppliers to the multitude, and can only afford to handle items for which there is wide popular demand in the neighbourhood they serve. The chains which control them cannot be too small or they will lose money, too large or they will become top-heavy. If, as does the A and P, they not only sell food but also manufacture, bake, butcher, process and pack, they become microcosms of the entire food industry and bring down the Government's wrath. How well they tread these intricate paths is shown by the fact that together the chains handle 39 per cent of all the food sold at retail in the United States. Yet they sold that same proportion in 1941. It is still a question whether they have reached the limit of the trade they can take from the independent shopkeeper who, serving a special clientele, develops services and economies of his own which enable him to compete with the giants.



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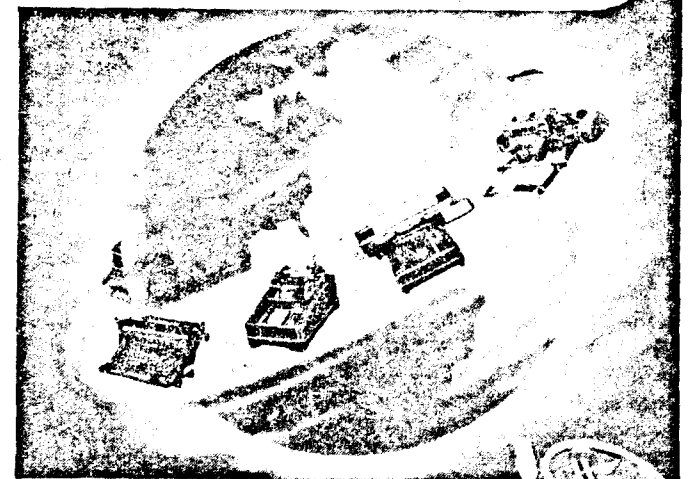
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American Notes

Fair Deal Triumphant

Mr O'Dwyer's retention of his mayoral chair in New York City was only one of a series of Democratic victories in the municipal elections held all over the country this week. Like some of the others, it nailed down the coffin of an old-time city machine—in this case Tammany Hall—and brought the Democratic Party nearer to laying these ghosts of its past. But the party's future was involved in the New York Senatorial contest and Mr Lehman's satisfactory majority over his equally respected Republican opponent, Mr John Foster Dulles, is hailed as a national triumph for the Fair Deal and for Mr Truman. This victory in the most populous state in the country, which last November rejected Mr Truman, will certainly generate new enthusiasm for his Fair Deal amongst members of Congress who must stand for election next year. Senator Lehman himself will be one of them.

He was not an altogether satisfactory standard bearer for the Fair Deal; his support of federal health insurance is as half-hearted as his enthusiasm for the Administration's farm programme. The latter's vote-getting ability was in any case hardly tested in this election, since the Republican allegiance of the New York farmer is apparently unshakable. But the appeal of the Fair Deal to labour voters was demonstrated by the Democratic successes in up-state industrial centres as well as in New York City itself, where the 400,000 votes of the local Liberal Party gave Mr Lehman his state-wide majority. The vote was heavy and for this labour organisations can, and certainly will, take credit.

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Neither of the two distinguished candidates fought as strong or as clean a campaign, nor did they put the issues as clearly, as might have been expected of them. But Mr Dulles based his case unswervingly on the extravagance of the Fair Deal and on its threat to individual liberty. There was no trace in his campaign of "me-tooism," the promise to do the same as the Democrats only better, which Mr Dewey offered so unsuccessfully to the voters last year. Mr Dulles's close links with Mr Dewey suggest that the latter's advisers were using Mr Dulles as a guinea-pig, to see if the uninhibited criticism advocated by die-hard Republicans might pay better political dividends. The only members of his unhappy party who will profit from Mr Dulles's failure are the "Young Turks," who maintain that to survive the party must offer a positive alternative to the Fair Deal.

Mr Dulles's defeat may also give some cheer to Mr Kemper, the treasurer of the Republican National Committee, who has just resigned on the excuse of the party's approach to bankruptcy. He accompanied his resignation with a blast against the bi-partisan foreign policy, a policy which Mr Dulles claimed would be jeopardised if he were not returned to the Senate. But foreign policy as a whole was not an issue in the New York campaign; it hardly could be, when both candidates had such well-known records of international co-operation.

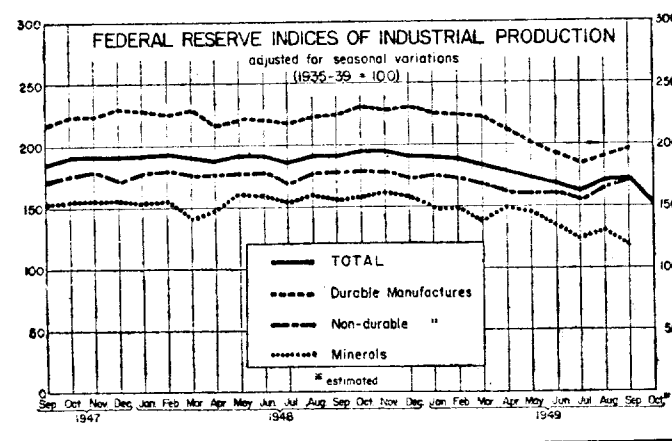
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Business After the Strikes

Both the steel and coal industries, spurred to new activity by the need to make up for lost time, will probably benefit from the holiday imposed on them by their workers, and not even the national economy as a whole seems likely to suffer more than a temporary setback. While the Federal Reserve Board estimates that industrial output fell during October to a lower point than at any time since 1946, this was

due almost entirely to the steel and coal stoppages themselves. The strikes had certainly not by November 1st increased unemployment by the 2,000,000 which the Secretary of Commerce had forecast. During the past month the general public showed, by its lack of interest in the strikes, that it agreed with the President that they did not yet constitute a national emergency. But this would not have been true much longer: this week lay-offs and short-time working were becoming widespread, especially in the automobile industry, owing to shortages of steel.

It is, however, not absolutely certain that business will resume its upward climb once it has recovered from its hang-over. The strikes have naturally had serious reper-



cussions on retail traders (except pawnbrokers) in the steel and coal centres, but elsewhere, even before the strikes, buyers were not showing their usual autumn exuberance. The unseasonably warm weather was becoming a threadbare excuse. If buyers continue to dig in their toes, the Christmas balloon will not rise very far from the ground this year and 1950 will open under a cloud.

On the other hand, in January ex-servicemen who carried life insurance during the war will begin to receive refunds amounting to \$3 billion. Part of this will have been spent in advance, but it should nevertheless do something to counteract the taxpayers' blues that always afflict retail trade during the first part of the year. Furthermore, by January the automobile assembly lines should once more be flowing steadily; a study conducted for the Federal Reserve Board in July showed that demand for new automobiles during the first half of 1950 was likely to continue at the record rate of 1949. This hardly bears out the widely held view that the automobile industry cannot much longer postpone its inevitable postwar readjustment. Its success in postponing it so far was proved by its profits during the third quarter of this year; they were 60 per cent higher than in the comparable period of last year, while the average for other leading corporations was 18 per cent lower. The General Motors Corporation is about to distribute \$190 million, the largest sum ever paid out at one time in cash dividends by an American company.

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Negro Education

The backwardness of southern education is due not only to the low income of the region but to the duplication of schools required if white and Negro children are to be segregated. Yet nothing is more urgent than better education if the south is to make the most of its human resources and conquer its poverty. The greatest lack of all is in professional and graduate schools, particularly for Negroes. Consequently there is much to be said for the plan of the southern states to pool their funds in regional colleges, even though the immediate stimulus was a Supreme Court

decision requiring them either to admit Negroes into their tax-supported professional schools, or supply them with equal facilities.

The regional scheme, due to begin this autumn, provided for a grant to Meharry Medical College for Negroes, and a number of other Negro and white institutions. Each participating state is given a quota of students to fill, for whom it must pay \$1,500 a year in the case of medical and dental students, and \$1,000 for veterinary students. Apparently white as well as Negro students have been selected, but they will be segregated according to race.

The National Association for the Advancement of Coloured People hotly opposes the plan on the grounds that it perpetuates the pattern of segregation, and that it flouts the requirement of the Supreme Court that each state provide equal facilities *within its own borders* for Negro students. A test case has now been brought in Maryland by a Negro girl who was barred from the Maryland University School of Nursing, but given, instead, the opportunity of attending Meharry Medical College in Tennessee.

If the regional college scheme is declared unconstitutional, the states will then be confronted with the alternatives of admitting Negroes to their white colleges, or of extending the dual system into the costly upper reaches of education. The NAACP plainly believes that such a choice would bring tumbling down the barriers against Negroes, already breached in Oklahoma. Attempts to make pitiful Negro schools the equal of those for white children are not only astronomically expensive but have the ironic result that in some cases the Negro schools, being more modern, are not only equal, but superior, to those for whites.

But to establish duplicate graduate schools would not only be even more costly, it would involve denuding many of the existing 36 private Negro colleges of their staffs. They are already losing more teachers than they can replace as the States adopt equal pay for white and Negro instructors. The problem for the Negro is whether it is better to wait for a grudgingly conceded millenium, or to accept a segregated plan which at least would make an immediate, if modest, inroad on the tragic lack of Negro doctors, nurses, and dentists.

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Cold War in Trade

The extension of export controls to another 100 strategic materials is a reminder that the cold war in trade still goes on. The stricter application of "destination" controls will also guarantee that goods which might strengthen the war-making power of Russia do not find their way behind the iron curtain via Latin America or the Far East. Nor are the steps all negative. Only the day before export controls were strengthened, the Government had permitted the first exports of aircraft petrol and lubricants to Yugoslavia, and it is intimated that reasonable requests for civil aircraft and parts will not be refused.

Aircraft have been considered war material since April, 1948, and as such have come under the ban imposed on shipments to nations in the Russian orbit. The decision to exempt Marshal Tito is the latest of the efforts now being made to improve Yugoslav communications, inside the country, on air routes to Rome and Paris, and on railways with Greece. Better transport facilities should not only give Yugoslavia new trade opportunities, but might become invaluable in case war ever became an actuality. The new concession follows permission to export a steel mill, granted in August, that to export oil refining machinery in April, and an Export-Import Bank loan of \$20 million.

Meanwhile, strategic considerations have reduced Russian-American trade to a mere trickle. The value of exports to Russia fell to \$100,000 in August, from \$400,000 in July; the monthly average in the first half of 1949 was \$1,000,000,

while in the comparable period for 1948 it was \$2,300,000 a month. The most vital American import from Russia has been manganese, used for hardening steel; and the sharp decline in Russian manganese exports in the first half of this year suggests that the Russians hoped to use manganese as a lever to pry open the American market and resume their purchases of machinery. While Russia supplied 27 per cent of American imports of manganese in the first half of 1948, it provided only 7.7 per cent in the first half of this year.

When coercion failed, the Russians, perhaps fearful of losing their manganese market permanently, tried priming the pump; shipments shot up in July and August, but this brought no relaxation of the ban, and the Russians have had to be content with turning their fur exports into peaceful purchases of cotton, tobacco, and rosin. The ineffectiveness of the Russian reprisals is due to the expansion of supplies of manganese from India, South Africa, and the Gold Coast, which nearly met American needs in the first half of this year and are expected to do better in the last six months.

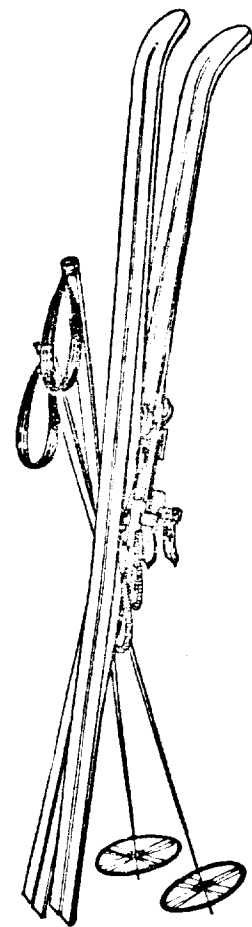
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Feather in the Community Cap

In October and November, burtonholes, lamp-posts, bulletin boards and hoardings all across America flaunt the red feather, the symbol of the united charitable appeals that are conducted in over 1,200 cities and towns at this time of year. The red feather has even followed the Stars and Stripes into Germany and Japan. The Community Chests are collecting the funds which will next year support over 14,000 different health, welfare and recreation services. The goal is \$185 million, nearly half of which will be spent on children and young people. That is more than twice the amount raised ten years ago and the number of local Chests has more than doubled also. A million voluntary workers are canvassing 20 million of their fellow citizens.

The Community Chest has many advantages. The contributor pays a lump sum once a year, instead of having to deal with door-to-door collections, flag sellers and all the rest of the charitable paraphernalia. Collection expenses are reduced to a minimum. Independent and expert examination of the budgets of the various participating organisations ensures that their activities do not overlap, and that they are neither dishonest, extravagant nor useless. Each charity gets its fair share; no longer do epileptics go uncared for all the year round while curly-headed orphans have a weekly treat. But the standards of Community Welfare Councils are sometimes both rigid and unimaginative. Nor are all local charities in fact included; apart from the "lunatic" fringe, organisations devoted to special interests are not admitted to membership and the Red Cross has in the past always maintained its separate identity. Some people respond more generously to spontaneous individual appeals than to high-pressured centralised campaigns, especially when the latter are conducted with a para-military precision and a determination recalling the Sherwood Foresters and Indian scalp-hunters who used to wear the red feather.

Contributions from those of independent means are usually assessed on their apparent standard of living, while wage-earners are asked to give a day's pay. This is often deducted automatically from wage packets, a practice which is far from popular with workpeople. Community Chests expect to fill their bottom drawers with contributions from local business firms. High taxation and the growing coverage of government social security schemes have, however, made many people feel that they neither can afford, nor need, to give so much to charity as in the past. Last year the red feather campaigns failed by 10 per cent to reach their national goal. But American generosity is no more easily discouraged than is American efficiency and both are to be found in large quantities under the lids of the Community Chests.



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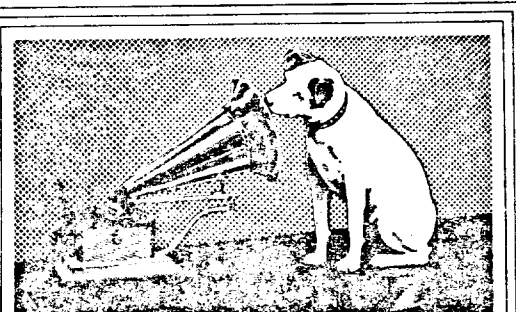
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THE WORLD OVERSEAS

The United States of Indonesia

(By Our Correspondent at The Hague)

THE Round Table Conference ended on November 2nd and Indonesia is free. Somewhere between now and the end of the year, probably in December, Holland will solemnly transfer its sovereignty over the former Netherlands East-Indies to the "Republik Indonesia Serikat," or Republic of the United States of Indonesia; it will do so "unconditionally and irrevocably." Most of the Indonesian delegates to the conference have returned home, taking with them a draft charter for the transfer of sovereignty, a draft constitution for Indonesia and a draft statute for the Dutch-Indonesian Union. What is it they are really taking with them, what do they leave behind, and what do they face on their return to Indonesia?

Of the three documents, two were drafted by the Dutch and the Indonesians; the third, the future Indonesian constitution, was made by the Indonesians themselves—that is, by the Republicans and the "Federalists." It was clear from the outset that the main question, the transfer of sovereignty, was already agreed; this being so, the Federalists, as the more moderate elements in the future Indonesian Republic (and containing many good friends of Holland), came gradually over to the side of the radical Republicans, so that no less than complete independence was asked for—and granted. The outcome was inevitable after everything that had happened: the upheaval of the war, a national revolution, two military actions which failed, and a menacing situation in the East in which the West can only hope for some success in "containing" the Soviets if full independence is granted to the young nations of Asia.

As far as the transfer of sovereignty is concerned, one main question has been left by the conference for further settlement: the status of the western half of New Guinea. This more primitive territory has never participated in any national movement and is, in fact, not yet capable of any self-government. The Dutch hesitate to transfer it, as another "colony," to the inexperienced administration of Indonesia; on the other hand Indonesia, for reasons of prestige, can hardly leave it in mid-air between Holland and Indonesia.

Elections Within a Year

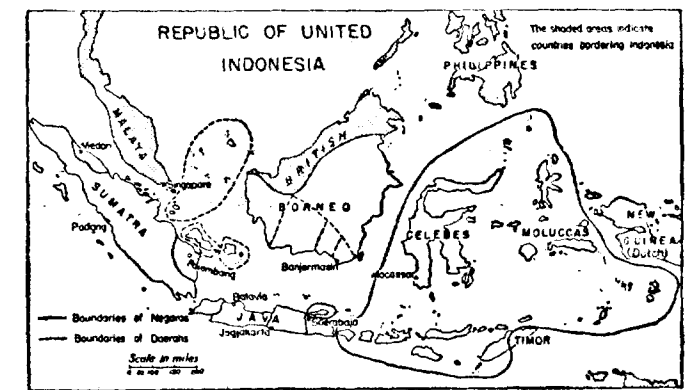
According to its draft constitution, the future Indonesian Republic shall consist of "negaras" of which the previous republic will be the most important. In the popular assembly, 75 of the 150 members will be Republicans, and no doubt the Republic's President Soekarno will be President of the new Republic too. The federal negaras will be able to check part of the Republic's power in the senate, in which each negara will have two members, and in the newly created institution of three people from all over Indonesia who will, together, recommend a prime minister and a list of cabinet ministers to the President. But the old Republic's national hymn, its red-white flag and its language, the *bahasa Indonesia* will be taken over by the new Republic and this indicates to what extent the new federal state will, as is usual after national revolutions, be guided by the more radical wing. The refusal of the negara of East Sumatra, at the last moment, to initial the draft constitution on account of territorial questions might be a sign of future conflicts between the partners in the Federation. General elections

will be held throughout Indonesia within a year. Then a constituent assembly, consisting of a popular assembly and a senate, both with double numbers, will draw up a constitution to replace the present provisional arrangements.

The former Netherlands Indies contained a number of semi-autonomous states, bound by special treaties with the Dutch Government. They were much the same as the native states in India and, although the draft constitution of Indonesia stipulates that their treaties with the Dutch will simply be replaced by treaties with the new Government, it is probable that they, like their counterparts in India, will tend to associate themselves closer with the new Republic.

Ties with Holland

The Dutch-Indonesian Union is set up without the superstructure which many Dutchmen had still hoped for. There will be no Union ministries, no executive power of Union



institutions, only a combined arbitration court with three Dutch and three Indonesian members to settle constitutional difficulties, and a joint conference of at least three cabinet ministers from both sides meeting two or three times a year as a consultative institution. No aspect of co-operation is excluded; on the contrary, the Indonesians have expressly said that they hoped for a larger amount of Union co-operation, and many of them have privately intimated that they would be glad to see Dutchmen, but preferably new Dutchmen without "colonial" experience coming to Indonesia as technicians and advisers, rather than other nationals. All attempts, however, to provide for a return of Dutch political influence have been successfully warded off by the Indonesians.

The touchstone of future co-operation is perhaps in military affairs. Here, too, withdrawal of all Dutch forces has been agreed. In the same breath, however, the Dutch promise their help in the organisation of the federal Indonesian army and navy; the last hardly exists and depends upon the transfer of a few small vessels which the Dutch have promised. The Indonesian troops under Dutch command, the former "Royal Netherlands-Indies Army," can transfer, if they wish to do so, either to the Indonesian or the Dutch forces. (Dutch naval help to Indonesia, which will cost the Dutch taxpayer a considerable sum, has aroused much criticism in Holland.)

Soerabaya will remain a naval base operated by the Dutch under a Dutch commander who will be nominated by the

Dutch and appointed by Indonesia. The fact that the commander is under the orders of the Indonesian Government makes the situation less favourable to the Dutch than, for example, the Simonstown agreement in South Africa was to Britain, although the port might be valuable for Allied operations in the event of an armed conflict in the Pacific.

A sore point at the conference was the division of the debt. The Dutch asked the Indonesians to assume responsibility for 5.800 million guilders, and the Indonesians began by offering to take over no more than 3.400 million guilders. The main difference was that, understandably, the Indonesians did not want to pay for the Dutch military actions. As usual a compromise solution was reached and 4.300 million guilders of the debts will be charged to Indonesia.

One of the most important points is the status of Dutch enterprises and estates in Indonesia. The Dutch owners are afraid of nationalisation; the financial and economic agreement of the conference does nothing to abate this fear, but stipulates that there must be a legal procedure and "previously received or guaranteed indemnification." Somewhat more reassuring is the provision that concessions and licences for new and existing enterprises and estates can be renewed or granted "for such a period and at such a time that these enterprises remain or are operable on a sound business basis and that the rightful owners are guaranteed continuation." But there is the slightly menacing proviso "except in those cases which are against the public interest inclusive of the general economic policy of the Republik Indonesia Serikat." The Dutch must place their hopes on another article which restricts the burdens on business to "reasonable limits . . . permitting normal replacements, depreciation and reserves and permitting a reasonable profit for the capital invested in said enterprises."

End of an Empire

Public opinion in Holland is fairly calm about the new situation, if one takes into account that this means the end of a historical tie of several centuries. The extreme right-wing protests vigorously, and the general public does not quite see why the Government should spend so much money on help (military and economic, not to mention the expense of the whole Round Table Conference) for Indonesians "if the fellows want to be completely rid of us." Some dissatisfaction has been caused by the former Dutch civil servants in Indonesia getting a guarantee of only two years, but it is possible that the Dutch Government from their side will greatly extend the period of security. Most people think the Cabinet is right in deciding that the agreement, though perhaps unpleasant, was necessary anyhow; some think it could have been reached—and would have been better—three years earlier; and it is generally thought that opposition rumours in two of the smaller government coalition parties will not effect any change in the present policy.

In Indonesia, however, the situation is quite different. Even if a civil war is not a necessary sequel of every national

revolution, as some prophets of doom suggest, it is a fact that neither the present Republican Government nor the future Government of Indonesia have complete and effective authority over all the territories and their 60 million inhabitants. The Indonesian delegates are fortunate in having "unconditional and irrevocable sovereignty" to bring back home, for with less they would have returned in the same position as the Irish delegates of 1922: to face murder by their own fellow countrymen. And, indeed, even with their present success on paper, murder, or at least grave civil unrest, is not improbable.

Nobody knows how strong the Communists in Indonesia really are. On the other hand it is known that the Republican troops are disorganised and badly disciplined, and Dutch military help, even if it is wholeheartedly given, will have to be tactfully offered and cleverly accepted if its contribution to the restoration of law and order is to be effective and lasting. The ordeal is not yet over. Not only has Holland lost a part of its economic "guilders area" which before the war brought in between 10 and 16 per cent of the Dutch national income—an amount which cannot be compensated by any future co-operation, however valuable it may be—but Indonesia also, with no more than at the very best a token amount of Marshall aid, will have to put its house into order, restore its economic system and maintain its independent position—perhaps against more powerful influences than Holland's former colonialism.

Brazil's Boom in Coffee

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

BRAZILIAN coffee prices are soaring to new records. At 1.320 cruzeiros (over £25) a bag, street sales in Santos of "paper" coffee (for delivery in 1951) prompted a wag to declare that coffee would soon be quoted by the bean instead of by the bag. Indeed, it is now said here that coffee may reach 2,000 cruzeiros a bag. Santos spot prices are nine times higher than their lowest in 1940 and almost twice their previous highest in 1947.

Brazilians are watching with understandable interest this boom in their major export. Even before it began, coffee had risen to half of all Brazilian exports, and 70 per cent of all the coffee shipped goes to the United States, earning dollars for the Bank of Brazil against cruzeiros which have not been devalued. This is important for a country whose trading relations with the United States are overshadowed by an accumulation of commercial debts believed to stand now at \$150 million. Real significance attaches to the estimate that coffee shipped from October to next June (when the crop year ends) may have earned over \$500 million.

The immediate prospect appears rosy enough, if only for a reason on which the industrious statisticians of the inter-

national coffee trade seem to agree. World consumption, which before the war ran at about 20 per cent below world production, is now rated at 7½ per cent above it. In the Inter-American Coffee Bureau's estimate for 1949, showing consumption at 32½ million bags and production at 30½ million bags (to which Brazil was expected to contribute 16½ million bags), the scales have tipped beyond the "statistical equilibrium" for which Brazilians have long yearned. American consumption and Brazilian production are the important counter-weights; while American consumption has grown by at least a half in 10 years, Brazil's postwar production is down, and its stocks of excess coffee exhausted. Brazil, which before the war supplied 70 per cent of the world's exportable coffee, now provides 48 per cent. The following table shows the opposing trends.

WORLD PRODUCTION AND CONSUMPTION OF COFFEE BEANS
('000 Bags of 60 Kilogrammes)

Crop Year*	Production		Consumption		
	Brazil	World	USA	Britain and Europe	World
1936/7.....	26,359	37,248	12,349	11,206	24,886
1937/8.....	23,579	33,590	12,565	11,948	25,472
1938/9.....	23,300	33,425	13,817	10,819	26,727
1945/6.....	15,266	27,744	20,373	4,350	26,500
1946/7.....	13,965	27,000	19,285	5,500	27,000
1947/8.....	13,353	27,653	20,234	7,000	29,760

* The crop year runs from July 1 to June 30.

Brazil's excess coffee stocks were the accumulation of "sacrifice quotas" exacted by the Government from growers during and since the war and—after 78 million bags had been destroyed between 1931 and 1944—stored by the

National Coffee Department. These stocks, vast if conjectural, haunted the coffee trade long after the formation, in 1940, of the Inter-American Coffee Bureau, which, by agreement among 15 Latin-American countries producing over 80 per cent of the world's coffee exports, was to apportion American orders. In stifling cut-throat competition and regulating supplies this international scheme showed fair success where "valorisation" loans, floated internationally since 1906, had failed. Conjecture on the size of Brazil's excess stocks is now academic, for it is generally agreed that they have been liquidated. How they found their way into the trade stream may be guessed from the second table. This, however, serves mainly to show the direction of Brazil's coffee exports, and the relative importance of its American and European customers.

BRAZILIAN COFFEE EXPORTS
('000 Bags of 60 Kilogrammes)

Destination	Average 1934/39	Average 1940/45	1948	Jan.-May 1949
USA.....	8,192	9,456	11,726	4,389
Holland.....	547	21	103	123
Belgium & Luxemburg	368	25	1,071	406
Sweden.....	549	241	279	238
France.....	1,523	144	25	215
Germany.....	1,236	11	175	188
Italy.....	378	27	402	162
United Kingdom.....	7	142	1,027	35
All destinations.....	14,732	11,371	17,492	6,722

The United States overtook Europe in 1914 as Brazil's best coffee customer, but Brazilians are hopeful that progressively greater purchases (especially by France and Germany) will accompany European recovery—a prospect for the moment dimmed by devaluation if nothing else. Anticipating devaluation, Europe bought heavily in August, and

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is not expected here to return to the Brazilian market for several months. Even Britain, whose heavy 1948 purchases were mainly for entrepôt trading (now suspended), has this year broken all records for purchases from Brazil on domestic account, because, it is thought here, of the diversion of British colonial coffees to dollar buyers.

Brazilian interest in all these developments is, however, tinged with anxiety, and on more than one score. Recently in Santos your Correspondent found that the prospect of "consumer resistance" from the American housewife was causing some heart-searching; and the effect of devaluation on slim European purses is not overlooked. Competition from rival producers (Columbia runs to 6,000,000 bag harvests) provoked less conjecture—perhaps a tribute to the Inter-American quota system. In Brazil itself, where coffee drinking is a national institution, the ubiquitous *cafézinho* costs four times more than in 1939, and "consumer resistance" has meant no more than an occasional storm in a coffee cup over attempts to push café prices farther and faster, for wholesale and retail business here is a ruthless servant of inflation.

Brazil's declining production is the dominant worry. The last crop (most, if not all, of which should be cleared through the coffee ports by next June) has been tentatively estimated at about 15 million bags, against probably 16 million last year. But, given the persistence of demand, exports for the crop-year ending in June may reach 19 million bags (including the remnant of excess stocks). Shipments during the July-September quarter, in fact, reached 6,000,000 bags—almost a third more than last year—and there is widespread doubt whether the coffee ports' usual carry-over of 3,000,000 bags will remain next June.

There is anxiety, too, about next year's harvest, and it seems timely to recall the predictions made by a careful American expert in 1946. He thought then that the *fazendas* had moved into the last available coffee belt which could be economically exploited. Production, he calculated, might remain steady for five years, but, unless there was a radical improvement in methods of cultivation, or unless railways pushed westwards to open up new land, by 1961 production would have declined to perhaps a third of its all-time peak of 29.6 million bags in 1933.

Production is already down to half that figure, or less, and President Dutra's appearance at a meeting of coffee interests underlines the importance attached by the Government to the suggested encouragement of more scientific methods of planting. A Bill is before Congress to finance planters for a three-year period of expanding production, and the problem is demonstrably a national one. Tired trees and exhausted soils in Sao Paulo (which supplies at least half of Brazil's coffee exports) have lowered that state's mean annual yield to about 1.1 lb. of coffee a tree—only half of that in northern Paraná's newer plantations, which may soon achieve a 3,000,000 bag harvest. Fresh trees may be counted on to

yield a large and a small crop in alternate years, but these days have gone for Sao Paulo's older estates, and new plantations take five years to bear.

Other problems lie ahead. Though estates are generally smaller than formerly, labour costs about nine times more than in the early thirties and is much scarcer. By and large, the *fazendeiro* system is still feudal, opposed to small land-holdings and dependent on the cheapest labour from the bottom of the social scale. The trek of rural workers to the towns strikes at its roots, and DP immigrants are no solution, for it has been proved that they, too, tend to desert from the *fazendas*. In the southern United States the Civil War struck a telling blow at feudalistic husbandry, but Brazil has had no Civil War. Agrarian reform lies near the heart of the growers' problems—and, indeed, much else in the Brazilian economy. But that economy is as resistant as the coffee tree itself, and world demand may arouse a livelier response from Brazil than statistics suggest.

French Fears in Indochina

[FROM OUR PARIS CORRESPONDENT]

It will be three years this December since the resumption of hostilities between the French forces and the Indochinese resistance movement, the Vietminh. In the summer of 1946, after the Fontainebleau Conference between the French Government and the Communist leader Ho-Chi-Minh, then recognised as the spokesman of Indochinese nationalism, a *modus vivendi* was signed by the two parties amounting to a truce or an agreement to differ. The Fontainebleau agreement came to nothing, however, and since December of that year Indochina has been ravaged by large-scale guerrilla warfare. France is compelled now to support an army of some 125,000 men in Indochina at a cost to the budget of about 90 billion francs, and a once lucrative colony has become a serious financial liability.

Apart from the followers of General de Gaulle who still think of direct military reconquest by *la France seule*, and Socialist back-benchers who still hanker after a settlement with Ho-Chi-Minh (once probably possible but now certainly out of the question) there is broad agreement among responsible Frenchmen that Indochina, that is Vietnam, Cambodia and Laos, must be kept within the Union Française and that within this juridical frame Vietnam should become a viable independent state. Economically, it is true that the removal of war-devastated Indochina from France's orbit would make little difference to the present day French consumer, whose rice tends to come from Italy or the Camargue and whose rubber may also be made synthetically in Europe. But Indochina also contains large capital installations representing individual metropolitan interests and provides a livelihood for some 90,000 French settlers who have no intention whatever of leaving it of their

own accord. Even more important, as a potential source of modern industrial wealth, Indochina, which is rich in minerals, would undoubtedly be a most serious loss to an ideal French economy of the future.

To maintain French power and influence throughout this large and unwieldy territory, the French Coalition Government has adopted a two-fold policy: it has waged the war against the Vietminh with determination and it has given its full support to the ex-Emperor of Annam, Bao-Dai, who was reinstated (although not as emperor) as head of the new *état associé* of Vietnam—comprising Tonking, Annam and Cochinchina—in the spring of this year. This constitutional change has since been juridically perfected and letters of goodwill have been exchanged between Bao-Dai and the President of the French Republic.

French military strategy has been to hold the big towns and the main roads and, in view of the accelerating approach of the Chinese Communist armies towards the northern border of Tonking, to clear a belt of territory south of this frontier. The campaign under General Alessandri in this sector has been successful. Nevertheless, no conclusive victory over a mobile guerrilla force of some 90,000 fanatics operating in the jungle is feasible with the French and Vietnamese forces available. French morale is good and certainly in the military sphere everything which a relatively impoverished metropolitan power can do, is being done.

The Bao-Dai policy cannot yet be said to have failed nor even properly to have begun. The transplanted ex-Emperor is attempting, with the support of the able, sincere but rather unpopular French, to assume the direction of a new "paper-state" lacking any kind of administrative coherence or tradition. At the same time he is forced, again in company with the ex-colonial power from which he is supposedly proclaiming Vietnamese independence, to conduct an interminable war against a national leader with far greater prestige and capacity than he himself possesses and to whom a large number of his own 27 million "subjects" are bound by conviction or convenience. Even the Catholics have hesitated to break with the legendary Ho-Chi-Minh.

It is also pointed out by some that Bao-Dai's nationalism is effective chiefly to the extent that it is xenophobic, that is, anti-French and that it smacks of the Kuomintang, lacking the essential "progressive ideology" to which the Vietminh and all Eastern "freedom-movements" owe their success. The French colonial authorities, never having previously tolerated an opposition to their direct administration and having thereby for decades thrown Indochinese nationalists into the arms of the Kremlin, have created for their successors an almost insuperable problem. Ho-Chi-Minh himself, originally a disciple of the French Socialists, joined the Third International in 1921 and since then he has lived chiefly in Moscow, and China. Thus it was only at the age of over 60 that he, a French subject, first came to have any real political dealings with the French authorities.

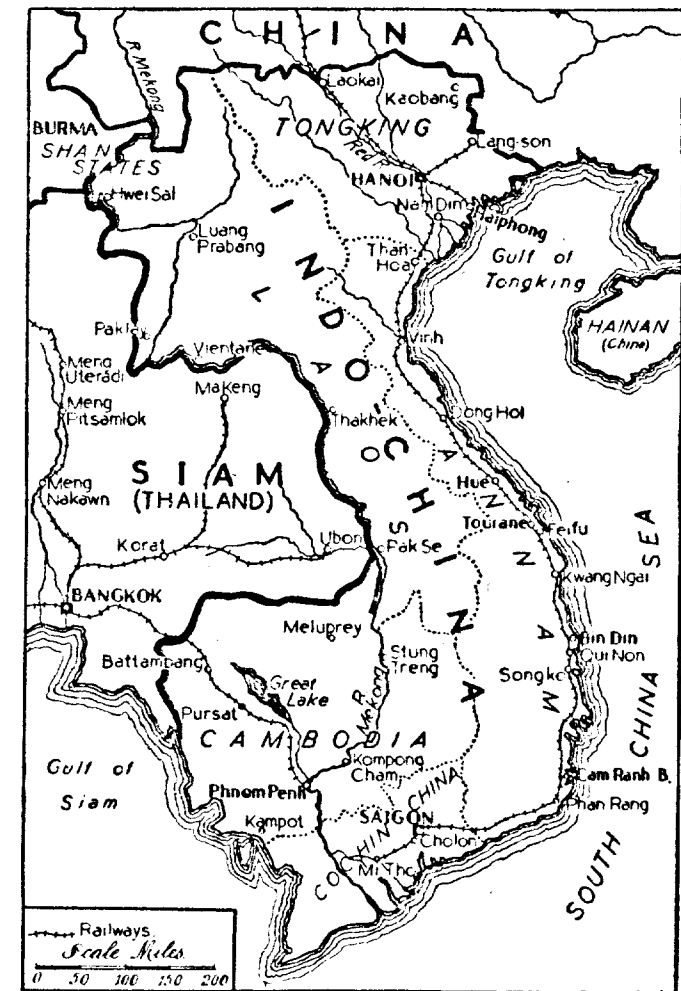
The Indochinese, however, look upon their northern neighbours with about as much affection as the French regard the Prussians, and this may prevent, at least for a time, a union between Vietminh and the Chinese Communists. But it is evident that if the Chinese Communists continue their thrust into rich South East Asia before trying to consolidate China itself, the Indochinese would be transposed immediately on to the plane of world-strategy. In the meantime direct intervention by the United States in South East Asia is, in French opinion, unlikely—partly owing to vague American disapproval of the remnants of "colonialism" and partly on account of the all too real past losses. Moreover, since American aid is at present unlikely, France must be careful to avoid giving the impression of soliciting it. For any suggestion of an American liaison would tend further to discredit Bao-Dai as a foreign puppet.

A good index of the intrinsic importance of Indochinese nationalism is perhaps the reserved attitude of Pandit Nehru

towards the Franco-Bao-Dai experiment. Nehru still clearly regards the combination with suspicion, attributing at least equal worth to the Vietminh. When, for instance, the question recently arose which Indochinese group should be permitted to send a delegation to the Far Eastern conference of Ecafe now sitting in Singapore, the Indian Government proposed that both Vietnam and Vietminh should be received simultaneously. Coming from a government which is already under fire from Communist propaganda this pronouncement has a certain undeniable weight. It seems, therefore, that so long as the Indochinese problem remains domestic in scope, French Vietnamese progress must be slow, being the fruit of political attrition rather than of physical conquest.

Fall in Foreign Trade

None the less, if the war could be localised, it would perhaps be possible to embark upon a policy of partial



economic reconstruction, although not upon the full development scheme envisaged by M. Monnet's organisation. At present the broad economic picture is that Indochina is exporting less than one-tenth of prewar quantities of rice and maize. (Since, however, there is now a considerably greater domestic consumption, this figure does not apply so drastically to production itself.) The Tonking coal-mines which used to export anthracite to China and Japan are now producing little and exporting nothing. Exports of rubber and pepper to France stand at about a half and a third respectively of prewar totals. The volume of Indochinese exports has shrunk from 3,995,000 metric tons in 1938 to 540,000 metric tons in 1948, while imports have fallen from 490,000 tons to 351,000 tons. The balance of trade which showed a credit of 82 million piastres (=£5,811,000) in 1938 has been turned into a deficit of 1,186 million piastres (=£22,919,000) (the post-1946 piastre being worth 170 per cent of that of 1938).

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The Administration of Israel

[FROM A TEL AVIV CORRESPONDENT]

THE new Israel administration has been hastily put together from bits and pieces, but seems to be working well. The secret is that, even under the British Mandate, the new tooth was pushing up under the old one. The Jewish Agency, the Hagana, the Vaad Leumi, the Histadruth, the Jewish civil servants of the Palestine Government, the Municipalities, each provided a cadre of administrators for the new state. Some of the key civil service posts have gone to men inexperienced in administration, but their loyalty and energy are, of course, beyond question. Some were party men, others nominees of individual Ministers, others men who had worked in the underground movements. In the chaos that attended Israel's birth, there was no time for civil service commissions, competitive examinations and selection boards. Anyone with any capacity was snatched out of his previous job and told to get on with organising the new state. It is these men who are now the new administration. They have their faults; but at least they are united in their devotion to duty. They work extremely hard: none of the posts they hold are sinecures. But the machine has not yet been run in: there is excessive centralisation, formality and red tape; the amount of time and effort expended in getting anything through is enormous.

Israel is a small state—with a population of only a million. But many of its citizens are accustomed to an advanced type of European government. Their expectations call for the employment of a large number of civil servants to operate the intricate system of administration that has been set up. Some 12,000 Government employees are hard at work in Israel today, including teachers, but excluding the army and the police. Two thousand seven hundred of them work in the Kiriya alone—the Whitehall of Israel on the outskirts of Tel Aviv.

Advance by Trial and Error

There are only eighteen ministries in Israel today, compared with the forty departments under the Mandate. This reduction in the number of separate units is an advantage. The sub-division of the ministries into branches and divisions is neat and orderly. The Ministers form a cohesive Cabinet, self-reliant and firmly established. The Cabinet has great achievements to its credit and is deservedly popular. But in the lower ranks of the civil service there is still a great deal of wartime improvisation and muddle, largely due to inexperience and the preoccupation of the Ministers with matters far more vital and immediate than organisation. Advance is by trial and error, a groping towards improvement, learning the hard way.



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But the public is unwilling to wait for efficiency. The new state was to be synonymous with immediate perfection. The state machine is still largely a wartime improvisation and yet the public demands peacetime service. There is constant grumbling because letters are not answered, because decisions are not given at once, because papers are circulated from ministry to ministry, because no civil servant is quite sure what authority he has got. And as none of them has yet received a letter of permanent appointment, few are willing to take risks.

Faith in the Future

The intensity of work in the civil service is incredible. The senior civil servants go all out, at a wartime tempo. Many are still working ten, twelve, even fifteen hours a day. They keep going on endless glasses of hot, weak, milkless tea (about two hours to the glass). Most of them are tired out: nearly everyone needs a good rest.

The administration has a profound faith in the future. They are feverishly preparing for the next trial of strength, wherever and whenever it may come. The immense problems of immigrant absorption and housing depend on long-term plans which are only now beginning to mature. There will be a time-lag of several years, during which this almost intolerable strain will continue.

Meanwhile, much has already been achieved: the railway has been repaired and trains are running again; new roads have been built, old ones reconditioned and widened; there is vigorous party activity, but no serious political tension; public security is excellent and one can travel freely anywhere by day or night.

But so much more needs to be done. Anyone who arrives with any particular knowledge or skill is at once put to work. There is great respect for the expert and an almost pathetic willingness to learn. The thirst for information, in all ranks of the army, for example, is astounding. Everyone is going on courses: new training schools are constantly being established, from Signal Schools to Army Medical Services—and even schools of Army Administration.

The Israel Civil Service, though tired, is buoyant and supremely self-confident. It is proud of its achievements and anxious for recognition of what it has done. Foreign interest and approbation is most warmly received. Those who wish for better relations with Great Britain point out that one way of winning the confidence of Israel would be to offer to help in the training of selected members of the new Israel Administration in Great Britain in any branch of activity where Israel has not yet got the means of training locally. In spite of the critical attitude of Israel to the old Mandatory administration of Palestine, the British Civil Service in Great Britain is regarded with respect.

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

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THE BUSINESS WORLD

Films and the Future

TWO problems are posed by the reports of the Odeon group. First, it is necessary to disentangle the figures to decide whether the group's position is merely as bad as appears on the surface—and that is very bad indeed. The second is to decide what significance the accounts and Mr J. Arthur Rank's statement which accompanies them have for the future of the British film industry. The first exercise involves a study of the accounts, which is best concentrated on the consolidated figures for Odeon Theatres and its subsidiaries. This is the operating foundation of the Rank Organisation, and here its weaknesses are laid bare.

The accounts afford an interesting comparative study between the ostensible results for the group as a whole to June 25th last and the actual results which a sterner method of presentation would reveal. For example, the profit and loss account shows a "net loss" of £746,747, compared with a net profit of £4,175,732 for the previous accounting period. But the consolidated profit and loss account is so overlaid by special credit items that it is best reworked on the following lines

ODEON THEATRES AND SUBSIDIARIES			
	Periods to June 26, 1948	Periods to June 25, 1949	
Trading profits less losses.....	£ 5,908,809	£ 290,890	
Other normal income.....	313,398	272,649	
Total Income	6,222,207	563,539	
Less:—			
Depreciation.....	977,653	1,169,779	
Audit fees.....	40,273	59,584	
Debenture and Bank Interest.....	1,028,549	1,377,589	
Net Profit or Loss	4,175,732	Dr. 2,043,213	
Taxation.....	2,564,085	716,729	
Profits attributable to outside share- holders.....	941,747	669,780	
Sundry charges less profits.....	86,549	98,893	
Transferred to reserve.....	403,660	Nil	
Distributable Profit or Loss	179,691	Dr. 3,528,615	
Special Credits:—			
Non-recurring credit arising from changed basis of film valuation...	...	1,296,466	
Taxation.....	54,458	234,837	
Withdrawn from reserves.....	...	1,341,494	
Loans waived by Holding Company.....	...	648,757	
Profit as adjusted.....	234,149	Dr. 7,061	
Preference dividend.....	90,750	90,750	
Ordinary dividend.....	165,723	35,513	
	(10½% t.f.)	(31% t.f.)	
Drawn on carry forward.....	22,324	133,324	

This table puts a very different complexion on the latest figures. On a strict accounting, before bringing in a batch of special adjustments and credits, the group's loss amounted to the prodigious sum of £3,528,615, compared with a distributable profit of £179,691 in the previous year. More than £3,500,000 of special credits and adjustments are needed to remedy this huge loss. A change in the basis on which films are valued brings

in £1,296,466; though this item is described as non-recurring, it is, nevertheless, credited in the accounts as a part of trading profits. Reserves are raided to the extent of £1,341,494, including £179,642 ironically withdrawn from equalisation of repairs account. There is a taxation credit of £234,837, from provisions no longer required. And, finally, there is a most unusual item to appear in a profit and loss account, described as "Loans waived by Holding Company after June 25, 1949" (the date of the accounts) amounting to £648,757. But despite these various reliefs and adventitious items, there is no credit balance from which to meet the preference dividend; this and the 3½ per cent tax free dividend on the ordinary shares entail a draft of £133,324 on the carry forward. That account now stands at a mere £33,010; the group's revenue reserves have been reduced in a year from £1,735,773 to £248,429.

The Odeon group, then, is stripped and bare. It has emerged from a disastrous year only by pulling out reserves and bringing in special credits on the grand scale. It will not be able to repeat these devices in a second year. Accompanying these sorry figures, there is an increase in bank loans and overdrafts from £13,589,858 to £16,286,581 (so far from satisfying his desire to fund a substantial portion of this bank credit, Mr Rank has in fact increased it) and in mortgages, debentures and other loans from £18,228,212 to £19,981,167. These are tremendous liabilities incurred for the making of so little profit.

The rub of the consolidated assets, however, is the value placed on film productions. This is given in somewhat greater detail than before:—

ODEON THEATRES AND SUBSIDIARIES			
	June 26, 1948	June 25, 1949	
Film Production:—			
Released films at estimated recover- able value.....	...	6,320,769	
Unreleased and uncompleted films at cost less provision for possible losses on release.....	...	3,827,268	
Story rights at cost.....	...	426,487	
Total	12,431,117	10,574,524	

A year ago, Mr Rank proposed a new method of valuing released films. The old method of making estimates of value was declared to be unsatisfactory, and a new system was to be adopted, by which the cost of each film was to be written off during the period of its estimated life. This "more scientific way of valuing released films" has not been put into operation. It would have meant, if it had been applied last year, that losses would have to be carried forward into subsequent years—clearly it is a method which presupposes an accruing surplus from released films over their costs of production, not an accruing loss. Instead, the group has fallen back on the system of estimation which it criticised a year ago as being unsatisfactory. Every released film

has been valued at its estimated revenue, after deducting costs of distribution. As for unreleased films

it has been considered desirable to consider the films unreleased or in process of production at the end of the financial year and form some opinion of their potential value at the box office in cases where they were sufficiently advanced in production to make this possible. A provision has been deducted from the aggregate cost of these films to cover possible losses.

In the aggregate, film productions have been included in the accounts at estimated realisable value, which is less than cost. Even here, it must be pointed out that the group has already taken credit in its accounts to June last for the increased sterling value, resulting from devaluation on September 18th, of accruing film revenues from the United States and Canada.

This is frank enough, though it raises some questions about the eventual value not only of the film productions but also of "story rights at cost" which stand at £426,487. Mr Rank makes no bones in his statement about the quality of recent productions; there are the brilliant exceptions (artistically, at any rate) in "Hamlet" and "The Red Shoes." But

many of the films we produced were not of a quality to ensure even reasonable returns.

The next question is the effect of this writing-down of the value of films on the group's finances. Mr Rank has the following comments to offer on future financial policy:

I realise that the Company has had a serious set-back as the result of losses on production and that its resources are greatly diminished. I have made a personal contribution to meet a difficult situation, but there is a great deal more to be done to repair the financial strength of the Company. We believe that considerable improvement can be achieved by disposing of certain assets which are either non-productive or not directly allied to the main activities of the business, but sales of this kind can only be effected slowly and then only with success when we find buyers who are prepared to pay reasonable prices. We intend, however, to pursue this policy, and I hope that the results will be reflected to a substantial extent in the current year's accounts.

It is questionable, however, whether mere jettisoning of some of the top-hammer of the group will be enough to stave off a much more serious act of financial salvage. Clearly the group is not within sight of earning sufficient profits to service and redeem its financial obligations. Mr Rank's control rests precariously on the continued payment of preference dividends by the parent company and the subsidiaries. The present price of Odeon preference shares (9s. despite their full payment) is a better measure of prospects than the more fanciful quotation of 9s. 1½d. for the 5s. ordinary shares.

The reports, and the statement by Mr J. Arthur Rank which accompanies them, explode beyond question certain of the assumptions on which Government policy for the film industry has been based. The first of these rosy and (it is now apparent) indefensible assumptions is that the modest scale of the industry's production in recent years has been a quite temporary manifestation, in some way the result of the war. The shortage of bank finance and of risk capital for film-making is also (it has been assumed) temporary. Once the Treasury has primed the pump, the argument runs, and once the industry has made an effort to restore a sound relationship between costs and returns, British films can be produced in growing volume on a basis of financial independence. Thereafter they can enjoy a high and constantly growing pro-

portion of screen time in British cinemas, together with a growing export trade.

It was on these assumptions that the three lines of Government policy were evolved. The Films Act, and the level of quota fixed under it—beginning at 45 per cent, and reduced only with great reluctance to 40 per cent for the new quota year—was to ensure that every British film enjoyed the largest proportion of screen time that the law could enforce. The Film Production (Special Loans) Act applied a fund of £5,000,000 to the financing of "independent" film production—substantially, to production outside the Odeon group. A committee of inquiry into film distribution and exhibition, together with a working party on production costs, was to help the industry to put its internal economics in order. The reports of these two bodies are expected during the next few weeks.

The weight of the effort to meet the quota fell on the Odeon group, as the dominant group in production and in exhibition. Mr Rank describes the effort, and its results, with some frankness, though his account overweights the part played by the period between August, 1947, and June, 1948, when new American feature films were withheld by their producers in protest against Dr Dalton's import duty. He explains that the Odeon group expanded its production programme in order to assure a supply of films to its 559 cinemas. A settlement "concerning which the British film industry was not consulted" brought the American embargo to an end, but—and Mr Rank appears this year to overlook this side of what happened—the film producers, with the Odeon group in the lead, pressed successfully for a high quota in the first year of the new Films Act. The fulfilment of this 45 per cent quota required an output of at least 75 British feature films in the year, and more than half of these were expected to come from the Rank studios. In the upshot the group did expand its film output sharply, and it is largely to this that Mr Rank attributes last year's disastrous trading results:

It can now be seen that our plans to meet an unexpected and critical situation were too ambitious, that we made demands on the creative talent in the industry that were beyond its resources, and that as a result we spread our production capacity, in which I still have unshaken faith, too thinly over the films we made.

Allowance has to be made for the possibility that the statement does less than justice to the volume of creative talent available, and does not look critically enough at the failure to mobilise and use those resources. But—given the present organisation of the industry—it is plain that, once the volume of output is pushed up above a quite modest ceiling, quality declines and the loss per film increases sharply. This is what the exhibitors, hard pressed and embittered by a quota policy which seemed not to take their interests reasonably into account, have been saying for the past eighteen months; and Mr Rank appears at last to have conceded their point.

Now that this is cleared up, it is obvious that the quota will have to come down. Mr Rank indicates that production by his group will continue on a reduced scale (between six and ten films in the six months) in the first half of 1950, and that production plans will not be made beyond next June. If the Odeon group is credited with an output of 15 first features in 1950, it seems likely that the total first-feature output of the British studios in 1950 may not be much more than 40 films. This will mean a growing shortage of British films to meet the quota. Mr

Rank himself indicates that "the time must come when compliance with the quota, at least with new films, becomes impossible"; and he has given notice to this effect to the Board of Trade.

The question seems to be whether the quota will be brought down in an orderly manner, or will collapse through non-observance. In the quota year which has just ended, individual reliefs reduced the nominal quota of 45 per cent to an effective quota of something like 38 per cent; how far even this figure was in fact observed will not be seen until the figures of defaults are published. In the second quota year, which opened on October 31st, exhibitors will be forced to rely increasingly on the clause in the Films Act which permits them to apply for a certificate of exemption at the end of the year. But it seems clear that the present 40 per cent figure, even more than its predecessor, will be a "target" rather than a quota, and the bad legal and moral effects of this state of affairs do not need to be explained. The Government will not merely have to abandon its original idea of a high quota rising year by year—a necessity which the President of the Board of Trade had not faced in March, when he spoke of *reculer pour mieux sauter*. If the quota is not to bring the film industry and the law into contempt, it will further be necessary to detach the flag from the mast and calculate the quota afresh. Such a calculation, coldly and realistically made, would probably reach the conclusion that the quota for the next two or three years ought to be 22½ or 25 per cent. But this figure, low as it would be, would have the advantage that it could be made effective.

This is not all that will need to be reconsidered. Since

nothing has happened to restore the confidence of the banks (or of the almost-forgotten race of "angels") in film production as an investment, the demands on the Film Finance Corporation are proving heavier than was at first calculated by the Government. In consequence, the £5,000,000 entrusted to the corporation will not go as far as was hoped; and the Government will have to decide within the next few months whether to extend the corporation's lending powers or allow its activities to be restricted. In making this decision it will need to be borne in mind that—however intelligently and skillfully the corporation discharges its task—the money is being put into a risky industry, and that the prospects of recovering it are, in the long run, only modest.

A further decision which the Government is being pressed to make ought not to be made before the reports of the two bodies at present inquiring into the industry have been published and fully digested. The suggestion that the production end of the film trade ought to be subsidised with funds drawn from the Entertainments Duty is not new. It has been considered and rejected before, and nothing that has recently happened strengthens the case for it. Unsoundness in an industry is not by itself a ground for subsidy. Evidence that the industry is willing and able to put itself on a proper economic basis has still to be provided; and so long as this condition persists, a subsidy would be reckless and ill-advised. To say this still leaves unanswered the further question, which will arise when the Anglo-American Films Agreement comes up for review early next year: how can the dollar cost of imported films be kept within bounds?

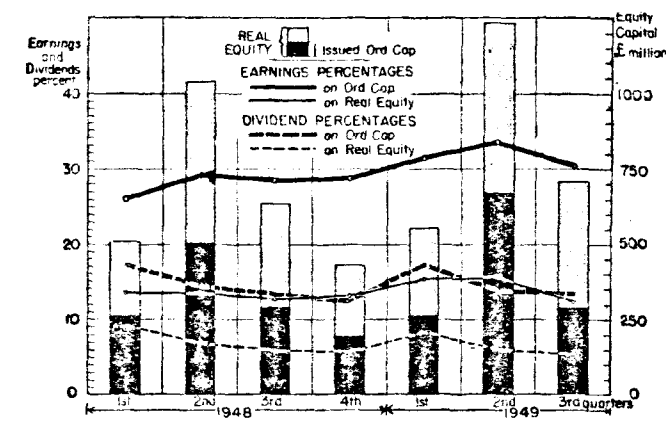
Turn in the Tide?

THERE have been signs for some months past that the earning of profits was becoming less easy. The reports of companies which appeared during the past quarter July-September now afford statistical proof of the fact. For the first time since the new analyses of profits began nearly a year ago, a fall in trading profits is reported by 522 companies for the September quarter, from £184.6 million to £183.7 million. This, indeed, is not a matter for great excitement, but it is significant when it is set in conjunction with the trend of earlier quarters. In the same quarter of 1948, reported trading profits showed an increase of nearly 50 per cent; the December quarter showed an advance of 20 per cent, and in the two succeeding quarters there was a further decline in the rate of increase to 17½ and then 15 per cent. Now there is a small fall in profits to add to the score.

In some quarters this will be dismissed on the ground that the decline is small, while the absolute size of profits is "much too high." It is a matter almost for despair that the furnishing of accurate and up-to-date information about industrial profits has so little effect on this line of argument. There is now clear evidence for the first time that the flush of inflationary profits is over—no one denies that profits were to a material extent inflationary in their origin, but they have been damaging not because they were "too high," given the pervading inflationary conditions, but because high taxation on high profits prevented industry from using them for maintaining its physical assets. Further, it must be remembered that the average balance sheet date for the companies

which issued their reports last quarter falls approximately at the end of March. Nothing that happened during the summer rebuts the suggestion that the fall has been continuing during the past six months.

There will be evidence to support this guess in future computations of profits in this series. The latest figures



show that profits, and to a large extent their appropriation, have become static. The 522 companies which provided comparative figures last quarter show a slight reduction in total income (including investment income and other items) to £202.7 million, compared with £203.4 million. Depreciation has again absorbed slightly over £25½ million, income tax somewhat less (£62.7 million against £68.6 million), contingencies and

provisions rather more (£21.1 million against £18.4 million) and retained profits £6,000,000 more. Ordinary dividends are slightly down, from £21.0 million to £20.9 million. That in itself is of no great moment, but it does reflect the fact that the trend of profits is now working, in addition to voluntary dividend limitation, as a curb on distributions.

Detailed figures for the thirty industrial groups whose profits are summarised in the accompanying panel will be found as usual in this week's issue of the *Records and Statistics Supplement*. The different trends of the broad classes into which these groups fall are of interest. Consumption trades show a distinct setback, for their total income has fallen from £84.3 million to £80.7 million; on the other hand, income of the capital industries is well up, from £27.5 million to £30.3 million, and general industries (chemicals, motors and miscellaneous manufacturing among others) show a relatively small reverse from £44.9 million to £44.7 million. The textile group has done well, thanks to active exports and home trade, for its total income has risen by nearly £2,000,000 to £16.9 million, but virtually the whole of this increase has gone to swell reserves.

These results are in line with what common observation had suggested many months ago. The mid-point of the notional financial year to which they relate is more than twelve months ago. Obviously the reaction in the ordinary share markets, even since devaluation occurred, rests on a cautious view about the ability of large sectors of British industry to maintain their profits during the course of the coming year.

Since this new series of investigations into industrial profits began in *The Economist* of January 15th last, sufficient material has accumulated to throw important light on the real earnings and dividends of industrial companies. The cry that "dividends are too high" usually rests on the fallacy of comparing the gross dividend paid with the issued ordinary capital of selected companies. In this sense, the Woolworth dividend is "too high" because (before the bonus issue) it was at the rate of 70 per cent whereas the dividends of, say, Turner and Newall or Tube Investments are "lower," because the gross rate calculated by reference to the issued capital is smaller. The opportunity for removing the source of this fallacy has now passed, since bonus issues have again been suspended (thus admitting the further fallacy that such issues represent the free distribution of millions of pounds from the coffers of industry).

But at any rate the facts can now be established about the true rate of industrial earnings and dividends. The

accompanying chart shows, for each quarter since the beginning of 1948, the contrast between the issued ordinary capital of the companies whose reports then appeared and the "real equity" or "net worth" which their accounts revealed. There is nothing mysterious about net worth; it includes, in addition to the issued ordinary capital, all the accrued reserves which belong as a matter of right to the ordinary shareholders. It shows, in short, the book value of the real worth of the equity capital, as distinct from the nominal value of the legal capital which represents this equity.

As the chart shows, the average dividend even when calculated by reference to issued ordinary capital does not appear extravagant; it has varied from quarter to quarter (largely because the sample of companies in each quarter varies in its character) between 17.3 per cent to 12.6 per cent, and in the latest quarter it was 13.3 per cent. In all quarters (except the first quarters in each year) the earnings actually distributed have been less than half of the amount which was theoretically distributable. In all probability, this would have been largely true even in the absence of dividend limitation.

But it is to the other pair of lines on the chart that the critics of "high dividends" should look. These express the earnings and dividends as a percentage of the real equity—the actual stake of the ordinary shareholders in the companies reporting each quarter. Here the results are very different. Earnings reckoned as a percentage of net worth have been more modest and on the whole more stable. The latest quarter's figure is 12.2 per cent, and the range for earlier quarters

has been between 12.7 per cent and 15.4 per cent. And finally, when dividends paid are expressed as a percentage of net worth, it is obvious enough that they are not "too high." Since the first quarter of 1948, the percentages have been 9.4, 6.7, 6.0, 5.8, 8.4, 6.0, and, in the latest quarter, 5.3 per cent.

The sole purpose of this article, as of earlier articles in this series, is to get at the facts about profits. There is no magic in the figures; anyone with the resources and energy to analyse nearly 3,000 company reports which appear each year will reach the same conclusions if he follows accepted accounting methods. There is no excuse after the passing of the new Companies Act for arguing about profits without reference to the facts. The facts are now known; the results quarter by quarter are consistent and are clearly free from any bias or major error. It would be a relief if, in the next debate on profits, some of the Labour back-benchers who make a hobby of the subject might arm themselves with some acceptable evidence.

PROFITS, PROVISIONS, AND DEPRECIATION
(£'000)

	Reports Published July—Sept., 1949			Reports Published Oct., 1948—Sept., 1949		
	522 Companies		597 Cos.	2,291 Companies		2,820 Cos.
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit.....	184,629	183,681	284,059	690,773	774,370	1,105,732
Income from investments.....	11,774	12,450	20,036	57,839	61,828	80,793
Other current income.....	1,362	1,315	1,370	9,133	8,893	9,949
Non-recurring credits.....	5,416	5,232	6,560	27,848	28,953	37,875
Total Income.....	203,181	202,678	312,025	785,593	874,044	1,234,295
Repairs and maintenance.....	1,554	1,515	2,022	6,558	7,670	9,514
Depreciation.....	25,279	25,289	39,907	93,990	104,176	146,154
Income tax (less profits tax).....	68,579	62,706	98,223	254,726	258,013	370,546
Profits tax.....	17,854	17,076	28,063	65,131	83,460	119,803
Directors' emoluments.....	6,475	6,982	8,550	24,010	29,866	39,877
Administration charges, etc.....	4,001	3,848	4,125	26,648	28,949	39,488
Contingencies, provisions, etc.....	18,444	21,151	29,932	58,101	68,023	92,335
Pensions.....	1,398	2,809	3,238	13,230	15,996	18,387
Minority share in profits.....	3,286	3,196	4,325	7,257	8,428	16,300
Profits retained by subsidiaries.....	7,540	10,497	13,886	28,014	42,451	63,094
Debtenture interest.....	3,249	3,519	4,175	19,027	24,283	24,283
Preference dividends.....	7,773	7,978	10,237	27,492	27,803	35,934
Ordinary dividends.....	20,996	20,875	30,002	99,889	100,490	135,731
Revenue reserves.....	12,619	10,506	29,437	41,508	55,660	88,209
Brought in (parent co.).....	28,040	32,099	39,797	128,945	148,949	195,974
Carried forward (parent co.).....	32,099	36,830	46,000	148,957	173,309	230,612

Pakistan at Par

THE divergence of policy between Pakistan and India about devaluation has disrupted trade between the two dominions. Despite the palpable damage which is being done to each of them, there is no sign of any rapprochement. Each professes its intention to pursue an independent exchange policy, despite the fact that the two new dominions form an integral economic unit. Pakistan nurses its injured pride, and feels that India broke its undertaking not to alter the exchange rate between the two dominions except "after due notice and mutual consultation." To follow India's example would have meant condoning the breach.

Political arguments apart, however, Pakistan had good economic reasons for maintaining the parity of its rupee with the dollar. These reasons can be broadly summarised under four heads. First, Pakistan's balance of payments with the rest of the world, including the United States, is favourable. Secondly, Pakistan has embarked on a programme of industrialisation and therefore needs to import capital goods as cheaply as possible. Thirdly, the Pakistan Government believes that its exports (and again particularly those to hard currency markets) have an inelastic demand; they certainly have an inelastic supply. Finally, Pakistan wants to bring about a fall in domestic price levels.

These contentions can to some extent be tested by figures. Unofficial figures of Pakistan's seaborne trade for the first full year of independence (April, 1948, to March, 1949) show that total imports amounted to Rs 109.4 crores (£82.3 million at the old rate) while exports of domestic produce totalled Rs 85.6 crores (£64.3 million). In addition Pakistan exported Rs 6.1 crores of foreign merchandise. This unfavourable balance on seaborne trade was more than offset by a surplus on trade across land frontiers. On this trade there are no figures, but it is reliably estimated at 50 per cent of Pakistan's total trade. Pakistan has a trade deficit with practically all countries, but its surpluses with India and the United States produce a net balance in Pakistan's favour which has been estimated at Rs 72 crores (£54 million) for 1948-49. Even if trade with India is excluded, Pakistan's total seaborne exports (domestic and foreign) during its first year exceeded its imports by some Rs 5.5 crores. From the balance of payments standpoint, there was no need for Pakistan to devalue its currency in terms of the dollar. As for imports of capital equipment into Pakistan, machinery and vehicles together represented less than one-tenth of total imports. The total was about £8,000,000, supplied by the United Kingdom and the United States. By not devaluing the Pakistan rupee, the cost of American goods in rupees remains unaltered while British goods become cheaper. True, a relatively larger amount of sterling funds would now be required to set up a new factory in Pakistan than before September, but the sterling return on these invested funds will increase correspondingly. The position for United States investors is, of course, unaltered, but American investors show no eagerness as yet to embark on new projects in Pakistan.

On balance, then, the argument that devaluation might have impeded industrialisation holds. What now

of the future course of Pakistan's exports? Raw cotton is the largest item in seaborne trade, worth Rs 38 crores (£28.5 million), followed by jute, which amounted to Rs 24.8 crores (£18.6 million). These two items accounted for over 70 per cent of Pakistan's seaborne exports in 1948-49. A considerable quantity of cotton and jute also goes across the land frontier to India; some of the jute is, of course, exported from Calcutta. The remaining exports include hides and skins, tea, wool and cottonseed. The price for cotton is closely determined by American prices. But Pakistan should have little difficulty in disposing of its crop without having to reduce its price to compensate for the devaluation of sterling. It may no longer command a higher price than the American equivalent as it has done in the past, but, whatever happens, Pakistan will still be an important source of sterling cotton. The rupee price of tea might decline, for a large part of the crop has been sold to Britain at a fixed sterling price.

The real problem is jute. The sterling price has risen, but certainly not by 44 per cent. Reports from Pakistan quote jute as selling now at between £113 and £116 a ton compared with about £100 two months ago. For the Pakistan grower, this means a considerable fall in price in his own currency. The demand for jute is sufficiently inelastic to absorb the increase in sterling prices without much affecting purchases. In the United States, Pakistan's main market for seaborne jute, the price of jute has fallen considerably, partly because of the lower rupee price and partly because baling charges and transport charges to Chittagong are now also lower. But two important questions need to be answered. First, will the Indian mills be able to buy jute at the new price—that is, if they are allowed to buy? And, if not, would Pakistan be able to sell this important part of its output to other markets? There would be no shortage of prospective purchasers, even at £116 a ton. Jute shipments to markets other than India have been severely restricted since the war, and although substitute packing materials have appeared, there is still a strong demand for jute manufactures. The main problem in these extreme circumstances might be to ship the entire Pakistan crop through Chittagong.

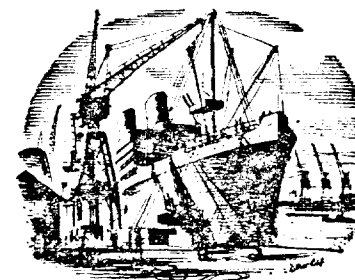
If, therefore, Pakistan's position could be considered in isolation, a reasonable case could be made out for the decision not to devalue in line with the Indian rupee. But isolation is impossible, simply because of the problem of the long land frontier with India. Some 60 per cent of Pakistan's total imports (including land-borne imports) come from India and three-quarters of its exports go there in return. Broadly speaking, Pakistan sends India raw materials and foodstuffs—jute, cotton hides and skins, potassium nitrate, grain and rock salt—and receives in return manufactured goods—cloth, yarn iron and steel, coal, tyres, paper, paints and enamels. Pakistan could get these goods more easily from outside countries (provided its ports could cope with the traffic than India could get the raw materials which hitherto have been bought from Pakistan. But Indian manufacturers could do without the Pakistan market for a longer period than Pakistan agriculturalists could do without the Indian market for their raw materials.

In the past, trade between the two dominions has not been subject to any stern control. Before sterling was devalued, there was no exchange control between them and no restrictions on the transfer of funds, either on current or capital account, from one dominion to the other. Quantitative restrictions and tariffs on merchandise trade, however, did exist, together with a ban on inter-dominion traffic in bullion and (after March, 1949) in Indian currency notes. Where these restrictions applied to the import of heavy equipment or raw materials used by large concerns, they were to some extent effective; but applied to consumer goods sold in the bazaars or to Indian currency notes they largely failed because of the impossibility of keeping a watch on the long land frontier. In fact, in many of the frontier villages, where normal husbandry has been made impossible by the axe of partition, smuggling has become a form of employment in which all the inhabitants, including the police, have acquired a vested interest.

This rampant smuggling ensured that, even after the imposition of the ban on the export of Indian currency notes to Pakistan, a large part of India's deficit with Pakistan continued to be financed by an outflow of notes. Up till June 30, 1949, the Reserve Bank of India was obliged to transfer fixed proportions of its various types of assets to the State Bank of Pakistan against the repatriation of Indian currency notes. Since part of these assets was held in gold, Pakistan has, in effect, been a hard currency country from India's point of view. Since June 30th, however, this obligation to honour repatriated Indian notes in specie has lapsed. Settlements between the two dominions should now be carried through in accordance with the Payments Agree-

ment of June, 1948, which provided for the extension of credit from one dominion to the other up to a limit of Rs 15 crores and, thereafter, for sterling transfers between the two dominions at the Bank of England. Before devaluation, however, it seemed quite probable that some payments at least would not be made in this formal manner but would continue to be financed by the direct (and illegal) transfer of Indian currency notes, which—in view of Pakistan's active balance with India—would presumably tend to be driven to a discount in unofficial dealings.

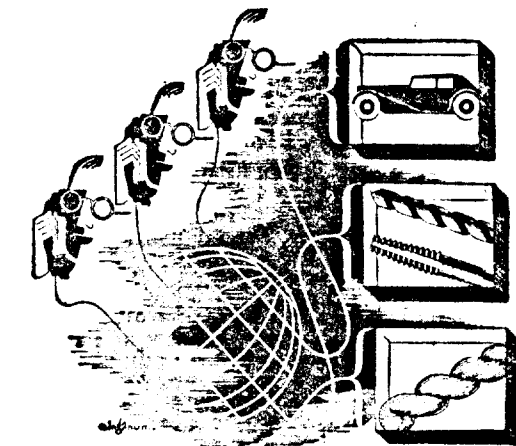
What happens now? If India were to accept the new exchange rate of Indian Rs 144 = Pakistan Rs 100 and were not to intensify its import restrictions at the frontier, Pakistan's active balance with India would probably increase. Most of India's imports from Pakistan obviously consist of raw materials or foodstuffs for which the demand is likely to be inelastic, so that India's total payments to Pakistan—in terms of Pakistan rupees—should certainly not decrease. Although Pakistan's imports from India would increase in volume if trade were carried on at the new exchange rate, it seems unlikely that this increase would approach the 44 per cent which would be needed to keep Pakistan's payments to India (in terms of Pakistan rupees) up to the pre-devaluation level. If all external and political factors could be excluded, therefore, it might be expected that free trading would tend to drive the Indian rupee to a discount against the Pakistan rupee, reckoned on the new exchange rate. Obviously, political considerations cannot be excluded. India has apparently accepted the Pakistan decision not to devalue as a declaration of economic war. Restrictions imposed on all dealings



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across the frontier since September 18th have brought open trade between the two dominions to a standstill. No doubt some trade will soon be resumed, but India seems determined that this will be kept to a bare minimum until the exchange position is clarified—by which India apparently means until the Pakistan Government beats the retreat.

Although Indian consumers (and particularly Indian factory owners) are likely to be hard hit by the standstill on imports from Pakistan, it is possible that Pakistan might suffer more during this period of trial. There are three reasons for this view. First Pakistan exporters and particularly the jute growers of East Bengal would have been reduced to a state of penury, had not the Pakistan Government decided to buy all surplus supplies of raw jute. Secondly, if the legal ban on trade remains, Indian exports will probably be easier to smuggle into Pakistan than Pakistan exports will be to smuggle into India. Thus, India might have an active balance with Pakistan for the first time in its history, owing to the impossibility of enforcing trade restrictions. Finally, so long as the trial of strength lasts, some transfer of capital from

Pakistan to India must be expected, simply because of the lack of confidence in some quarters in Pakistan's ability to hold the current rate. It is impossible to say that this is happening yet, for the first quotations on the Calcutta black market of Indian Rs 112 to Pakistan Rs 100 would seem to be too low to entice new capital from Pakistan.

To sum up, if the exchange rate between the two rupees were to be determined by economic considerations alone, the present official parity of Indian Rs 144= Pakistan Rs 100 would probably not be an overstatement of Pakistan's economic strength. But the events of the last eight weeks have shown that the decision on the new exchange rate will not be determined solely by the arbitrament of economic forces. It will depend to a real degree on the relative willingness of the two Governments to impose suffering upon their people by a standstill of legal trade, on the ability of smugglers on both sides of the frontier to breach imperfect economic defences and on the odds laid by speculators in both countries on the outcome of economic war.

Business Notes

A Painful Week

Gilt-edged stocks go from bad to worse. This week 4 per cent Consols, redeemable from February 1, 1957, have fallen well below the "big figure." They stand at present no better than 98½, including 1½ points of interest, and yield £4 rs. 1 rd. per cent flat. Thus the 4 per cent level has been established with a vengeance for the one-way option stocks. War Loan (£3 19s. 4d. per cent flat) and 3½ per cent Conversion (£3 19s. per cent) are virtually on a 4 per cent basis, with Old Consols and "Daltons" only a shilling or two better off. Those investors who have still to receive their

GROSS REDEMPTION YIELDS (PER CENT)						
Stock and Redemption Dates	Cheap Money Peak Nov. 14, 1946	Gas Stock Issued May 2, 1949	Gold Reserve Crisis June 27, 1949	Est. of Devaluation Sept. 16, 1949	Week Ago Nov. 2, 1949	Latest Nov. 9, 1949
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
11% Exch. Bds, 1950	1 5 6	1 6 8	1 15 0	1 2 3	0 16 8	0 15 4
2½% Nat. War Bds, 49.51	1 7 9*	1 8 1*	1 17 0*	2 3 0†	1 17 5†	1 18 0†
Middles						
3½% Nat. Def., 54.58	1 18 8	2 8 1	2 11 11	2 14 8	2 12 2	2 15 3
3½% War Loan, 55.59	1 19 7	2 8 3	2 12 7	2 15 6	2 13 9	2 16 2
Medium Longs						
3½% Sav. Bds, 55.55	2 5 11	2 14 9	3 1 4	3 0 10	3 5 4	3 8 7
4½% Funding, 60.90	2 13 5*	2 11 7*	3 0 8*	3 3 1*	3 9 9*	3 14 6*
Longs						
2½% Sav. Bds, 64.67	2 3 8	2 10 8	2 17 9	3 1 9	3 3 7	3 6 5
3½% Sav. Bds, 65.75	2 5 11	2 17 7	3 2 4	3 7 5	3 10 3	3 15 6
3½% Trus. Stk, 78.88	...	2 18 11	3 4 1	3 8 7	3 12 1	3 1 1
3½% Gas Stk, 90.95	...	3 0 0	3 4 7	3 8 9	3 11 11	3 1 1
Undated						
4½% Consols, from 1957	3 0 9*	2 13 1*	3 2 6*	3 7 9*	3 19 3*	4 1 1*
2½% Conv. Loan, 1951	2 5 8	2 18 0	3 9 28	3 12 8†	3 15 8†	3 15 8†
3½% W. Loan, Jan. '52	2 1 0	2 10 5	3 9 8†	3 13 10†	3 17 0†	3 19 4†
2½% Consols	2 10 6†	3 1 5†	3 6 10†	3 9 1†	3 13 1†	3 16 4†
2½% Trus. Stk, Jan. '75	2 10 0†	3 1 9†	3 7 5†	3 10 9†	3 13 2†	3 17 3†

Gas Stock have seen with dismay the further fall to 83½—a 17 per cent loss to which they have been exposed without means of redress. Each fall brings its crop of surmise whether the market has touched bottom, but so far the momentum of the market has swept aside all such hopeful speculation. It seems daily more defenceless and punch-drunk.

Certainly, it is impossible to argue from the economic and political background that there are good grounds for sup-

posing that the rise in interest rates will soon be checked by natural forces and returning confidence. The break in gilt-edged is part of a pattern of doubt about the adequacy of economic policy to meet the economic crisis. It fits into the general background of falling savings and rising inflation at home. It is at one with the widening discount at which free sterling is quoted in foreign centres—a discount which now ranges as high as 6 per cent, only eight weeks after the pound had been devalued to what was ostensibly a low rate. It accords, too, with the rising premium (now 21½ per cent) which investors are prepared to pay for dollar securities in London.

The Prime Minister claimed at the Lord Mayor's banquet on Wednesday that the cuts recently announced in expenditure and investment were "about right" and that in other countries there was a juster appreciation of the magnitude of the Government's efforts to put the economic situation in order. It can hardly be said that this view is reflected by the arbitrament of either the gilt-edged market (where some foreign selling appears to be going on) or in those vestigial free exchange markets on which it is possible for foreigners to deal in sterling. The danger which the market apprehends is that the advantages which looked so powerful at the time of devaluation are being rapidly dissipated by the inadequacies of economic policy to make devaluation effective. These doubts spread well beyond the confines of the gilt-edged market. On Wednesday, the *Financial Times* index of industrial ordinary shares touched 100, from which it started in July, 1935. In the fourteen years since the index began, the general level of prices has risen two and a-half times. Gone are the claims for equities as an automatic hedge against inflation. As for the ordinary shareholder's view about devaluation, the fall of 10 per cent in the index since September 19th surely tells its own story of rapid disillusionment.

Anomalies in Short Bonds

Meanwhile, a distinctive feature of the gilt-edged market's further demoralisation is that this time the collapse in values of medium and longer dated stocks has not left the short bond market unscathed. Previously, the market for shorts had stood in splendid isolation; indeed, despite the slight easing of prices this week, yields on all the "money

market" securities are, even now, perceptibly below their levels on the eve of devaluation. In consequence, the spread in the yield structure from shorts to longs has been widened drastically in these past eight weeks. For example, the margin between the redemption yield (to latest date) on National War Bonds, 1951-53, and on Transport Stock (to 1988) was £1 2s. 9d. per cent on September 16th, but is now £1 11s. This widening of the spread of yields arises partly, of course, from the fact that the very influences which are causing a flight from longer dated securities tend to some extent to generate a demand for shorts—for not all investors can afford merely to switch from longs into cash.

The basic reason, however, for the stability of the shorts is their close relationship to the technical structure of money market rates; and these, of course, still remain at the low levels to which Dr Dalton reduced them in 1945. Obviously fearing the budgetary repercussions of any rise in the cost of financing the floating debt, Sir Stafford Cripps has recently declared that "on the balance of considerations there is no advantage to be gained by raising short-term money rates." There is, in fact, room for argument even about the proposition that low rates ought to be maintained upon the floating debt; but, apart from this, there is the further consideration that, if the authorities are guided by precedent, a stabilisation of Treasury bill and TDR rates would involve stabilisation of other rates—such as those on bank advances—an increase in which may be definitely desirable.

Differential Money Rates?

Recognition that the vested interest of the Treasury in the 1½ per cent rates for floating debt is likely to impede any effort to remove the growing anomalies in the whole structure of rates has led this week to a discussion of some novel proposals. To break the deadlock, it is suggested that a substantial portion of the floating debt at present held by the banks should be converted into permanent debt in their hands, at a fixed rate of, say, ½ per cent, on the analogy of the funding of the Government's debt to the Bank of England in the eighteenth century. The objective of this operation would be to ensure that for a fixed but substantial proportion of its borrowings the Treasury would pay only a very low rate, while for all other borrowings it would pay a varying rate determined by the natural conditions in the money market.

If there were no other way of achieving this second objective, the scheme might be worth consideration. But, surely, faith in the principles of a freely functioning money market has not been so utterly destroyed that in order to restore any freedom at all it is necessary to adopt an arbitrary and inflexible device which is repugnant to those very principles. A funding of this kind would be a pure expedient which would penalise the banks without offering them any *quid pro quo*. In effect, the banks and bank shareholders would be paying a subsidy to the general body of taxpayers. If the authorities wanted to impose some differential control of bank profits, there are more flexible and less objectionable ways of doing it than this. Oddly enough, the principal technical device available for the purpose—namely, the practice of borrowing from the banks on Treasury deposit receipts—is at this very moment being progressively whittled down by the welcome policy of the Treasury of switching its borrowings from TDRs to tender bills.

Capital for Local Authorities

The *Economist* has for some weeks been pressing for the raising of the rates at which local authorities can borrow from the Public Works Loan Board. These have long been out of touch with the market rates at which the Government would itself be able to borrow. In particular, loans with a life of

more than 15 years can be obtained at a rate of 3 per cent. The full schedule of rates is given below, with comparative rates on Government stocks of similar life:

PWBL Loans	Per cent	Government Stocks	Yield per cent
5 years or less	2	2½ per cent Nat. War, 1952-54	2.36
5-15 years	2½	3 per cent Savings, 1955-65	3.43
Over 15 years	3	3 per cent Savings, 1965-75	3.67
		2½ per cent Treasury Stock, after 1975	3.86

On Friday of last week the Agricultural Mortgage Corporation faced the facts of the market and raised its loan rate from 3½ per cent to 4 per cent. It has long been obvious that the Public Works Loan Board should raise its rates. In a written answer this week, the Chancellor of the Exchequer stated that the rates at which interest is charged on issues from the Consolidated Fund to the Local Loans Fund must, by virtue of a Treasury direction, "correspond as nearly as possible with the rates charged to local authorities." This certainly puts the cart before the horse. First, fix the rate to the local authorities; then adjust the rate on Consolidated Fund issues to that rate; and finally disregard any disparity between the rate charged on issues and the rate which would have to be paid if the Consolidated Fund were to attempt to replenish its resources by new borrowing on the open market.

Here, at any rate, is a positive source of encouragement to local authorities to borrow as quickly as possible and as much as possible. There is plenty of evidence that the authorities (as is only sensible) have been filing their applications for loan sanctions in great haste in recent weeks. What they are doing, in effect, is to obtain an advance lien on physical resources to become effective when they come to spend the money. In the June quarter, sanctions for local authority borrowing totalled £92½ million, and in the first quarter of this year nearly £97½ million. The annual rate for the two quarters was, therefore, roughly £380 million, whereas the total sanctions for the twelve months to March last (even including the heavy January-March quarter) amounted to £314 million. Thus nearly one-fifth of the gross rate of investment expenditure is now being financed at quite unrealistic rates of interest.

There is a further point, which leads to an extraordinary conclusion. A personal borrower can obtain a loan at 3½ per cent from his local authority (if it is working a scheme under the Housing Acts) to purchase a house. Here, surely, there are useful opportunities for profit if he has funds of his own. He can finance his house purchase at 3½ per cent and invest his own funds in, say, 3 per cent Savings Bonds 1965-75, making a turn of about half of one per cent per annum. Is there not something seriously wrong with an artificial structure of interest rates which enables the ordinary borrower to do better for himself than the Government can borrow on its own account?

Finance and Investment

Cables Discussions

Neither the board of Cable & Wireless (Holding) nor the stockholders committee opposing the scheme of reconstruction have advanced their cases much further in announcements and circulars issued this week. Sir Edward Wilshaw's personal letter to stockholders purports to explain the scheme in words of one syllable; but in aiming at simplicity it has actually magnified one untenable argument which was advanced in the last week's presentation of the scheme:

You will see that not only will your nominal capital have been increased two and three-quarter times from £100 to £275, but your gross income will have been increased nearly two and a half times from £4 per annum to £9 15s. per annum.

This will convey to the stockholder of simple mind that he is to receive some sort of free gift of capital under the scheme as well as a higher gross income.

To write in this strain can only confuse the uninformed and irritate the knowledgeable stockholder. The facts are simple. It is possible to sell the ordinary stock in the market at 232 and to reinvest the proceeds to obtain, with equally good security, an income as high and conceivably higher than the prospective income on the combined holding of Savings Bonds and new Cable & Wireless ordinary and preference stocks which the directors offer. In the event of liquidation of the Holding company, can it be doubted that the ordinary stock would be worth substantially more than 232?

Even at this late stage, it seems necessary to emphasise that the market price of Cable & Wireless (Holding) ordinary stock during the past year has risen because it has been discounting an ultimate gross return of the order of £9 15s. from the distribution, in some form of other, of the compensation received for the operating subsidiaries and from the equity in the Holding company's investment portfolio. Sir Edward waves no magic wand. It would be better to drop all reference to "nominal" capital gains from any assessment of the reconstruction scheme. All that is being offered is an option to stay invested on the basis of a four per cent yield, at the expense of forgoing a real capital advantage from the realisation and distribution of the company's assets.

* * *

Opposition from Stockholders

The Stockholders' Committee, though strong in its opposition to the scheme, has not made the most of its opportunities. Sir Edward Wilshaw rebuts the first argument in favour of liquidation cited in the committee's circular—the claim that the substratum of the company has disappeared—by referring to the company's Articles which provide for carrying on the business of investment. That, however, is a matter which in the last resort only the Courts can decide. The circular is on stronger ground when it maintains that in a liquidation the ordinary stock might receive as much as £315 in cash or securities for each £100 nominal of stock. The committee is unimpressed with the performance of the board of Cables and Wireless (Holding) as investment managers since January 1, 1949, for it points out that depreciation of investment values has occurred to the extent of at least £2,100,000, equivalent to £30 per £100 ordinary stock, of which £25 per cent arises from the fall in gilt-edged holdings.

Whatever the justification for this opinion—it may be that liquidation at a satisfactory price of all the Savings Bonds received as compensation was impossible since, it is understood, they have been more or less on tap to the market—the committee make only a subsidiary point of criticising the estimated cost of running the proposed investment trust. Compared with the cost of running other established trust portfolios of comparable size, the proposed charge for management of the Cables portfolios can only be characterised as exorbitant. In a press interview this week, Sir Edward explained that this was an outside figure, and that in practice the cost would probably be very much less. At the same time he appeared greatly to overcall the difficulties of liquidation which might arise through legal obstacles and disturbed markets.

On the question of delay in a liquidation it would, at least, be possible, as the committee points out, for the liquidator to make an immediate distribution of the Savings Bonds for which the scheme itself provides. As for the remaining holdings of the company, there are unquoted stocks in three investment trusts in Rhodesia and South Africa, an unquoted investment in Rhodesian Breweries, and a mixed holding of South African gold shares. At any rate, this last element in

the portfolio would not be difficult to sell under present conditions. But the board is quite obviously in no mood to let go the reins. That is clear quite apart from the relative advantages of liquidation. It remains to be seen if the campaign to throw out the proposed scheme—a 75 per cent majority of the ordinary stockholders is required for its acceptance—is successful. One key to the decision may be the action taken by the board of Globe Telegraph Trust which holds 15 per cent of the ordinary stock of Cables and Wireless (Holding).

* * *

Financial Talks with Sweden and Portugal

It is becoming increasingly clear that Treasury and Board of Trade missions are likely to find the negotiation of trade agreements for 1950 a formidable task. The problems are well illustrated by the fate of the current agreements with Sweden and Portugal, with which preliminary talks started this week. Under the current agreement with Sweden the largest European buyer of British exports, Swedish sterling balances were expected to fall from £25 million to £10 million in the course of the year; it now transpires that they have risen from £25 million to £40 million. In part this has been due to two factors outside Britain's control. First, the Commonwealth, and in particular India, has bought more from Sweden than was originally anticipated. Secondly, Sweden has made use of the transferable account system to accept payment for some of its exports into South America, Denmark and Holland in sterling. Despite their reluctance to hold sterling, the Swedish authorities have evidently preferred exports paid for in sterling to no exports at all. But part at least of the rise in Sweden's sterling balances is due to the fact that "inessential" British exports have failed to establish themselves in the Swedish market. Import quotas for iron and

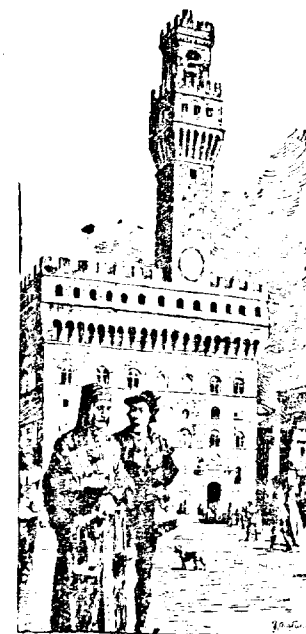
TRADE WITH SWEDEN AND PORTUGAL
(£'000)

Period	Exports to Sweden	Imports from Sweden	Exports to Portugal	Imports from Portugal
January to August, 1948....	31,861	39,142	15,011	6,407
January to August, 1949....	39,179	30,516	15,721	4,905

steel, coal and textiles have been fully taken up, but nearly all other commodities are falling behind schedule. Although Swedish import licences to a value of Kroner 950 million were issued under the pact, imports to date amount to only Kroner 650 million. The position is serious, since Swedish exports of pulp and timber are essential commodities for Britain and since promises from the Board of Trade to supply limited quantities of steel and coal are losing their potency as bargaining counters in trade negotiations. On the other hand, Britain is much the most important market for Swedish exports, and as the Swedish Ambassador implied in a speech in London on Thursday, there are numerous British exports Sweden would be loath to see diverted as a result of the dollar export drive.

The trade position with Portugal is rather similar. British exports have fallen off, largely because the Portuguese ship-building programme has been completed. Gold losses to Portugal (which last year were largely due to purchases of diamonds for re-export to dollar areas) have been rather more substantial this year. Here again, although Britain has a healthy-looking surplus on merchandise account, purchases from the overseas sterling area have been greater than was expected. Unless exports to Portugal increase, these purchases by the overseas sterling area will have to be cut down, for it is difficult to believe that British imports from Portugal can be reduced much further.

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Cold Comfort from Argentina

In dealings with Argentina it is well to be thankful for small mercies, for even they are rarely forthcoming. Formal welcome should therefore be accorded to the announcement that Argentina is to reopen the import of essential goods (suspended since sterling was devalued) and to allot £2,000,000 for the import of "inessential" goods from the United Kingdom (in which trade has been largely suspended since the war). This allotment of £2,000,000 (which is to become available only at the turn of the year) compares with an allotment for "inessentials" of about £15 million envisaged in the recent Trade Agreement as the amount needed to bring the Anglo-Argentine trade account into balance in the year to June, 1950.

For most of the "inessential" imports, including motor-cars (allotment £500,000), woollen cloth (£330,000), linen cloth (£85,000), earthenware (£60,000), tiles (£30,000), glass (£25,000) and fish (£10,000), the import quotas now announced represent about 10 per cent of those envisaged in the Trade Agreement. The main exceptions are cotton cloth (£960,000, or 20 per cent of the estimate in the Agreement) and whisky, which, in deference to the local manufacture of imitation "scotch" bearing tartan labels, is not to be allowed in at all. All "inessential" imports for which foreign exchange permits are granted, together with other commodities lately pruned from the "essential" imports list, will be financed at the so-called "auction exchange rate," which will probably be allowed to depreciate below the rate of 19.89 pesos to the £ at which it stood before September 18. It is unlikely, however, that the rise in prices inside Argentina which this will entail will prevent consumers there from absorbing such modest supplies of "inessential" imports.

Although the previous delay in granting any import licences for "inessential" British goods may have been partly due to Argentina's desire to store up sterling to take

advantage of the revaluation guarantee in the event of devaluation of the pound, two other reasons for imposing restrictions on imports have lately come to the fore. First, the Perón Government now depends politically on the protectionist manufacturing interest (the more so since the Government's first faltering steps towards curbing expenditure on food subsidies and on defence brought about an ugly rift with both the trade unions and the army last summer). Secondly, Argentina's exchange reserves, the true state of which is disguised by the Central Bank's statistical reticence, are now believed to have ebbed to a dangerously low level. It has only recently been revealed that the official deficit in the balance of payments amounted to some \$300 million in 1947 and some \$540 million in 1948. The blunt fact is that Argentina, which held more than \$1,700 million of foreign assets at the end of 1946, now has no dollars and precious little sterling left with which to pay for any imports at all.

* * *

Canada and Sterling Trade

If some Labour backbenchers and left wing publications are to be believed, the only act necessary to put the British dollar deficit right is that Canada should "return to the sterling area"—a not very explicit way of saying that Canada should take sterling for wheat supplied to Britain. The suggestion blithely ignores any number of factors—among them, the voluntary basis on which the sterling area is founded and the character of Canada's relations with the United States. Under present conditions, to include Canada in the sterling area would merely involve a new drain on the sterling area dollar pool, since Canada needs dollars to buy from the United States both those goods which Britain does not make in comparable qualities and at comparable

prices, and those goods which Britain does make, but which are not fashioned to Canada's taste.

This problem of style and consumers' taste was stressed last week by Mr J. S. Duncan (president of Massey, Harris and Co.) when he outlined the tasks of the new Canadian Dollar-Sterling Trade Board. This board, consisting of leading Canadian manufacturers, has been set up to help to sell more British goods in the Dominion. Mr Duncan urged that British exporters should have resident salesmen in Canada feeling the pulse of the Canadian market and ready to study—and emulate—American standards of salesmanship on which Canadians have been brought up. Some alterations of British design, Mr Duncan asserted, would also be necessary if Britain is to capture the 15 per cent of present American trade with Canada which would bring Britain's balance of payments with Canada into equilibrium.

On the question of selling prices, perhaps, Mr Duncan was less convincing. He advised British exporters to sell below the corresponding prices of American-made goods in Canada but to avoid arousing antagonism by selling below the price of Canadian-made goods. In other words, British exporters were exhorted to find an opening within the 10 per cent margin which devaluation has left between the Canadian and American dollars. It would not, in any case, be very easy to gauge this narrow entry, and it might not be very wise to attempt to strike it.

* * *

Rhodesian Copper Profits

The rise in net profit from £4,668,094 to £5,425,175 announced by Rhokana Corporation this week provides an interesting contrast with the results of Roan Antelope whose full accounts covering the same period to June 30, 1949, have also been published. Net profit of Roan Antelope actually declined from £969,314 to £636,543; the surplus on operating account was slightly lower on the year at £2,779,129, compared with £2,834,493. This result followed an increase in output from 51,757 long tons to 56,162 long tons of blister copper, an annual rate which was fully maintained in the quarter to September 30, 1949. It would appear that the improvement shown by Rhokana is largely attributable to a higher return from its big interest in the expanding Nchanga mine (whose net profit of £1,609,924 for the year to March 31, 1949, was nearly double that for the previous year) and possibly to some extent to the operations of Rhodesia Copper Refineries. The smallness of the increase in the dividend received by Rhodesian Selection Trust from Mufulira for the period suggests that Rhokana's receipts from this source were not much increased.

The full accounts of Rhokana must be awaited for an indication of the course of trading profit from its own mining operations. It is clear from the report of Roan Antelope that the companies have had to face a sharp increase in costs over the period. Roan Antelope's cost per long ton of blister copper f.o.b. Beira increased, for the ninth successive year, to £72 14s. 11d. per ton compared with £66 4s. 10d. in 1947-48 and £52 in 1946-47. Mining costs have risen by 17 per cent owing to increases in wages, in the labour force and in the costs of supplies and more extensive underground development. Royalties, general expenses and welfare payments were also higher. The only reductions effected were in milling and smelting costs. Revenue from copper sales rose from £115 10s. 7d. to £120 7s. 9d. per ton, so that profit per ton actually declined from £40 11s. 11d. to £35 3s. 7d. The price of copper has tended to rise since June, and there is still no sign of a weakening in demand in the United States. Under the new purchasing arrangements between the Ministry of Supply and the Rhodesian copper producers—the contracts will run for shorter periods than three months, possibly as short as one month—producers will tend to gain more if the market continues to rise.

Claims on German Assets

The Distribution of German Enemy Property Bill, of which the main outline was described in *The Economist* last week, was introduced in the House of Commons last Tuesday. It should bring a sizeable compensation to pre-war creditors of Germany in the United Kingdom. The claims which will rank for compensation against the assets affected by the Bill amount to about £35 million. By far the largest item consists of old standstill claims outstanding to the amount of £28,841,000. The German assets in Britain which are to be mobilised to meet claims of the UK creditors are a very mixed bag. They include pre-war balances maintained in London by German banks, shares in British subsidiaries of German companies, many of which have been kept operating for account of the Custodian for Enemy Property, the proceeds of German goods seized by the Allies during the war, a certain amount of real property and royalties and patent payments which have been accumulating in Britain on German account during the past ten years. It is difficult to put an estimate on the value of these assets, many of which are not readily realisable but it is probable that they will net very nearly £10 million. A substantial proportion of this is available in cash. This should allow a rather more generous distribution to creditors than most of them had until recently anticipated.

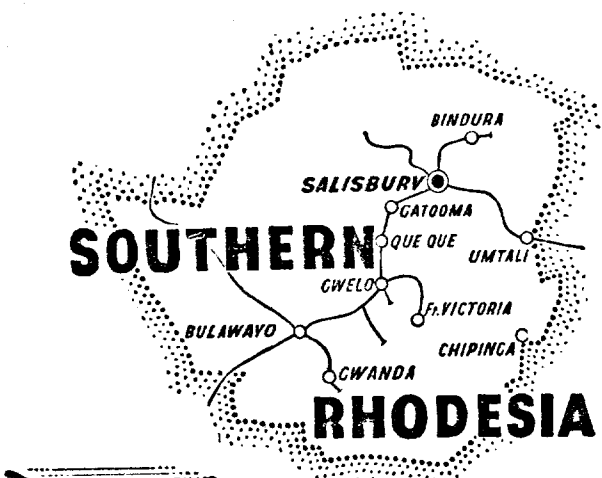
The position of the creditors would, however, be happier if the assets in Germany against which they have a lien were not being disposed of without reference or compensation to them. The most glaring example of this procedure is provided by the dispersal of German steel plants under Law No. 75 of the British Military Government passed in December, 1948. The sterling debts of the German steel industry amount to about £6,500,000, a figure included in the total of £28,841,000 mentioned above.

Further the security behind these debts is being gradually eroded by the dismantling programme. The proceeds of sales of dismantled equipment are acquired and retained by the British Government and do not appear to be earmarked or kept in trust for the creditors. During the past ten years, most of the British creditors of Germany have written down their claims to negligible proportions—and have done so out of taxable profits. It follows that any amounts recouped as a result of the new legislation will in most cases be liable to tax. This fact may help to explain the comparatively passive attitude which has hitherto been maintained by the British banking community in its efforts to secure its claims on Germany.

Industry

Coal Export Prices—and Output

The question of differential price levels for home and export trades in Europe, which was taken up with some vigour at the recent meetings of the Organisation for European Economic Co-operation, seems unlikely to be allowed to rest. The council of the OEEC instructed the executive last week to inquire into ways and means to eliminate dual prices in intra-European trade, and asked for an early report. Mr Hoffman, the ECA administrator, is reported on his return to Washington this week to have expressed confidence that Britain was in full agreement that there should be an end to the dual price system; and he mentioned British coal export prices in particular. It would be surprising if this degree of confidence were entirely justified. The British point of view has so far been that the National Coal Board is an independent trading corporation responsible for its own price policy. Some agility is required to maintain this position towards the board as an export agency without applying it to the board as supplier of coal to the British home market; but there has been no evidence of the position being abandoned. Nor, indeed, has the other principal exporter within the OEEC area,



The table shows some of the goods that Southern Rhodesia bought from Britain in 1948. There is a market, too, for many other British products. Write for our new booklet 'Overseas Markets'. It contains detailed trade tables for Southern Rhodesia and other territories where the Bank has branches.

Total 1948 U.K. exports to the territory were £15,507,000. These included:			
	CUTLERY, HARDWARE, IMPLEMENTS	£471,000	
	ELECTRICAL GOODS & APPARATUS	£959,000	
	MACHINERY	£1,915,000	
	POTTERY, GLASS, ABRASIVES, ETC.	£472,000	
	WOOLLEN & WORSTED YARNS & MANUFACTURES	£563,000	
	COTTON PIECE GOODS	£2,221,000	

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western Germany, wholly abandoned the system of dual prices which was taken up largely under American direction.

A sufficiently large increase in the quantities of coal available for export would cause the question to settle itself, for in that case it would hardly be possible to maintain coal export prices at a scarcity level. Such an increase is probable in Europe in the long run, but it has not happened yet; and the current improvement in British coal output, though useful is not of an order to bring it about. The Coal Board expects to reach a total export (including bunkers) of about 19 million tons for the year, and this will be about 3,000,000 tons more than last year; there is still little question that, as Lord Hyndley said this week, several million tons a year more could be sold if it were available.

British output from the mines rose last week to 4,253,200 tons, and opencast output brought the total to 4,513,400 tons, which is the best week's total since the peak period before Christmas last year. Total output for the first 44 weeks of the year was 180,725,800 tons, which is 5,000,000 tons greater than in the first 44 weeks of 1948. Even so, a total of 215 million tons for the year—the lower of the two objectives stated in the *Economic Survey*—looks difficult of attainment. Output per manshift in the mines has risen to 3.08 tons at the face and 1.19 tons for all workers. But the labour force, at 709,100, is 15,000 less than it was a year ago. Absenteeism has been reduced in the last few weeks, but is still higher than last year's average; "involuntary" absenteeism at the end of October still represented substantially more than half of the total of 11.96 per cent.

Progress of Cotton Re-equipment

Mr John Edwards, Parliamentary Secretary to the Board of Trade, reviewed in the adjournment debate in the Commons last week the progress of the cotton spinning re-equipment scheme. Measured by the number of firms and of mills which have registered under the Act, the scheme has begun to show a modest success. Mr Edwards said that the Board of Trade had been accepting groups of about 250,000 spindles, and that not all of these were vertical groups. The 28 groups which had registered represented 59 per cent of the spindles in the industry, and "it looks as if there may be one or two others as well."

It is in the next stage of the scheme that, as Mr Edwards admitted, "the groups are holding back": out of 280 mills owned by the approved groups, actual proposals for modernisation have been submitted in respect of only 60. Since contracts can be placed up to April 5th, the picture may yet change; but at present it is disappointing. Mr Edwards conceded that economic as well as technical considerations were tending to hold the groups back from taking the final step:

I know that at present firms are finding it necessary to increase their working capital for the financing of stocks, following devaluation and things of that kind, but, even after making allowances for that, the progress made up to date is disappointing.

Mr Austin, the member who raised the matter, appeared to blame lack of public spirit, or hostility to the Government, among the Lancashire firms for this reluctance to plunge. This is to over-simplify the matter. The period during which the re-equipment Act operates happens to be a period of inflationary boom, in which the costs of new plant and new buildings are extremely high. Whether the 25 per cent subsidy makes re-equipment desirable for a firm or group in these circumstances is, or ought to be, an economic decision; and uncertainties, not only about future market prospects, but also about the effect of re-equipment on costs make the decision far from simple. Professor E. Devons, in a paper on prices and costs at the Cotton Board conference at Harrogate last month, emphasised the hypothetical nature of much of the information available about the effect of re-equipment on costs. On the weaving side of the industry, he concluded

that "cost reductions alone do not appear to be a powerful inducement towards introducing new equipment"; and in general he felt that "the cotton industry is not one in which one can expect large scale investment to take place over the next few years at least."

This does not close the subject, and re-equipment is not likely to stop. But the emphasis of feeling among observers of the industry continues to be in favour less of re-equipment on a vast scale than of the improvement and better use of the plant that exists already.

British Cars in the United States

Sir Peter Bennett said in the House of Commons last week that four of the leading British motor manufacturers were selling in the United States at prices which did not cover their costs of production. Mr Piratin had previously said that the British-built Ford was now being sold in America at a price which was, in terms of sterling, 18 per cent higher than before devaluation. The purpose of this statement is obscure, but in fact the f.o.b. price of British Ford cars sent to the United States has not altered since devaluation and (Sir Peter Bennett said) does not cover the British company's full costs.

The Nuffield group also loses; production cost exceeds the ex-works price of a Nuffield car going to the United States by up to £17. After distribution and sales promotion costs have been met, the total loss on each car averages £100. At the time of devaluation, Mr L. P. Lord, chairman of the Austin Motor Company, said that the ex-works price of the A.40 was £205. This compares with an ex-works price of £392 for the home market, and £362 for a foreign visitor buying the car in Britain. The price for the United States just covers the cost of the materials and components used in the car. The Rootes group also loses on its sales to the United States.

It is possible to exaggerate the seriousness of these losses, for they contain two elements. A good proportion can be considered as the ordinary expenditure necessary to break ground in a new market. It includes the organising of a system of distribution; experiments with different sales and advertising techniques; and expensive publicity such as the stock car trials arranged for the Austin A.90, which cost the company nearly £2,000 for the hire of track and timekeepers alone. Now that the manufacturers are more sure of their ground, a good deal of pruning can be done on these expenses. The Nuffield group, which before devaluation sold every car before it was shipped, is planning a new system of distribution. The Ford company avoids these expenses by using the distribution system of the American parent company.

The second element is a deliberate policy of price discrimination between markets. This may involve selling in one market at a loss which is recovered by charging a higher price in others—the object being to keep costs down by a high volume of production. Since the number of British cars sold in the United States is small in relation to the total volume of British production, this cannot yet be an important factor. Again, it is common practice in some industries to make initial sales at a loss, in order to gain a profitable market for spares and replacements. It may be possible, therefore, for motor manufacturers to regard their losses per car sold as a short-term loss which, over the life of the car, might become a profit.

There are signs that the losses will not be tolerated indefinitely. Economies are being made in the distribution expenses of Austin cars; and the Austin company has reduced its prices in the United States by only 20 per cent since devaluation. In this way the gap between production costs and the ex-works price has been narrowed. This is as well, for certain dollar items in car production have increased as a result of devaluation.

Trouble over Gas Tariffs

The decision of the South-Western Gas Board to suspend the new gas tariffs which it announced in June does not mean that price increases in that area can be avoided. No big changes had been made in gas charges since before the war, and the prices which many consumers were paying at the time the industry was nationalised did not cover costs. In the particular case of the South-Western Area, the Board was losing more than £600,000 a year under the old tariffs.

By the Gas Act of 1948, if an Area Board introduces a new tariff it is bound to show the principles on which the new charges are to be made. The intention appears to have been that price adjustments could be made within an existing tariff structure, without the necessity of such exposition; and the South-Western Gas Board acted on this interpretation when it increased its prices by 1½d. a therm. The Member of Parliament for Bath, Mr I. J. Pitman, attacked the new charges on the ground that they constituted a new tariff and that, since the principles on which the charges are to be made have not been shown, they violated the Gas Act. Counsel's opinion left the issue in doubt, and a clear decision could only be obtained by taking the matter to the High Court. The Board has chosen the easier, and possibly cheaper, course of revoking the June order, repaying to consumers the difference between the old and the new tariffs, and drafting a wholly unambiguous order to bring the price increases into operation again. There should be no difficulty in doing this, but the Board will continue to lose money in the meantime by selling gas at the old rate.

Other district Gas Boards have also increased prices since they came into being in May. They did not use the same formula as the South-Western Gas Board, but it is not yet clear whether their increases can also be challenged on the same grounds; nor is it clear what their response would be to such a challenge.

Flag Discrimination

At its annual conference in London this week the International Chamber of Shipping (formerly known as the International Shipping Conference) reaffirmed its traditional opposition to all forms of flag discrimination. Before the war discrimination in favour of shipping of particular flags generally took the form of preferential port dues or similar measures, although the reservation of coastal shipping and the subsidising of national shipping and shipbuilding were other more debatable forms. Since the war, however, flag discrimination has assumed an entirely new character, mainly owing to the interference of Governments in the principal commodity markets and the insertion of provisions in trade agreements which stipulate that cargoes, including those bought or sold by Government agencies, should be reserved for the ships of particular flags.

The American rule that 50 per cent of ECA cargoes must be carried in American bottoms might have come under this heading, but the Chamber specifically excluded it on the ground that such cargoes were in the nature of a gift. The Chamber did not indicate whether it took a similar view of the 50 per cent provision relating to arms exports under the Mutual Defence Act. It welcomed, on the other hand, the efforts made by the OEEC towards the "liberalisation" of trade and shipping services, and urged that the latter should be freed from exchange controls, particularly those which impede the freedom of importers and exporters, as well as passengers, in their choice of vessel. Fifteen delegations attended the conference, representing the private shipowners of Australia, Belgium, Canada, Denmark, Finland, France, Greece, India, Italy, the Netherlands, New Zealand, Norway, Sweden, USA and UK, but only the Indian

delegation dissociated itself from the terms of the resolution calling on Governments to refrain from legislation and trade agreements which lead to flag discrimination.

Prices and Trade

Boom in Colonial Products

The sharp rise in coffee prices in recent weeks has surprised producers and consumers. Eight weeks ago, coffee was selling in New York at 19½ cents a lb. The current price is 49½ cents—an increase so sharp that the price of a cup of coffee has had to be raised. The main reason for the coffee boom is a fall in world output. Production this season is put one-fifth lower than the prewar level, whereas consumption has increased by nearly ten per cent. Before the war world production exceeded world consumption by 10 to 20 per cent; now, consumption is about 7½ per cent above world production.

Brazil, the main producer of coffee, now grows barely half the quantity of twelve years ago, and supplies less than half of the world's export compared with nearly three-quarters before the war. The main consumer is the United States. In 1936-37, annual consumption there amounted to 12.3 million bags out of a world total of 24.9 million; in 1947-48 it had increased to 20.2 million bags, though world consumption had expanded to only 29.8 million bags. For Brazil, which twenty years ago was dumping coffee in the sea and using it as fuel for locomotives, this turn of events means relative prosperity; its effect on the Brazilian economy is discussed in more detail on page 1070. But the sterling area will also gain, for it, too, exports coffee to the United States, though on a smaller scale. The Ministry of Food apparently intends to sell to the United States coffee purchased from East Africa under its long-term contract, although that specifies that the purchase was for British consumption only. The East African producers are rightly protesting against this step. They hope to sell any surplus they may have above the contract requirements to USA.

Cocoa, too, has been rising recently. Before devaluation, it cost 20½ cents a lb in New York; last week the price had risen to 24½ cents a lb. This year's crop is expected to be smaller, and American demand has been improving. Reckoned in terms of devalued sterling, the increase in price has been very considerable. Imports of cocoa into the United States come mainly from British West Africa; thus the sterling area may earn the same amount of dollars from cocoa as it did last season. This turn in the market will be welcome to the Nigerian and Gold Coast Marketing Boards, but they will have greater difficulty in eradicating the "swollen shoot" disease. All experience shows that if cocoa is highly profitable, infected trees will be kept in fruit and not grubbed out, which is the only way yet discovered of eradicating the disease.

Sugar is also firm. Cuban raw sugar for shipment in April has risen slightly to \$4.15 per 100 lb; a year ago it was under \$4.00. The Ministry of Food has purchased the entire exportable surplus from San Domingo—a quantity estimated at 400,000 tons—at \$4.00 per 100 lb., but this purchase is to cover the Ministry's overseas commitments and not consumption at home. The world crop for 1949-50 is estimated by Messrs. Czarnikow at 30.1 million tons, a decline of a mere 27,000 tons for the season, and still a million tons larger than in 1937-38. Output in Commonwealth countries is expected to increase slightly but Cuban production to decline. The full crop statistics are included in this week's issue of the *Records and Statistics Supplement*. Firmness in sugar, however, arises largely from local factors. Carry-over stocks of Cuban sugar, which were expected to be fairly large this season, have been liquidated and

immediate supplies are somewhat scarce. They should improve as the season progresses, and there is a fair prospect that the price will remain stable at around \$4.00 per 100 lb.

All Quiet in Wool?

The third meeting of the International Wool Study Group ended in London on Wednesday without reaching any startling conclusion. After considering the prospective wool supply and demand "the group concluded"—to quote from the press communiqué—"that no immediate problems existed in connection with the production, consumption or trade in wool which called for inter-governmental action." From the figures given in the accompanying table this seems to be a fair comment. World production this season is estimated at 3,844 million lb (greasy basis) compared with 3,758 million lb last season, and 3,788 million lb between 1934 and 1939. The output of apparel wool has followed a similar trend. World consumption for 1949-50 was estimated at 4,357 million lb, of which 3,528 million lb will be apparel type. Consumption of apparel wool should therefore show a slight fall on the year, but consumption of carpet wool should tend to increase. Stocks of apparel at the close of the current season are estimated at 2,448 million lb, of which 317 million lb would be in government hands (the Joint Organisation and the Commodity Credit Control) compared with 2,961 million lb at the beginning of the season, when 640 million lb were government owned.

WORLD BALANCE SHEET FOR WOOL
(Million lb—Greasy Basis)

	1948-49 Average	1946-47	1947-48	1948-49	1949-50
Apparel type:—					
Opening stock	1,825	5,022	4,744	3,551	2,961
Add: Production	2,991	2,982	2,951	2,957	3,015
Total Supply	4,816	8,004	7,405	6,508	5,976
Less: Consumption	3,103	3,530	3,854	3,547	3,528
Closing stock	1,713	4,474	3,551	2,961	2,448
All Wool:—					
Opening stock	2,035	5,222	4,674	3,751	3,161
Add: Production	3,788	3,768	3,721	3,758	3,844
Total Supply	5,823	8,990	8,395	7,509	7,005
Less: Consumption	3,900	4,516	4,644	4,348	4,357
Closing stock	1,923	4,474	3,751	3,161	2,648

The trends are in the right direction. Production is expanding, consumption is declining slightly, and government-held stocks are being rapidly liquidated. But during the past six months, Australia, New Zealand and South Africa have each put forward proposals for a wool marketing scheme to be introduced when the Joint Organisation is wound up. For the Study Group, these proposals are apparently not an "immediate problem." It is not difficult to sympathise with producers who want a guaranteed minimum price for their produce—the proposals of each of the three Dominions included a reserve price system similar to that operating under the Joint Organisation. American wool-growers have enjoyed such a protection for some time. But the consumer's interest ought also to be considered. The British Government, to judge from the position which it has taken on rubber and tin, can hardly be relied upon to protect the consumer from the demands of the producer, and the proposed scheme is essentially a producers' scheme. Even the Study Group noted that over the past twelve months prices of wool "were generally at a high level." Is this state of affairs to be so perpetuated that the consumer's only defence is to wear less wool?

Future of Tin

The London tin market, which has been closed since 1939, is to re-open on November 15th. Already proposals

are being heard to introduce an international marketing scheme. Reports from The Hague, where the Tin Study Group sits, indicate that the scheme would be designed to control output. The tendency of demand for a raw material to fluctuate over a period perhaps makes it inevitable that an international scheme for tin would be of this type. But before the nature of the scheme is decided it ought surely to be conclusively demonstrated that there is a real need for a scheme at all. Nobody would contend that a commodity market operates perfectly, or that it can equate supply and demand without hurting the producer or the consumer at one time or another. But at least the market reflects the changing conditions in the world and allows both producers and consumers to adapt their plans accordingly.

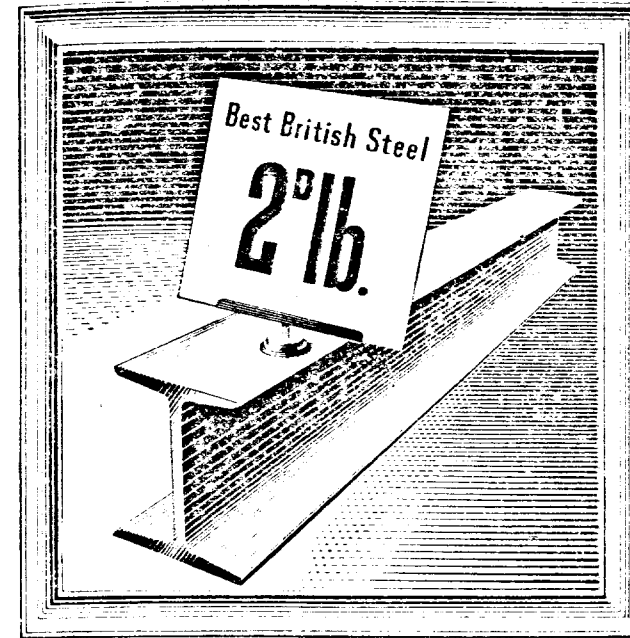
The main outlet for tin is in the manufacture of tinplate, which in turn is used mainly for containers. During and since the war great technological advances have been made in the canning industry, and it is not presumptuous to foresee a declining market for tin over the next ten or twenty years unless its price is sufficiently low in relation to other goods to encourage the development of new fields of use, or to compete with the newer materials now being evolved. If output is restricted under international arrangement in order to maintain the market price at a given level, it is not the output of inefficient producers which will be curtailed, but the output of all producers on a *pro rata* basis. In the result costs will tend to rise, and economic resources will be wasted. If under such a scheme output is maintained but supplies are kept off the market, the question then arises: who will finance the holding of these stocks, the consumer or the taxpayer? And what happens to the stocks if the long-term trend is for consumption to decline? Capital and labour would then be used to produce goods for a stockpile which might never be used.

At least time should be given to permit the reopened market to function properly, to allow the postwar pattern of demand to appear and to let the price of tin find its own level in the framework of commodity prices in general. And before all this can be achieved, certain complications confronting the tin market will first have to be solved. Not the least are American stockpiling and the operation of the Texas smelter. The sterling area's dollar problem is admittedly urgent, and tin is a valuable dollar earner. But the palliative proposed would only exacerbate the malady in the long run.

The Dollar Leak

Loss of dollar earnings through transit trade conducted in free sterling has long been notorious. It was one of the arguments put forward by Sir Stafford Cripps for devaluation to a rate as low as \$2.80 to the £. Statistical evidence which gives some impression of the extent of this trade by means of cheap sterling has been provided by the Office of International Trade in Washington. It consists of an analysis of imports into the United States both by country of lading and by country of origin. Normally, American import figures refer only to country of origin: the analysis shows the country of shipment as well. A special study of imports last April was made for a range of commodities, and some of the more important examples of "third country trade" are given in the accompanying table.

Nearly nine per cent of all imports from the sterling area into the United States were, in fact, shipped from other countries. Not all of this nine per cent can be said to consist of contrived "third country trade"; a large part of it might be called legitimate transit trade—for example Iraqi goods going through Lebanon, Indian goods through Pakistan, or New Zealand wool through the United Kingdom. Perhaps 5 per cent would be a more reasonable measure of that part of sterling area goods imported into the United States through cheap sterling trade via third countries. Such



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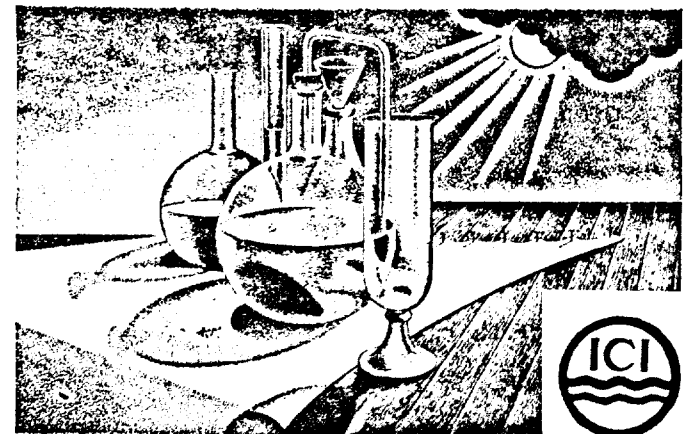
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BRITISH IRON AND STEEL FEDERATION

'Caledon' Jade Green

During the early years of the present century, the anthraquinone dyestuffs were developed from coal tar chemicals for use with cottons and cellulosic rayons. These new dyes gave the dyer a range of colours both more permanent and more brilliant than he had had before. But the range was incomplete; there was no green of brilliant hue.

In 1921, the discovery of 16:17-dimethoxydibenzanthrone gave the world the dyestuff known as 'Caledon' Jade Green. The ingenious piece of research that led to 'Caledon' Jade Green was carried out by Arthur Davies, Robert Fraser Thomson and John Thomas of Scottish Dyes Ltd.—a company later merged in I.C.I. They started with an established blue dye, dibenzanthrone, which they transformed by chemical means into an unattractive green powder, insoluble in water. In the process of application this was convertible into a soluble form, enabling it to be dyed on to cloth, and then oxidised to give the vivid green shade that is now famous throughout the world. 'Caledon' Jade Green is especially resistant to laundering and dry-cleaning, besides being little affected by bright sunlight. Its discovery was a major achievement of the British dyestuffs industry, and ranks as one of the world's five greatest dyestuffs discoveries of recent years, three of which have been the work of I.C.I. chemists.



goods totalled a little over \$100 million in April, so that the possible loss of dollars to the sterling area in that month might, according to these figures, have amounted to

IMPORTS INTO U.S.A. THROUGH THIRD COUNTRIES, APRIL, 1949

Country of Origin	Country in which Taken	Value	Per Cent of Total	Main Commodities
United Kingdom	France	\$ 100	0.3	Furs
	Netherlands	107	0.7	Furs
India	Netherlands	579	2.4	Hides and skins, cotton
Pakistan	Netherlands	105	1.3	Hides and skins, wool
	Egypt	95	1.8	Wool
	Belgium	66	1.2	Fur
Ceylon	Netherlands	50	1.2	Tea, citronella, metal containers
British Malaya	Netherlands	1,047	4.1	Rubber
	France	295	1.1	Rubber
Australia	Belgium	46	0.9	Wool, manufd. leather
	Italy	17	0.3	Wool, waste bagging
	Netherlands	17	0.3	Wool
New Zealand	Netherlands	67	2.9	Hides and skins, furs
	Belgium and Luxembourg	18	0.8	Sausage casings
South Africa	France	759	12.1	Wool and manufs., furs
	Belgium and Luxembourg	461	7.3	Wool and manufs., furs
	Netherlands	445	7.1	Wool & mfrs., hides & skins
British E. Africa	Netherlands	306	25.0	Hides and skins

\$5,000,000. It should be noted that the proportion of total goods originating in countries other than the sterling area which were shipped to the United States through third countries was a little under 9 per cent.

The main intermediary was Holland, trading in wool, hides and skins, rubber, fur and cotton. France, second on the list, had an important third-country trade in furs, rubber and wool, while Belgium was third, mainly dealing in wool and furs. The volume of third-country trade in wool has certainly declined; in the first nine months of 1948, about 7 per cent of American imports of Australian wool was invoiced from other countries, whereas in April the proportion was very much smaller. The same appears to be true of rubber. Last December, more than one-fifth of American imports of Malayan rubber came from third countries; in April, the proportion was under 6 per cent.

The table clearly suggests the main sources of leakage of dollar earnings. More than a quarter of South African exports to the United States was by way of third countries, and this trade was to some extent encouraged—or at least not hindered—by the South African Government. The other leaks, except British East Africa, whence 26 per cent of the hides and skins sent to the United States went via the Netherlands, seem quite small in comparison. The value of this study indeed is more to show the different routes of the various commodities than to measure the size of the leak.

* * *

Base Metal Prices

The course of base metal prices in the United States since devaluation has been conflicting. Copper has remained firm and at the end of last week the price in New York moved up from 17.62 cents a lb to 18.50 cents. On the other hand, lead fell from 15½ cents a lb on September 16th to 13 cents on October 17th, and has since remained at that level. Zinc also declined at first from 10 cents a lb to 9½ cents. But three weeks ago it began to rise once more. By November 1st it had recovered to 9½ cents and on November 9th some smelters were quoting 10 cents. The price of tin fell, following the devaluation of sterling, from 103 cents a lb to 96 cents. On October 24th it dropped a further cent and by the end of the month it had fallen to 94 cents. It, too, showed a recovery at the beginning of November, but it was not maintained and on Wednesday it could be bought for 93½ cents a lb. The price changes for the different metals are shown in the accompanying table.

Prices in Britain have followed these movements closely

for all metals except tin. Copper is now £153 a ton or £5 above the sterling equivalent of the New York price, which covers the cost of freight, warehousing and delivery. Lead is £105 a ton compared with £104 in America and zinc £85 10s. a ton against £78 and £80 in the United States. A rise of £2 a ton in the price for zinc in Britain might, therefore, be imminent.

At this stage it is difficult to obtain a clear picture of the factors affecting the American demand for base metals. An important factor no doubt was the steel strike. A shortage of steel clearly limits the demand for both zinc and tin, and the

BASE METAL PRICES—UNITED STATES (Cents per lb.)

1949	Copper	Lead	Zinc	Tin
Sept. 16	17.62	15.12	10.00	103.00
" 26	17.62	14.75-15.12	10.00	103.00
" 29	17.62	14.75	10.00	96.00
Oct. 3	17.62	14.25	9.25-10.00	96.00
" 6	17.62	13.75-14.25	9.25	96.00
" 10	17.62	13.75	9.25	96.00
" 14	17.62	13.00-13.75	9.25	95.00
" 17	17.62	13.00	9.25	95.00
" 24	17.62	13.00	9.25	95.00
" 26	17.62	13.00	9.25	94.87-95.00
" 27	17.62	13.00	9.50	94.75-95.00
" 29	17.62	13.00	9.50	94.50-95.00
" 30	17.62	13.00	9.50	94.00-95.00
Nov. 1	17.62	13.00	9.75	94.50-95.00
" 3	17.62-18.50	13.00	9.75	94.50-95.00
" 4	18.50	13.00	9.75	94.25-95.00
" 9	18.50	13.00	9.75-10.00	93.50-95.00

recent recovery in the price of these two metals was due doubtless to the improved prospects of settlement after Bethlehem Steel had agreed to meet the strikers' basic demands. But possibly, apart from copper, the longer-term demand for non-ferrous metals does not as yet appear very firmly established.

Shorter Notes

Quotations for free sterling abroad have changed little this week. Transferable account sterling has remained unchanged around \$2.62. Quotations for pound notes are somewhat lower. In Paris the pound note has fallen to Fr. 925, and the Zurich rate is 5 cents lower at S.F. 10.60.

*

Restrictions have been announced by the Chancellor of the Exchequer on the remission of legacies to hard currency areas. Transfers of legacies to the United States, Canada, American account countries, Belgium and Switzerland will in future be limited to the first £500 of a legacy, any balance to be paid into a blocked sterling account. Transfers to other countries remain as hitherto, free of any restriction.

*

Average weekly output of steel ingots and castings in Britain in October was 306,900 tons; this is equivalent to an annual rate of output of 15.96 million tons and is substantially higher than in October last year. Total output in the first ten months of this year was 12,814,000 tons, compared with 12,253,000 tons in the first ten months of 1948. Output of pig iron also rose in October, when the weekly average was 183,900 tons—equivalent to an annual rate of 9.6 million tons; this is only slightly higher than in October last year.

*

The index of industrial production (1946 = 100) prepared by the London and Cambridge Economic Service rose from 115 in August to 127 in September, according to the "A" index which is based on actual deliveries of goods. The "B" index, which reflects work in progress in addition, rose from 113 to 126. Calculated on the basis of working days however, and after adjustments for holidays, the "A" index remained unaltered at 129 and the "B" index was unchanged at 128.

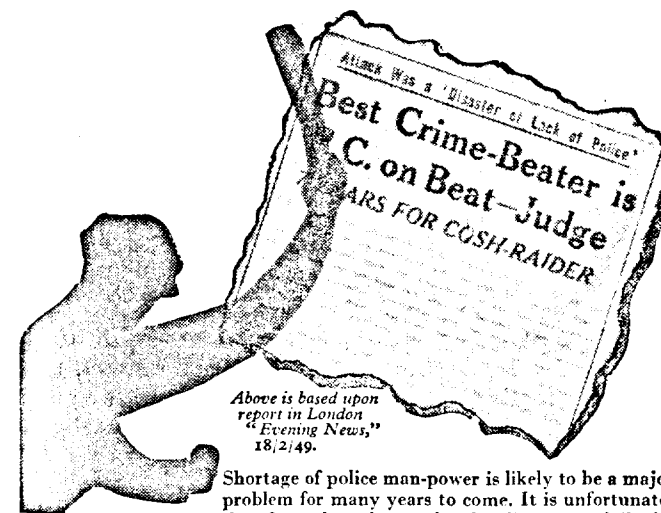
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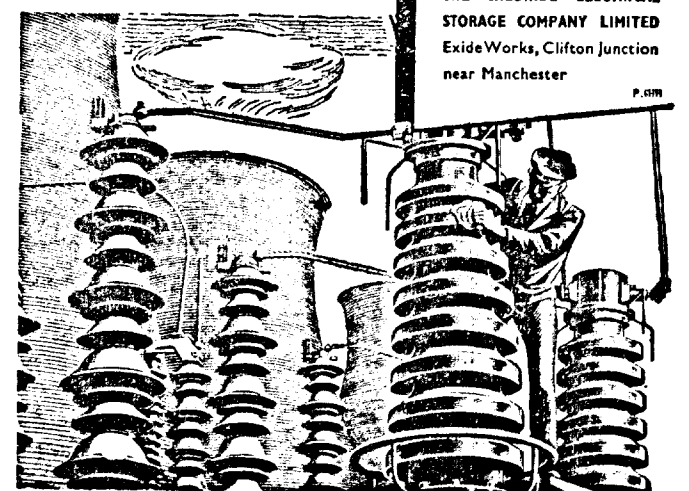
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COMPANY MEETINGS

PETER BROTHERHOOD LIMITED

SATISFACTORY YEAR'S TRADING

The forty-second ordinary general meeting of Peter Brotherhood Limited was held on November 8th in London, Mr Alexander M. Neal, J.P., A.C.G.I., A.M.I.C.E. (the chairman), presiding.

The chairman in the course of his speech said: Last year I remarked that of the sum of £98,214 received by way of Excess Profits Tax Refund, £36,092 had already been spent and that the remainder would probably be absorbed during the then current year. This has in fact taken place, and machinery to keep our plant up to date has been purchased during the year to the value of £70,185, the residue of the fund in question having been utilised towards this purpose.

General reserve now stands at £127,000 against £98,500 last year, while reserve in respect of replacement of fixed assets has been strengthened by the transfer of £17,500 from this year's profits. Loose tools have been revalued and have been reduced from £20,975, the figure at which they stood in last year's accounts, to £13,947. The fact that loose tools, especially in work of changing character, may soon become obsolete and therefore redundant, has been a determining factor in this decision.

Cash at bankers at March 31st last was £105,247 as against £61,643 last year, which I think you will agree, in view of the fact that stock and work in progress and sundry debtors show a considerable increase on last year's figures, is satisfactory.

We have indeed been fortunate until now, in view of the large amount extracted from us in cash year by year for purposes of taxation, to have been able to finance the increasing volume of work with which we have had to deal.

SALES 9 PER CENT. LARGER

The value of our sales for the year was 9 per cent. larger than last year's and I am pleased to report that the net trading profit for the year, before providing for taxation, amounts to £227,527 as against £174,842 in 1948.

This, I think, is a matter on which the shareholders may quite properly congratulate themselves. It should, however, be borne in mind that the sellers' market which has obtained during the last few years has already shown signs of deterioration and that this may normally be expected to have an effect upon the trading profit of future years.

Of this trading profit of £227,527, provision for taxation absorbs £127,000—a reminder of the extent to which industry is called upon to contribute to the governing of the nation—leaving us with a net profit for the year, after taxation, of £100,527.

The question of a final dividend has been before your board, who have felt it their duty to fall into line with the wish of the government that dividends should not be increased at this time. We accordingly recommend the payment of a final dividend of 12 per cent., less tax, on the ordinary shares, making with the 8 per cent., less tax, already paid, a total dividend on the ordinary shares of 20 per cent., less tax, for the year. It is proposed to place to general reserve the sum of £28,500, to reserve for contingencies the sum of £15,000 and to allocate for replacement of fixed assets a further sum of £17,500. The balance of the net profit—£7,236—will increase the carry forward to a figure of £166,977.

Well, gentlemen, the accounts before you show, I suggest, that the result of the year's trading has been satisfactory, reflecting credit on all who have been concerned with carrying on the business of the firm.

The report was unanimously adopted.

UNION FREE STATE COAL AND GOLD MINES LIMITED

(Incorporated in the Union of South Africa)

DEVELOPMENTS AT RALEIGH COLLIERY

DRILLING RESULTS IN HARMONY AREA

MR G. V. R. RICHDALE'S REVIEW OF INTERESTS

The annual general meeting of Union Free State Coal and Gold Mines Limited was held in Johannesburg on November 2nd.

Mr G. V. R. Richdale, the chairman, presided and, in moving the adoption of the report and accounts, said that the authorised capital of the company had remained unchanged at £2,000,000 in 8,000,000 shares of 5s. each. During the year 1,000,000 reserve shares had been issued at a price of 10s per share and 275 options had been converted into shares at 12s. 6d. per share, the issued capital being thus increased from £1,075,575 at June 30, 1948, to £1,325,643 15s. at the end of the financial year under review. Of the 2,697,425 shares held in reserve at that date, 2,075,175 shares were under option at a price of 12s. 6d. per share until January 31, 1950.

RESULT OF YEAR'S OPERATIONS

During the year, income which accrued to the company by way of loan interest, rent, and sundry revenue had amounted to £39,301. From this sum had been deducted £33,773, representing the debit balance on the appropriation account brought forward from the previous year, together with directors' fees, exchange, taxation and administration and general expenses, thereby leaving an unappropriated balance at June 30, 1949, of £5,528.

The issue of 1,000,275 reserve shares to which he had already referred, provided £500,172 for the further development of the company's properties. Of this sum, £250,103 had been credited to the share premium account.

Net capital expenditure incurred during the year on development of the company's coal and gold areas had totalled £390,900 and after allowing for depreciation charged to the share premium account, those assets had been valued at £705,661. It had been deemed expedient to write down certain of the assets in order to align book values more closely with what were considered fair valuations of the company's properties. The share premium account had accordingly been reduced by the amount of the depreciation and stood at £388,093 at June 30, 1949.

NEW UNION GOLDFIELDS LOAN

In addition to the company's coal and gold interests, other assets, less liabilities and provisions, totalled £1,013,604. The original amount of the unsecured loan owed to the company by New Union Goldfields Limited at the time that company was placed under judicial management had been £784,333. During the previous financial year, an amount of 7s. 6d. in the £ had been repaid and a further 7s. 6d. had been repaid during the period under review. Since the close of the financial year, an additional 2s. 6d. in the £ had been paid, and the balance of the loan owing to the company, excluding interest, stood at £98,041. In addition, an amount of

£34,913 had been raised in the company's books, being interest to June 30, 1949, on the loan to New Union Goldfields Limited. The directors considered that the outstanding loan, together with interest thereon, would ultimately be recovered.

The balance sheet as at June 30, 1949, had been qualified in the same terms as the previous balance sheet by the company's auditors, Messrs J. W. Higgerty, Ross-Spencer and Company, who required confirmation of payment by New Union Goldfields Limited on September 2, 1947, of three amounts of £2,000 each which had been in turn charged to the company by means of debit notes, the amount of £6,000 being added to the cost of acquisition of certain coal properties.

That question was being investigated by the present board and the opinion of a senior counsel was being sought, and the chairman hoped to be in a position to report further on the matter at the annual meeting next year.

RALEIGH COLLIERY

He then dealt with the coal-mining interests of the company, the major undertaking of which, he said, was the Raleigh Colliery, situated about 10½ miles south of Middelburg, in the Transvaal. Fifty-eight boreholes drilled in the area had disclosed the existence of a main seam of an average thickness of 17 feet at a depth below the surface nowhere greater than 150, with an average of 80 feet to 100 feet of cover, indicating substantial reserves containing a proportion of first-grade export quality coal.

Two shafts had been sunk and underground development had been sufficient to enable the colliery to commence production on a small scale some time in November, when the railway line to Middelburg should be completed and the temporary screening plant ready for operation. The monthly output was estimated at between 25,000 and 30,000 tons until Barvoys coal preparation plant was erected towards the middle of 1950, when it would be possible to effect an increase in output.

The colliery had been accepted as a member of the Transvaal Coal Owners Association and had been granted an allotment of three per cent. of the trade of the association, equivalent at the present time to some 40,000 tons a month. The potential trade of the association could be expected to grow during the next few years, however, and any improvement in overall trade would naturally result in a greater tonnage allocation to individual member collieries.

CAPITAL EXPENDITURE

Capital expenditure on the colliery during the year had totalled £256,747, of which £255,534 had been incurred mainly in the construction of a railway line and siding and in shaft sinking and provision of equipment.

Additional capital expenditure to bring the colliery to full production was estimated at £500,000, of which approximately £400,000 would be spent during the current year. The major portion of that expenditure would be

incurred on the purchase of surface plant, machinery and mining equipment, on housing, on completion of the railway line, and one the main washing plant. The sum of £313,047 shown in the balance sheet under the heading "Payments in advance—purchase of equipment," included an amount of £283,760 for which bankers' guarantees had been issued in respect of the main washing plant, but since the close of the year arrangements had been made with a view to obtaining a refund of a large proportion of that sum which would then be paid out as and when due.

RECENT ACQUISITIONS

The company had recently purchased a portion of the farm adjoining Raleigh Colliery in order to acquire water rights of a natural spring which occurred on that farm and which was a valuable source of water.

During the year, full coal rights of an area of 340 morgen in the Hendrina district had been purchased, and since the close of the financial year the company had taken up a free option to purchase a coal-bearing area of Farm Twyfelaar in the Carolina district, the coal rights of which were already held by the company and where satisfactory coal deposits had been encountered. In the Ermelo district the company's options to purchase coal and torbanite rights over approximately 10,000 morgen adjoining the Camden Colliery were being maintained, but no prospecting or drilling was being carried on at the present time, although the geological formation of the area and the results obtained in the vicinity indicated the existence of torbanite.

In Natal, the company owned the Newcastle Colliery, including machinery, stores and equipment, and as that colliery had been worked out, steps were being taken to transfer a portion of the plant to the Raleigh Colliery, and the balance would be disposed of in due course. Four miles to the south of Newcastle lay the company's Farm Roy Point, old plans of which had indicated coal seams with coking properties. Coking tests had been carried out on a sample of that coal, but the results did not warrant further prospecting at that stage.

At the close of the previous financial year, the company held a 50 per cent. interest in the Indumain coalfield between Dundee and Glencoe, and also held the total share capital of the Sanford Mining and Investment Company, Limited, which owned the remaining 50 per cent. interest. During the year, that latter half share had been transferred into the name of the company and shares in the Sanford Mining and Investment Company had been sold. Some of the options concerned had now been exercised and mineral leases had been acquired over some 1,440 acres, the balance of options having been abandoned. No further prospecting or drilling had been undertaken in the Indumain, Elandslaagte or Vreda areas.

In the Orange Free State, the company held coal options and prospecting contracts over some 3,805 morgen on farms situated about 10 to 12 miles south of Vereeniging and to the west of Deneyville, in the Heilbron district. Three boreholes were being drilled on those farms in an endeavour to establish the existence of coal in that area.

GOLD INTERESTS

He then dealt with gold interests and activities.

During the year, the company had, he said, exercised the option to purchase the rights to minerals, excluding diamonds, of remaining extent and sub-division 1 of Harmony Farm No. 222 and of sub-division 5 of La Riviera No. 289 in the Ventersburg district

of the Orange Free State, a total area of about 2,406 morgen. In addition, the company had purchased some 612 morgen of the freehold of remaining extent and sub-division 1 of Harmony Farm No. 222.

WESTERN AREAS AGREEMENT

Since the close of the financial year, agreement in principle had been reached between the company and Middle Witwatersrand (Western Areas), Limited, whereby mineral rights of an area in extent of approximately 800 claims in the south-eastern portion of sub-division 1 of Harmony Farm to the south of Sand River, would be exchanged for mineral rights of approximately an equal area comprised in three portions of Farms Moriyah No. 288, Rustgevonden No. 564 and La Riviera No. 289, adjoining the Harmony block.

Agreement in principle had also been reached whereby New Consolidated Free State Exploration Company, Limited, would contribute to the proposed mining lease area mineral rights of remaining extent of Farm La Riviera in extent of approximately 1,500 claims, and New Free State Gold Estates, Limited, would contribute mineral rights of contiguous portions of sub-divisions 1 and 3 of the same farm in extent of approximately 469 claims.

PROPOSED APPLICATION FOR LEASE

It was proposed shortly to make application to the Government for the lease of undermining rights of those areas totalling approximately 5,469 claims, of which the company would contribute 3,500 claims in which it had an 80 per cent. interest, the remaining 20 per cent. being held by the Anglo-American Corporation of South Africa, Limited, in the terms of an arrangement concluded before the present board assumed control.

If the lease was granted, the company would therefore have a 51.19 per cent. interest in the lease area. It was the present intention of the board that a separate company would then be formed to take cession of the lease and operate the Harmony mine, and shareholders in Union Free State Coal and Gold Mines, Limited, would be given the opportunity to participate in the flotation.

DRILLING RESULTS

Drilling had already been carried out on a fairly extensive scale in and around the proposed area and four additional holes were at present being drilled by the company on Farms Harmony and La Riviera primarily in order to assist in planning the underground layout of the mine. The position of those holes was shown on the plan of the proposed lease area which had been issued with the annual report.

Results in two holes had recently been announced, and were as follows: H-3—Leader reef 7.1 dwt. over 10.34 inches, equivalent to 72 inch-dwt. Basal reef 13.0 dwt. over 42.0 inches, equivalent to 546 inch-dwt.; H-3—first deflection. Basal reef 9.4 dwt. over 45.4 inches, equivalent to 427 inch-dwt.; LR-3—Leader reef 2.1 dwt. over 7.7 inches, equivalent to 16 inch-dwt. Basal reef 6.4 dwt. over 16.2 inches, equivalent to 104 inch-dwt.

It was expected that results of the other two holes, H-2 and LR-4, which at October 29th had reached depths of 4,414 feet and 4,712 feet respectively would become available within the next few weeks. Two deflections of all four holes would be made. Results so far obtained in those boreholes and in other holes previously drilled in the area were encouraging and indicated that the basal reef was at present at a workable depth and with a satisfactory percentage of payability.

WATER SUPPLY

Other preliminary work done at Harmony included contour and magnetometric surveying of the area and the testing of the subsoil for foundations. Ten holes had been drilled in the hope of locating a good water supply, but results had not been entirely satisfactory and consideration was now being given in conjunction with adjoining mineral right holders to the possibility of applying for permission to construct a dam and abstract water from the Sand River at a point on the property.

Plans were being drawn up on the assumption that at the commencement of the production period the mine would have two hoisting shafts and one ventilation shaft, with the possibility that a third hoisting shaft might be sunk at some later date. Detailed plans had been prepared of siting of the surface works of the mine, including the location of shafts, offices, reduction works and slimes dams, and the approval of the Natural Resources Development Council was being sought to that proposed layout. If those plans were approved it was hoped that it would be possible to commence shaft collars of No. 3 and ventilation shafts in the near future. Meanwhile, the first temporary accommodation at the mine was already under construction and tenders had been invited for initial houses for the staff.

PURCHASE OF PLANT

Orders had already been placed in America for two Ward Leonard winders for No. 3 shaft, and those were expected to arrive in the Union shortly. Suitable winders for the ventilation shaft had also been purchased. With those winders installed at the commencement of sinking operations, which were estimated to begin in June, 1950, the speed of sinking for both shafts would be maintained at a satisfactory rate without the usual delays caused by changing over from temporary hoists and the cost of purchasing and erecting temporary equipment should thus be obviated.

Shareholders would be glad to know that the winders from the United States had been paid for before the devaluation of the South African pound, the consequent saving in cost being in the region of £60,000. In other respects, however, the devaluation was likely to increase the cost of bringing the mine to production. The extent of such an increase would, of course, be largely dependent on the proportion of necessary equipment which would have to be purchased in America. Where possible, plant would be bought in countries of the sterling area. Furthermore, increased labour charges would add to the capital cost of bringing the mine to production.

The company's remaining gold options and prospecting contracts in the Orange Free State had all been abandoned following upon the poor results obtained in the borehole on Eenvogelkuil No. 132 and in neighbouring boreholes drilled by other mining houses. As provided for in the original flotation agreement, those options had been ceded to Shares and Investments (Proprietary), Limited.

TWO MAJOR UNDERTAKINGS

From information he had given, shareholders would realise that for the present the activities of the company were being concentrated on its two major undertakings, namely, the Raleigh Colliery in the Transvaal and the proposed Harmony mining lease area in the Orange Free State. Those ventures, together with additional valuable assets to which he had referred, gave cause for satisfaction with future prospects of the company.

During the financial year under review there had been two changes in the administrative and technical control of the company. As from January 1, 1949, Anglo-Transvaal Consolidated Investment Company, Limited, had been appointed to the position of technical advisers, consulting engineers and transfer Secretaries in place of Union Free State Mining and Finance Corporation, Limited. Subsequently, arrangements had been concluded whereby the Central Mining-Rand Mines group purchased a controlling

interest in the company and the Central Mining and Investment Corporation, Limited, had consequently been appointed consulting engineers and technical consultants, while Rand Mines, Limited, had become Secretaries of the company, with effect from March 14, 1949.

A report of the proceedings at the meeting would be circulated to shareholders and would also be published in the press.

The report and accounts were adopted.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

CHANGES IN ECONOMIC POSITION

GOOD SALES AT ENHANCED PRICES

BENEFITS OF DEVALUATION

MR P. H. ANDERSON'S SPEECH

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on November 1st.

Mr P. H. Anderson, the chairman, presided, and in moving the adoption of the report and accounts said that during the year under review there had been no improvement in the conditions under which the company's mine operated; the average number of European and native employees in the service of the company had been much the same as during the previous year; certain essential materials remained in short supply; and the growing disparity between the price of gold and other commodities continued. Since June 30th last, there had, however, been a material change in the position, to which he would refer after giving shareholders a brief review of the year's operations.

RESULT OF YEAR'S WORKING

Compared with results achieved during the previous year, tonnage milled had decreased by 10,000 to 1,427,000 and development footage by 3,925 to 8,182. Yield per ton milled had been lower by 0.046 dwt., with the result that working revenue had decreased by 5d. per ton. That was more than offset, however, by a reduction of 6d. per ton in working costs, partly due to the decreased amounts of development and consequently the working profit had increased by £3,696 to £415,754.

Total profit had been £418,210. Provisions made in respect of silicosis outstanding liabilities had totalled £22,302, provisions for taxation had accounted for £122,922, provision for lease consideration had amounted to £46,475, and dividends had absorbed £232,701.

DECREASE IN DEVELOPMENT

As he had already mentioned there had been a decrease of 3,925 feet in development accomplished during the year. He had explained last year that a further decrease in the amount of development should be expected, as there remained very little ground of any promise to be explored, and that this was concentrated in the south-eastern corner of the lease area. That portion of the property had now been opened up and a few small payable blocks had been established.

During the year, notification had been received that the Government had agreed to grant a mining lease over an additional 735 claims at the northern end of the Klipfontein corridor and that those claims would be incorporated in the lease area without alteration to the existing formula. That additional area was shown on the plan accompanying the annual report. Up to the end of June, 1949,

the 11th level had been extended 113 feet into the new area, but no payable disclosures had been made. Since then, however, the level had been advanced a further 223 feet, and of that 60 feet had proved payable, averaging 7.1 dwt. over 16 inches, equivalent to 113 inch-dwt.

TWO BOREHOLES

With a view to gaining further information about the undeveloped area below the 14th level adjoining the Klipfontein corridor, it had been decided to sink two boreholes from the surface. The depth of the reef horizon below the surface in that portion of the property was about 1,500. Shareholders would notice from the plan that much development had been done around that area, but it had all proved unpayable.

Further investigations had been made into the question of the existence of such payable Hanging Wall Leader Reefs as existed on mining properties to the west of Modderfontein East.

The only positive result had been in No. 5 Shaft, where a narrow reef bend corresponding in position to the NA-7 leader of New Modderfontein had been resampled but had assayed only 34-inch-dwt.

ORE RESERVES

The quantity of payable ore developed during the year under review had totalled 492,800 tons, which represented an increase of 6,800 tons over that opened up during the previous year, the value at 3.0 dwt. being lower by 0.2 dwt. By far the greater proportion of that was developed by stoping operations, and shareholders would no doubt recall that in his address to them last year he had dealt rather fully with that aspect of ore reserve prospects at the mine.

At June 30, 1949, the available ore reserve had been estimated to be 4,115,000 tons, averaging 3.3 dwt. over a width of 42.9 inches. Compared with the estimate made the year previously, the available ore reserve had decreased by 440,000 tons, the value being unchanged and the width 0.1 inch less.

In concluding the review of operations at the company's mine for the year ended June 30, 1949, he mentioned that there had been no change in the rates of gold mining taxation, which remained the same as those introduced with effect from January 1, 1948, and also that there had been no change in the price of gold, which remained fixed at 172s. 6d. per ounce fine.

Since June 30th last, certain material changes had taken place in the economic position of the South African gold mining industry which shareholders would realise

should have an appreciable and beneficial effect on the future of the company.

INDUSTRIAL SALES

Firstly, negotiations between the South African Government and the International Monetary Fund regarding the sale of gold at enhanced prices for industrial and artistic purposes had resulted in the receipt of a relatively small but welcome increase in revenue.

The first such sale had been made earlier in the year by the Union Treasury, which had disposed of 100,000 ounces at 17s. 6d. over and above the then standard price of 172s. 6d. per ounce. The additional amount realised had been paid into the scheduled mines compensation and outstanding liabilities fund of the Silicosis Board by the Union Treasury and was, therefore, of indirect benefit to gold producers. Subsequent sales had been made by the Chamber of Mines to various purchasers. The amounts realised in respect of the difference between the industrial price and the standard price of gold was being pooled and the net accrual distributed to individual gold producers pro rata to their gold output.

The company's pro rata share of the amount received from sales during July and August, 1949, had been £3,551 16s. 3d., which was equivalent to an extra 2s. 3d. per ounce on the total output during that period. Such income, being in the nature of variable and abnormal accrual which would be spread over some indefinite period, was not being included in the monthly declarations as working revenue, which was still based on the standard price of gold.

It was, of course, not feasible to give shareholders any forecast of how much more gold would be absorbed by the industrial market, nor was it possible to forecast at what prices any such sales would be made. It seemed fairly certain, however, that the market would not be limitless.

DEVALUATION BENEFIT

The other and far more important respect in which there had been improvement in the economic condition of the gold mining industry was the increase in the standard gold price received by producers from 172s. 6d. to 248s. 3d. per ounce fine, which had been brought about by the devaluation of the pound on September 19, 1949.

In terms of the American dollar, however, the price of gold remained at 35 dollars per ounce fine. The downward adjustment in exchange values of the pound in relation to the dollar had, of course, started a readjustment in the direction and strength of other economic forces. Resultant action and reaction would take some time to work themselves out, and as yet it was too early to foresee when and at what level the economic equilibrium would be established. Consequently, although immediate prospects of the company were crystallising fairly rapidly, the more distant prospects were not so clear.

POSITION SUMMARISED

The position could, however, be summarised as follows: First, from the revenue point of view the company was now receiving 248s. 3d. per ounce of gold, which was 75s. 9d. more than the amount received on sales prior to September 19, 1949.

Second, from the working cost point of view the company would have to pay more for direct imports from such countries as America and Switzerland. As the mine was a fully equipped producer, it would not be affected to any great extent in that direction. It would also have to pay more for those commodities which, although not imported direct from dollar countries, depended in varying degrees on the importation of raw materials and capital goods from such countries as America

How much costs would increase on that account it was impossible to say, but the company, in common with the rest of the industry, was faced with the prospect of progressively increasing costs due to what was commonly termed "spiralling." Whether that spiral would be moderate or severe depended largely on what measures would be taken to keep a tight rein on the Union's economy by preventing disproportionate increases in prices and wages.

The company also had to meet higher labour costs within the gold mining industry due to the recent increases in wages and the indirect benefits which had been granted to European and native employees.

Turning to a purely internal matter affecting costs, shareholders would also appreciate that the acquisition of the northern portion of the Klipfontein corridor would necessitate an increased amount of development in order to explore the area and that the expenditure on that work would be reflected in working costs.

PAY LIMIT LOWERED

Those changes in revenue and costs would naturally have a material effect on the company's mining economy, because the increase in revenue was at the moment greater proportionately than the increase in costs. In effect, therefore, the pay limit had been lowered, thereby rendering payable a fairly large quantity of low-grade ore which had previously been unpayable. Some of that ore had already been fully developed and, by bringing that in the total, ore reserve would be increased but the average value would be lowered.

Probably, however, a large proportion of that newly payable ore remained to be developed, principally by stoping, and would therefore only be brought into ore reserves in the future provided rising costs did not once again render it unpayable. It had become necessary to re-estimate the ore reserve on the basis of the new pay limit. That would be done as soon as the new level of costs per ton could be determined with any degree of accuracy, and it was intended to give re-estimated ore reserve figures in the quarterly report for the period ending December 31, 1949. Due to the large amount of low-grade ore brought within the pay limit and to the fact that it had become increasingly difficult to maintain the grade over the past few years, a falling off in mill yield must be expected.

In that connection, he drew shareholders' attention to the fact that the yield per ton milled had steadily decreased during the past five years from 3.329 to 2.754 dwt., an average decrease of little more than 0.1 dwt. per ton per annum. On the other hand, increased payability would make it easier to obtain sufficient ore to maintain an economic rate of milling.

SLIDING SCALE FORMULÆ

Finally, he drew the attention of shareholders to the effects of the sliding scale formulæ on which the company's lease consideration and gold mining taxation were calculated. The combined effect of those two formulæ was that approximately 60 per cent. of increased profits accruing to the company as a result of devaluation, after allowing for increases in costs, would accrue to the Union Government.

The results of operations during the first three months of the current financial year resulted in a profit of £112,261, but he pointed out that that reflected in part the increase in revenue but none of the increases in costs.

A report of the proceedings at the meeting would be published in the press and shareholders could obtain copies on application to the Secretaries in Johannesburg or London.

The report and accounts were adopted.

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED

(Incorporated in the Union of South Africa)

PROFIT EXCEEDS £2,798,000

BENEFITS FROM CURRENCY DEVALUATION

MIR W. M. FRAMES ON YEAR'S OPERATIONS

The annual general meeting of Blyvooruitzicht Gold Mining Company Limited was held in Johannesburg on November 1. Mr W. M. Frames, the chairman, who presided, moving the adoption of the report and accounts, said that in the terms of the special resolution passed by shareholders at an extraordinary general meeting held on November 12, 1948, each of the ten shilling shares of the company were divided into four shares of a nominal value of 2s. 6d. There had been no change in either the authorised or issued capital, which remained at £3,300,000 and £3,000,000 respectively.

Operations, particularly in the latter half of the year, were adversely affected by an unexpectedly severe shortage of European underground labour and, as a consequence, it had not been possible to step up output as rapidly as he had forecast last year.

ALLOCATIONS FROM PROFIT

Total profit amounted to £2,798,943. Amounts set aside in respect of silicosis outstanding liabilities had totalled £43,985, provision for taxation had amounted to £737,431, provision for mineral lease consideration had accounted for £149,432, two dividends had absorbed £1,800,000, making a total of £2,730,848, leaving an unappropriated balance carried forward of £340,200. The balance of working capital on hand was £853,761.

Capital expenditure during the year totalled £703,477 and had been incurred mainly in connection with additions to the power supply, purchase of hoisting and underground equipment, sinking of a ventilation shaft and the installation of main ventilation fans, the erection of change houses, offices and stores, extensions to the reduction plant, provision of additional housing accommodation for European employees, and a proportion of the cost of drilling Boreholes B-2 and B-3 in the area south of the company's property.

CURRENT YEAR'S CAPITAL EXPENDITURE

It was estimated that capital expenditure during the current financial year would amount to £1,600,000, and would be incurred principally on increasing the hoisting capacity and the provision of pumps and sumps at No. 2 Shaft, additional accommodation for European and native employees' recreation hall, and further extensions to the reduction works to increase the milling capacity to 120,000 tons per month.

Development and stoping operations had again been retarded by the frequent occurrence of water-bearing fissures, particularly in the vicinity of No. 2 Shaft where the fissure zones run in a northerly and north-easterly direction from the shaft. Those zones, when intersected, required protracted treatment by cement injection. Where development work and diamond drilling had indicated the presence of water in the stoping

areas, the practice had been adopted of pre-treating the hanging wall by cementation. Owing to the persistent necessity for this work, there had been an appreciable increase in the number of men employed on cementation operations, which represented a considerable item of cost in the underground working expenditure.

DEVELOPMENT ACCOMPLISHED

Development accomplished during the year totalled 32,640 feet, an increase of 697 feet compared with the figure for the previous year. The total advance in country rock was 13,128 feet, of which 8,985 had been in the No. 1 Shaft area and 4,143 in the No. 2 Shaft area. Of 15,875 feet sampled on the Carbon Leader, 15,610 feet, or 98.3 per cent., had been classed as payable values averaging 50.5 dwt. per ton over a channel width of 11 inches, equivalent to 556 inch-dwt.

The few disclosures of unpayable ore in development had been isolated and of a limited extent. The longest stretch of poor development exposed to date had been on the 6th level, west No. 2 Shaft, where 160 feet showed 13.6 dwt. over a reef width of 10.0 inches.

AVAILABLE RESERVE

The available reserve re-estimated at June 30, 1949, was 6,136,000 tons of an average value of 13.7 dwt. over a stoping width of 46.1 inches. That was an increase of 93,000 tons on last year's figure, the stoping width being 1.1 inches greater and the value 0.1 dwt. lower.

In the westerly section, the ore reserve totalled 3,241,000 tons valued at 10.1 dwt. as compared with a total of 3,802,000 tons valued at 16.5 dwt. in the area around No. 1 Shaft and extending up to the eastern boundary of the mine. There remained a large tonnage of ore to be blocked out towards the sub outcrop in the eastern section of the mine. Although development operations had proceeded in that area, it was probable that increasing proportions of ore reserve would, in the course of the next few years, be derived from extending the existing levels in the western section.

UNDERGROUND FACILITIES

Work in connection with the provision of improved underground facilities for haulage and the handling of ore had proceeded satisfactorily. The main haulage on No. 6 level had been completed between Nos. 1 and 2 Shafts and No. 5 level had been holed through shortly after the close of the financial year. Completion, towards the end of the year, of ore passes south of No. 3 Shaft had facilitated the handling of ore in the central area.

Progress had been made in connection with the sinking of No. A.1 Sub-incline Shaft. Work at present in hand was the excavation of hoist chambers, shaft boxes and stations and shaft raise between the 6th and 5th levels. Preliminary work had also been started in

connection with the sinking of Nos. A.2 and A.3 sub-inclines.

The average quantity of water pumped to the surface during the year under review had been approximately 1,320,000 gallons per day of 24 hours, which had been about 360,000 gallons per day more than the figure for the previous year. The second ten-inch pump column and the fourth pumping unit with a capacity of 60,000 gallons an hour had been brought into commission at No. 1 Shaft. Work was proceeding on pump chambers and clear water and settling sumps at No. 2 Shaft. No. 3 Circular Ventilation Shaft, the completion of which had been reported at the last annual meeting, was now in use. Two of the three main ventilating fans were in operation and the third was in course of erection. With the bringing into commission of No. 3 Shaft, the northern compartments of No. 1 Shaft previously used for upcast ventilation, had been freed for handling of material in addition to rock.

ULTRA DEEP BOREHOLES

During the year, the two Boreholes B-2 and B-3 had been drilled on joint account by Western Ultra Deep Levels Limited, south of the southern boundary of the company's mine. Borehole B-2 had intersected the Carbon Leader at a depth of 8,798 feet, assaying 17.88 dwt. over a width of 27 inches, equivalent to 483 inch-dwt. In Borehole B-3, the mean of an original intersection at 8,715 feet and two deflections had given a Carbon Leader value of 6.27 dwt. over a width of 12.5 inches, equivalent to 78 inch-dwt.

Those results indicated that no major displacement of the reef was likely to exist in the lower levels of the mine and that the Carbon Leader persisted at depth. Discussions were taking place with other interested parties in order to formulate plans for the exploitation at some future date of the Ultra Deep area to the south of the company's property.

PRICE OF GOLD

The price obtained for gold had remained unchanged throughout the period under review at 172s. 6d. per ounce fine. In February, the South African Government had concluded arrangements for the experimental sale of 100,000 ounces of gold to a well-known firm of bullion brokers at a premium of 17s. 6d. per ounce. The Government had announced that the total premium thus realised was to be used in the reduction of the amount levied for the last quarter of 1949 on the mining companies in terms of the Silicosis Act. In July, with the full approval of the South African Treasury and the International Monetary Fund, the Chamber of Mines commenced selling gold at a premium to certain clients for industrial and artistic purposes. The premium earned in this way during July and August represented 2s. 3d. per ounce on the total sales of all gold mines, and in the case of the company's mine amounted to £10,437.

CURRENCY DEVALUATION BENEFITS

As the result of the devaluation of the British and South African currencies, the price received for gold had, with effect from September 19, 1949, been increased to £12 8s. 3d. per ounce fine. Since no blocks of unpayable ore had been disclosed in the mine, this increase in the sterling price of gold did not affect the tonnage or grade of ore reserves but the basic revenue per ounce fine of gold produced had been increased by 75s. 9d.

Against this increase in revenue had to be offset the recent increases in wages and

benefits granted to Europeans, increase in wages granted to natives and the higher costs of certain materials and equipment purchased from overseas. The difference between the additional revenue and the increased expenditure would, moreover, be subject to lease payment and taxation at a high rate, estimated at about 60 per cent., in accordance with the sliding scales of the lease and tax formulae. The overall benefit to the company as the result of devaluation would, however, be considerable.

THE CURRENT YEAR

During the first three months of the current financial year, tons milled had been 209,000, the yield per ton milled 14.963 dwt., the revenue per ton milled 149s. 10d., and working costs per ton milled 44s. 6d. Working profit had amounted to £1,100,368, to which had to be added £10,437 in respect of additional revenue received from sales of gold at the enhanced prices for industrial and artistic purposes and sundry revenue of £7,402, giving a total profit of £1,118,207. Development footage had been 9,494 and 3,225 feet had been sampled, all of which had been classed as payable, averaging 43.1 dwt. over a channel width of 11 inches.

A report of the proceedings at the meeting would be published in the press and copies could be obtained by shareholders on application to the head office of the company in Johannesburg, or to the London secretaries.

The report and accounts were adopted.

BRITISH OVERSEAS STORES, LIMITED

ANOTHER SATISFACTORY YEAR

The 23rd annual general meeting of British Overseas Stores, Limited, was held on November 8th in London, Mr R. J. Blackadder, C.A., the chairman, presiding.

The following is extracted from his circulated statement:—

The accounts in your hands again show the results of another satisfactory year's trading, although since the close of the financial years of our subsidiaries in February or March last we have witnessed a change-over in certain classes of goods from a sellers' to a buyers' market with a definite falling off from the high level of business done during the past few years.

In Jamaica we have suffered a falling off in business, but having regard to the large amount of rebuilding and reconstruction work in view and the increase in the population of the island, it seems that the demand for lumber, building materials, and house fittings, which constitute a considerable part of our trade, must continue on a substantial scale, whatever temporary fluctuations may be experienced.

New Zealand.—Our store is continuing to hold its own, but rising expenses dictated by social legislation are a continued feature of the business; there is little that the local management can do to meet these increased costs other than the striving for further business, which objective is well in the minds of the board of our Wellington company.

South Africa and Portuguese East Africa.—Development of interests in Africa is proceeding on normal and satisfactory lines. Although impossible to forecast full results of devaluation in these and other territories, it is hoped that the higher price for gold will lead to a distinct improvement in business throughout the Union, from which the Cape Town Store should benefit.

The report and accounts were adopted.

DALGETY AND COMPANY, LIMITED

BUSINESS WELL MAINTAINED

The sixty-fifth annual general meeting of Dalgety and Company, Limited, will be held in London on December 1st.

The following is an extract from the statement of Mr D. Abel Smith, the chairman, circulated with the report and accounts for the year to June 30, 1949:—

I am glad to be able to report the conclusion of another satisfactory year's trading. The company's business has been well maintained. The three main earning sections are wool, merchandise, and stock and station, but all departments have contributed to the excellent results achieved, notwithstanding a very considerable rise in operating costs and charges, particularly in the salary and wages account. So far there is little sign of this serious inflationary movement slowing down, and the effect of a shorter working week so generally adopted both here and overseas inevitably increases production costs and contributes to the inflationary spiral. In these circumstances, and taking advantage of a good year, it was considered prudent to make more substantial appropriations to reserves and provisions than normally.

Your company's chief business—wool—has again produced results which have surpassed all expectations. The previous season's Australian and New Zealand realisations, which were in themselves a record, have been exceeded by £A and NZ 40½ million, bringing the 1948/49 returns for new clip wools up to the unprecedented total of £A and NZ 226 million—an increase of some 21.8 per cent. I need hardly mention the benefit of this to Australia and New Zealand, where wool plays such a predominant part in the national economy. The quantity handled by the company, overseas and in London, was well maintained at 619,163 bales—an increase of about 3 per cent. over the previous year's total.

DEMAND FOR WOOL

The demand for wool—particularly of the finer qualities—still seems in excess of current production and, under world-wide competition, the offerings throughout the season under review were rapidly absorbed and prices attained the highest level in the history of the trade.

The profits for the year, after deducting expenses and provisions for bad and doubtful debts and other contingencies, amounted to £1,021,972 compared with £1,005,056 for the previous year. We are recommending the payment of a final dividend of 5 per cent. on the ordinary shares which, with the interim dividend of 3½ per cent. paid in May, represents a distribution for the year at the rate of 8½ per cent., and we are again recommending the payment of a bonus of 1 per cent. on the ordinary shares, making a total distribution of 9½ per cent.

The net cash payments to the ordinary and preference shareholders for the year amounted to £92,125, which compares with the company's turnover in wool and produce, stock, merchandise, etc., of £80,896,965, and amounts to the fractional sum of 0.2733d. (or about one farthing) in the £ on such turnover, and still only 0.4777d. (or less than one halfpenny) in the £ if the cost of servicing the company's loan or debenture capital is included. A substantial proportion of even these small amounts is paid out to shareholders resident in the overseas territories, where the company has its main business. It is obvious from these figures that the company's numerous overseas customers need have no feeling that the modest charges made to them for the variety of services performed include any unreasonable contribution to distributed profits.

CALCUTTA TRAMWAYS COMPANY, LIMITED

QUESTION OF FUTURE TENURE

The annual general meeting of the Calcutta Tramways Company, Limited, was held on November 9th in London.

Sir Geoffrey R. Clarke, C.S.I., O.B.E., the chairman, in the course of his speech, said: After setting aside £80,000 for renewals and replacements and making an addition of £25,000 to the provision for deferred repairs, there remained a working profit for the year to December 31, 1948, of £268,736. It is proposed to distribute 6 per cent. on the nominal amount of the issued ordinary share capital of the company. I would point out that this 6 per cent. represents little more than 3 per cent. on the actual capital expenditure provided by the ordinary shareholders, the balance of expenditure having been provided out of profits placed to reserve accounts in past years which would otherwise have been available for dividend.

An undertaking such as this company, formed to supply cheap transport to a city like Calcutta, cannot stand still, and we have a programme for future extensions and improvements which it will take many years to implement.

It is not intended to commit the company to any further large capital expenditure until the future tenure of the company can be satisfactorily agreed with the authorities concerned.

It is now apparent that although the Corporation of Calcutta in 1944 gave notice of its intention to purchase the company's undertaking, and, in fact, subsequently made an offer, they were never financially in a position to implement the purchase, and we understand that the necessary sanction by the Government to raise a loan was not forthcoming.

At the moment the corporation is under suspension and its duties have been assumed by a commissioner. Presumably, the Government could, by legislation, at any time take over the undertaking; still, the company is in a strong position to negotiate terms in view of its agreement with the corporation, which is sanctioned by special Acts.

The company's power to operate the tramways is restricted by the right of the corporation under agreement to purchase that part of the undertaking lying within the municipal boundaries at periods recurring every seven years, the next such date arising on January 1, 1952. Although in present circumstances it seems improbable that this right can be exercised, its existence acts as a deterrent to any extension of the company's system, and to the raising of additional capital for such purposes should that be deemed necessary and advantageous in the future.

This uncertainty with regard to the future tenure of the company is causing the directors great concern, and Mr David Webb, during his visit to Calcutta at the end of 1948, had interviews with the Premier of West Bengal and the Minister of Finance, at which the whole position was discussed. These discussions were of an exploratory nature, but it was felt that, as a result of them, it might be possible to reach an agreement acceptable to both the Government and the shareholders, as to the future tenure of the company and the terms on which the Government, ultimately, might acquire the undertaking. The Government is interested, and negotiations will be continued as opportunity offers.

The report was adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

(Incorporated in the Union of South Africa)

LABOUR SHORTAGE AFFECTS RESULTS

BENEFITS FROM CURRENCY DEVALUATION

MR W. M. FRAMES ON THE OUTLOOK

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on November 2nd.

Mr W. M. Frames, the chairman, presided and, in moving the adoption of the report and accounts, said that operations had been adversely affected by a further decline in the available strengths of European and native labour.

At 2,203,057 tons, ore mined had been 17,607 tons less than in the previous year, but ore taken from surface dumps had increased by 14,875 tons and ore milled had decreased slightly to 2,225,000 tons, which was much below the capacity of the reduction plant. Working costs had decreased by ninepence per ton milled, but as the yield had been lower by 0.144 dwt., equivalent to 1s. 2d. per ton milled, working profit for the year had fallen by £48,486 to £223,897.

PAST YEAR'S PROFIT

After adding £1,363, being the difference between sundry items shown in the income and expenditure account, the total profit was £225,260. There had been a withdrawal of £13,400 from the shareholders' contingency reserve and a net credit on capital expenditure of £15,519. Provision in respect of silicosis outstanding liabilities had accounted for £27,163 and provision for taxation had amounted to £2,854. Forfeited dividends refunded to shareholders had totalled £13,427 and dividends absorbed £218,330.

Development footage advanced during the year had totalled 80,303 feet, representing a decrease of 16,783 feet, compared with the previous year. Total footage sampled had amounted to 57,640 feet, of which 24,715 feet, equal to 42.9 per cent., had proved payable at an average value of 5.3 dwt. per ton over a channel width of 39 inches.

DEVELOPMENT RESULTS

During the latter part of the year, development had been largely restricted to the more promising of the undeveloped areas of the mine. On the Main Reef and the Main Reef Leader small areas of payable ore had been opened up in widely separated parts of the mine, principally west of Bantjes Dyke and in the lower levels east of No. 3 Shaft. Elsewhere, in the lower levels, exposures on those two reefs had again been disappointing. The satisfactory tonnage of payable South Reef had been added to the reserves in the upper levels of the mine. Values on that reef had decreased rapidly with depth, and it was only in the north-east corner of the property that any material tonnage of the payable South Reef was likely to be developed.

On the Bird Reef, payable development had been mainly in the lower levels to the east of No. 10 Shaft where an appreciable tonnage of low-grade ore had been opened up. In the lower levels at No. 8 Shaft, the reef exposure had been generally of low value but indicated the existence of a few blocks of payable ore.

Development on the Kimberley Reef had been curtailed in the south-western portion of the mine where disclosures confirmed the

very low values revealed in the boreholes sunk from the surface some years ago to test this reef. East of No. 6 Shaft, however, values had shown an encouraging improvement as development advanced into the area in which boreholes drilled during 1946 and 1947 had given promising results. Present indications were that a substantial tonnage of payable ore would be opened up in that area.

ORE RESERVES

The tonnage of payable ore developed had increased by 441,500 tons to 1,104,900 tons, the average value being 0.1 dwt. lower at 3.6 dwt. per ton.

The available ore reserve had been re-estimated as at June 30, 1949, to be 4,175,000 tons, averaging 3.7 dwt. over a stopping width of 55.1 inches. Compared with the previous year, that represented a decrease of 24,000 tons, the stopping width being lower by 0.1 inch and the value unaltered.

At the last annual meeting he had drawn the attention of shareholders to the appreciable decrease in the ore reserve tonnage that had taken place in recent years. He had also stressed the importance of preserving existing reserves for as long as possible in order that the undeveloped area of the mine lying at depth towards the southern boundary might be thoroughly prospected. The decrease of only 24,000 tons in the available reserve was satisfactory in the circumstances.

LOWER GRADE NOW PAYABLE

The increased price obtained for gold following the devaluation of the pound would make possible economic mining of ore of a lower grade and would benefit the mine materially by adding to payable reserves appreciable tonnages as it justified the continuation of development operations in certain areas where expectations were previously considered too unpromising to warrant further exploration. The profitable life of the mine would be prolonged, but he pointed out that undeveloped areas were small and scattered with the exception of deep level ground lying between the bottom workings and the southern boundary, where results of exploration had continued to be consistently barren. One winze had been sunk some 1,700 feet below the 62nd level and had failed to disclose any payable values even at a reduced pay limit.

SALES FOR INDUSTRIAL PURPOSES

No alterations had been made in the basis of gold mining taxation in the Income Tax Act of 1949. As the company's ratio of profit to recovery had again been below 6 per cent., no liability for taxation had been incurred on profits arising out of gold mining. The price of gold had remained unchanged at 172s. 6d. per ounce fine throughout the period under review. In February last, however, the Union Government had made an experimental sale of 100,000 ounces of gold to a well-known firm of bullion brokers at a premium of 17s. 6d. per ounce. The total premium thus realised by the

Government would be used in the reduction of the silicosis levy on mines for the last quarter of 1949. In addition, the company would benefit from certain transactions which, as shareholders were aware, were being conducted on behalf of South African gold producers by the Transvaal Chamber of Mines for the sale of gold at enhanced prices for industrial and artistic purposes. The premium received by the Chamber of Mines in respect of those sales during the months of July and August had represented additional revenue amounting to 2s. 3d. per ounce fine on all sales during the period, and in the case of Consolidated Main Reef had amounted to £6,173. The sale of gold at a premium was continuing and would provide a relatively small, but welcome, addition to the revenue of the mine.

With effect from September 19th, the price received by producers for gold had been increased to 248s. 3d. per ounce fine by the devaluation of the South African currency. As he had already indicated that new price would result in an addition to the payable reserves of a considerable tonnage of ore previously standing below the pay limit. To what extent available ore reserves would be increased and the average value lowered, could not be estimated until more was known of the influence of wage and other increases upon working costs and pay limits in different sections of the mine.

The company would maintain the policy of drawing upon ore reserves at approximately their average value insofar as a change in

the distribution of reserve tonnages could be met by existing shaft and other facilities.

The decline in yield per ton milled would be slow and gradual as stopping operations were adjusted economically and efficiently to meet the new reserve conditions.

THE FUTURE

While the company could view with optimism the major financial benefits accruing to the company which had been operating for so long upon a small margin of profit, shareholders would realise that expectations of future dividends could not be based upon remarkably high profits earned during the period of transition. The good profits the company hoped to make when working costs and yields were finally stabilised and when the best economic advantage had been taken of the lower pay limits to strengthen the life and prospects of the mine, would be subject to heavy taxation. No big burden of capital expenditure, however, was likely to be incurred unless important and unexpected extensions of payable ore were found in depth.

During the first three months of the current financial year, the working profit had amounted to £145,324. Development footage had totalled 14,917.

A report of the proceedings at the meeting would be published in the Press and copies could be obtained by shareholders on application to the Head Office in Johannesburg or to the London Secretaries.

The report and accounts were adopted.

J. GLIKSTEN AND SON, LIMITED

LARGE INCREASED PROFIT WIDE-SPREAD ACTIVITIES

MR ALBERT A. GLIKSTEN ON PROGRESSIVE EXPANSION

The forty-fourth annual general meeting of J. Gliksten and Son, Limited, was held on November 10th at the Holborn Restaurant, London, W.C., Mr Albert A. Gliksten, chairman and joint managing director, presiding.

The secretary, Mr R. Law, A.C.A., read the notice convening the meeting and the report of the auditors.

The following is the chairman's address, circulated with the report and accounts for the year to June 30, 1949:—

The accounts have been in your hands for a period of three weeks, and I assume that in accordance with our customary practice, the directors' report and accounts as circulated may be taken as read.

GROUP PROFITS

Stockholders, will, I feel sure, be gratified with the results disclosed in the statement of accounts annexed hereto. The trading profit of the group amounts to £509,118, as compared with £364,388 a year ago. Adding income from investments, etc., of £8,680, and deducting directors' fees, interest and depreciation of £121,533, a figure of net profit before taxation results of £396,265, as against £320,677. The annual provision for taxation on this occasion required £233,198, as compared with £203,168 for the previous year.

The board have deemed it desirable to make a supplementary reserve of £35,797 against future taxation by reason of the change in date of accounting period of two subsidiary companies.

The profits then remaining have been appropriated as set forth in the directors' report, the dividend on ordinary stock being maintained at 25 per cent., less tax, as for the previous year.

As regards depreciation very full provision has been made on this occasion at £103,021, as against £39,889 a year ago, such provision being again substantially in excess of the statutory wear and tear allowance granted for tax purposes.

The progressive expansion in net earnings has again enabled your board to transfer increased amounts to reserve, £60,000 on this occasion as against £50,000 a year ago, while the undistributed profit balance carried forward is £50,350, as compared with £46,903.

RECORD NET EARNINGS

Once again I am able to report that the net earnings of our group in the past year have surpassed all previous records, and it is all the more creditable that this has been achieved during a year when trade recession had already developed in many industries coupled with widespread economic difficulties.

As reported to stockholders, prior to the annual general meeting a year ago a controlling interest was acquired subsequent to the close of the accounts in an old-established enterprise which is one of the leading primary timber producers throughout the British Colonies. This acquisition, taken in conjunction with a regulated policy of expansion of the field of the group's activities over the past few years, has contributed towards group earnings.

CONSOLIDATED BALANCE-SHEET

The undistributed surplus and reserves, including reserve for future taxation, aggregate £655,736 equivalent to 166 per cent. of the Ordinary stock issued, as compared with £580,835, an increase during the year of

£84,901. Current assets exceed current liabilities to the extent of £780,673.

As will be noted from the consolidated balance sheet, considerable moneys have again been expended in broadening the activities of the group throughout the past year. By reason of increasing production of our Colonial enterprises, and also in some measure through partial decontrol in our industry, trading stocks carried show a substantial increase when compared with the preceding year.

ISSUE OF NOTES

After giving mature consideration to alternative methods of finance, the directors decided upon certain of the operating companies within the group offering for subscription Two and a half per cent. Ten Year Unsecured Notes to a total amount spread over the companies concerned of £400,000. These Notes will be repaid by annual instalments over the period of ten years, or earlier at the companies' option, the first repayment being made one year from date of issue, and this, coupled with our normal banking facilities, should prove to be fully adequate.

The question of finance in more permanent form was considered, but having regard to market conditions it was deemed expedient to retain the capital of the parent company at its present level and cover necessary amortisation of the Unsecured Notes out of accruing profits. Stockholders will, I feel sure, be satisfied with this decision, and with the terms upon which the moneys represented by the respective Note issues of the companies operating within the group have been raised. Stockholders may rest assured that the whole question of finance in more permanent form will not be overlooked given a return to normality in international currency relationships and also some measure of easement in world economic conditions.

GENERAL SURVEY

While considerable capital expenditure was embarked upon during the year, as reflected in the increased charge for depreciation, further expenditure on fixed assets will be incurred in the year ending June 30, 1950, as it is the considered policy of your board not only to maintain the fixed assets of the group at their highest efficiency, but also to bring into operation new and more efficient processes for dealing with the very considerable group turnover handled by its operating units.

I would lay stress on the fact that the results secured represent a very modest profit margin indeed per unit of turnover, which is spread over the five continents. While group direction and formulation of group policy remain centred in London, there is considerable decentralisation in the executive functioning of our operating units. At the same time I would mention that frequent visits are paid in each year to our overseas subsidiaries by directors and executive officers of the parent company.

HIGH EFFICIENCY

It is an especially pleasing factor in the operations of the group that the trading stocks are turned over most rapidly, and the working capital of the group, also in terms of turnover, is profitably employed by reason of the high efficiency ratio in all the companies' processes. It will be of interest to stockholders to know that the sawing capacity of our group exceeds 50,000,000 board feet per annum, of which approximately one-half is centred in British Colonies.

Throughout the past year an increasing flow of logs and lumber has been shipped from Colonial sources to the United Kingdom and also to hard currency areas. Further considerable expenditure on development

has been fully provided for in the accounts of the group and forms a charge against the group profit, no part being capitalised. Important progress has also been made by way of technical research, while export turnover has shown a marked increase throughout the year. Your board is well satisfied with trading progress to date in the current year.

TRIBUTE TO STAFF

The directors would like to place on record their satisfaction with the executive and other personnel employed throughout the group and for their wholehearted efforts in its best interests. Relationships between the board, executive and other personnel continue to be excellent throughout the whole organisation, and whatever difficulties may arise in the future, stockholders may be assured that the group is well equipped in every way to cope with changing conditions.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring director, Mr. G. H. Punchard, was re-elected and the remuneration of the auditors, Messrs Pannell Crowdon and Hardy, was fixed.

The proceedings terminated with a hearty vote of thanks to the chairman, directors, staff and employees.

ASPRO, LIMITED

CHAIRMAN'S STATEMENT

The fourteenth annual general meeting of Aspro Limited was held on November 7, at Winchester House, Old Broad Street,

NOTICES

PERSONNEL MANAGEMENT

Applications invited for appointment as Consultant in Personnel Division of Urwick, Orr & Partners Ltd., University education, with degree in humanities or technology. Some years' experience in responsible positions in industry or commerce as well as at least three years' experience in personnel work at high level. Accustomed to employee consultation and Trade Union practice. Academic training in psychology desirable. Successful candidate must be prepared to reside in North of England. High level of salary commensurate with responsible work entailed. Applications must be in writing and should give full details of qualifications and career; and should be addressed to Urwick, Orr & Partners Ltd., 7, Park Lane, W.1. quoting Reference B/1026. Only candidates selected for interview will receive acknowledgments.

EXPORT Executive, Graduate B.Com. (London) (first-class honours) and M.B.A. (Marketing) Chicago, age 33, now consular trade officer in Middle West. Experience marketing, market research and advertising practice in U.S.A. Open to offers, but prefers appointment in U.K. or U.S.A. developing U.K. exports. Interview U.K. November.—Box 214.

MANUFACTURER of nationally advertised and distributed packed foods requires services of an assistant to production manager in Liverpool district. Applications can only be considered from a man aged between 25 and 35, of first-class education and having experience with production methods and organisation, preferably in a food manufacturing concern of national repute.—Full details, including salary expected, should be addressed to Box A18, Furness Advertising Offices, 66 Bold Street, Liverpool.

YOUNG man (28). National and Higher National in Commerce. Taking Final C.I.S. December. Sound experience in Secretarial Practice with large public company. Requires position as Assistant Secretary or similar progressive position, commencing early 1950. 600-1600.—Box 255.

CHENIL GALLERY, Kings Road, S.W.3. Greek Photographic Exhibition daily, Oct. 29th-Nov. 19th, excepting Sundays, 10 a.m. to 7 p.m. Admission free.

WEEKEND AND CHRISTMAS PARTIES: If you feel in need of a break and would like an informal holiday in interesting company, ask for details of our latest arrangements.—Erna Low, 5, Reece Mews, London, S.W.7. KENington 0911.

ECONOMIST April, 1947, July, 1949—114 issues. What offers?—Box 247.

MANUFACTURING concern, public company, requires Secretary capable of co-ordinating all departments London factory under Managing Director. Experience of radio industry an advantage. Applicant must have capacity, drive and tact.—Write with full details to Box 249.

VACANCY will exist in the New Year for director to organise and control production in chemical factories in the North of England. Executive production experience and a scientific background essential.—Write to Box 216, stating age, education and experience.

London, E.C.2. Mr Maurice A. Nicholas, the chairman, presided.

The following is the chairman's circulated statement.

For the reasons stated in my letter to stockholders of the 5th July, the financial year end of the Company has been changed to the 31st March.

The profit on trading as shown in the consolidated profit and loss account for the period of nine months ending March 31, 1949, before taxation and other chargeable items, amounted to £432,457 as compared with £585,506 for the twelve months to June 30, 1948. The surplus after income tax is £132,720; to this is added the balance of profits carried forward from the previous year, augmented by the release, due to the change of the year end, of a sum previously set aside as provision for taxation, giving a total of £376,562 for nine months as against £345,278 for the previous year. After deducting £52,594, representing preference and interim ordinary dividends, your directors propose (a) to allocate the sum of £100,000 to Aspro Limited's general reserve and (b) as anticipated in my letter of July 5 to recommend a final dividend of 11½ per cent., less tax, on the ordinary stock. The balance to be carried forward on profit and loss account will be £194,773, as against £132,152 for the year 1947-48.

For comparison purposes between the two years ending June, 1948, and June, 1949, the following information relating to the Parent Company is given:—

Aspro Limited sales for the year ending June, 1949, show an increase of 9 per cent. over the previous year, establishing an all-

time record for the Company. Charts are embodied in this report demonstrating the continued progress of sales. The net profit before taxation for the year ending June, 1949, is calculated to be £455,200 as compared with £394,789 last year.

As a consequence of the adoption and the presentation to our stockholders of the new form of balance sheets I do not consider there is any need to draw attention to or to comment on any particular items contained in them. The balance sheets have been prepared in a form which is fully explanatory and which gives a clear and concise picture of the position.

Due to retirement from business activities Mr G. R. R. Nicholas, C.B.E., J.P., one of the founders of Aspro, decided to resign from the board. In his place his son Mr H. J. Nicholas was invited to join the board and has accepted the appointment. In conjunction with the late Mr Alfred Nicholas, Mr George Nicholas was responsible for not only the initial success of Aspro Limited but also played his part in a maintenance of that success. He is still one of the largest stockholders and we are assured that, despite his retirement, his sage advice will always, if required, be readily available.

My letter of July 5, to stockholders reported fully on changes in management and directorships and on our subsidiary companies. Copies of the letter are available to any stockholder requiring them. There have been no developments of consequence since the date of the letter.

I wish to thank my colleagues on the board together with the executives and staff for their co-operation and continued efforts to promote the Company's interests.

URWICK, ORR AND PARTNERS seek additional staff for the Control Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:

1. Professional qualifications in Accountancy.
2. Some years' executive experience in responsible industrial appointments, with particular reference to costing.
3. Sound general education and wide interest in contemporary affairs.

Applications should be addressed in WRITING to the Company's Offices at 7 Park Lane, London, W.1, quoting reference C.1027.

ECONOMIST (M.A. Cantab.), Statistician, Barrister-at-Law (qualified in economic research and statistical analysis only), seeks employment leading to executive position in commerce, finance or industry. Aged 30. Single. Fit.—Box 252.

MONSANTO CHEMICALS LIMITED require young men of sound education and good address as trainees for positions on their sales staff in London. Applicants should have completed their National Service commitments and be between 20-25 years of age. Some previous commercial experience an advantage. Apply, giving full details of age and qualifications, to Chief Personnel Officer, 8 Waterloo Place, S.W.1.

WOMAN, age 42, recently lost husband, seeks permanent full-time employment. Public school and L.S.E. Wide, up-to-date experience, including senior executive level in industry and commerce and direction of economic and statistical research. Music degree. Pilot's licence.—Box 253.

FOR SALE.—Economist, unbound; (a) July, '45-Feb., '47 (11 numbers missing); (b) April, '47-August, '49 (complete). Offers.—Box 254.

ACCOUNTANT/SECRETARY (qualified) required by progressive Hosiery Manufacturing Company in Nottingham area. Appointment calls for share in general administration as well as usual accountancy duties. Large expansion programme offers excellent opportunity to a capable and energetic man. Commencing salary £800/£1,000 according to qualifications.—Box 248.

PERMANENT Bureaucrat (39), now in four-figure brackets, ex barrow boy, no degrees, but plenty of go, seeks less inhibited outlet for it. London area preferred.—Box 250.

THE advertiser, a young man aged 26, formed a small company in Ireland in 1947 and has since been responsible for management of its finances, policy and personnel. The company now manufactures itself, and, though it is still expanding, the advertiser wishes to resign his active interest to gain wider business experience in a larger organisation. Company imports raw material from U.S. and processes it in Ireland; advertiser has just completed negotiations in Paris and Brussels to export entire output. Another department sells a high quality technical service to business organisations and Government departments. Personnel are highly-skilled technicians of diverse temperaments doing precision work, and well kept at work efficiently under—at first—primitive conditions due to lack of capital. Will travel anywhere provided work is interesting, prospects good and salary reasonable. Available for interview at London.—Box 256.

Investment Statistics

Company Notes

International Nickel.—Net earnings for nine months to September 30, 1949, amounted to \$26,077,125 (\$29,920,873).

Wall Paper Manufacturers.—Group trading profit amounted to £3,287,439 in the year to June 30, 1949, compared with £3,314,957 in the previous 11 months' period.

Ind Coope and Allsopp.—Consolidated trading profit declined from £2,567,827 to £1,984,892 in the year to August 31, 1949. Net profit was £666,177 (£778,552). A final dividend of 20 per cent is recommended, making 30 per cent for the year (30 per cent for 11 months).

Austin Motor.—Group net profit amounted to £790,029 (£556,962) in the year to July 31, 1949. The dividend of 40 per cent is unchanged.

Bebenham's.—Net earnings, after profits tax, but before income tax and future tax reserve allocation increased from £957,776 to £1,132,214 in the year to July 31, 1949.

Tube Investments.—Net profit of the group amounted to £2,064,075 (£2,071,200) in the year to July 30, 1949. The dividend of 25 per cent is unchanged.

Crittall Manufacturing.—Net profit increased from £219,128 to £241,373 in the year ended August 31, 1949. The dividend of 20 per cent for the year is repeated.

Montague Burton.—Net profit increased from £439,244 to £842,229 in the year to March 31, 1949. A dividend of 12 per cent is recommended for the year.

Harrisons and Crosfield.—Group profit, including special credits of £84,373 (£18,074) amounted to £788,932 (£639,989) in the year to June 30, 1949. A dividend of 25 per cent for the year is recommended (same).

Rhokana.—Net profit rose from £4,668,094 to £5,425,175 in the year to June 30, 1949. The dividend of 100 per cent for the year is repeated.

Thos. W. Ward.—Group normal income amounted to £1,703,324 (£1,682,331) in the year to June 30, 1949. Exceptional income declined from £212,314 to £18,223, making total income £1,721,547, against £1,894,645. Net current assets at the year end were £2,362,705 (£2,402,329). Liquid funds are lower at £375,989 (£630,586).

The Calico Printers' Association.—Consolidated trading profit, after transferring £261,018 to stock reserves, amounted to £2,579,596 (£2,288,044) in the year to June 30, 1949. Total income was £2,780,014 (£2,494,142). Net current assets increased from £6,482,125 to £7,139,415 by the year-end; stocks are up from £4,402,748 to £5,104,503, and debtors from £1,783,194 to £2,076,403; liquid funds amounted to £4,433,016, against £4,434,288.

Gloucester Railway Carriage and Wagon.—Group trading profit increased from £166,916 to £267,277 and net profit from £79,922 to £105,308 in the year ended May 31, 1949. The dividend of 15 per cent is unchanged. Net current assets amounted to £648,975 (£788,137) at the year-end.

Roan Antelope Copper.—Profit in the year ended June 30, 1949, amounted to £1,963,065 (£2,281,465) and net profit £636,543 (£969,314). Revenue from copper sales in the period was £120 7s. 9d. (£115 10s. 7d.) per long ton of blister copper and total cost £85 4s. 2d. (£74 18s. 8d.) per long ton. Total output increased from 51,757 long tons to 56,162 long tons.

London Express Newspapers.—Total group revenue in the year to June 30, 1949, amounted to £7,403,693 (£6,654,114), and net profit £232,433 (£200,250).

Capital Issues

BONUS ISSUES

Clear Hooters.—Shareholders are to receive one new 1s. share free for each share held on December 19th.

Serck Radiators.—Capital is to be increased to £750,000 by the creation of 550,000 £1 shares of which £200,000 are to be distributed as a bonus issue and a further £200,000 to be offered to shareholders at par.

Villiers Engineering.—Shareholders are to receive a free issue of one 4½ per cent £1 preference share for each £1 ordinary share held.

Metal Traders.—The proposed scrip bonus issue of nine £1 ordinary shares for each £1 share held has been deferred.

Whessoe.—Shareholders are to be offered 200,000 5s. ordinary shares at 30s. per share in the proportion of one new share for every four shares held.

Derby and Midland Mills (1935).—Shareholders are offered 208,000 5s. ordinary shares at 11s. 6d. per share in the proportion of two new shares for every five shares held.

Brand and Co. (Sauce and essence makers).—Permission is being obtained to deal in 150,000 cumulative redeemable 5 per cent £1 preference shares. Capital consists of £300,000 in £150,000 of the above issue and £150,000 in £1 ordinary shares. Profit subject to income tax for years ended September 30th: 1938, £12,261; 1947, £58,449; 1948, £74,806. Assets as at September 30, 1948: Fixed assets, £176,052; total current assets, £450,935; net current assets, £194,823.

New Issue Prices

Issue	Issue Price (a)	Price, Nov. 9, 1949
Arrow, 5½% Pref.	21/0	20/3-20/9
Beecham Food, Pref.	21/0	19/6-20/6
Clarke (T.), 2½	22/0	3/11-3/7½
Crowther (Holdings), Pref. (10% paid)	22/0	22/3-22/9
East African Power, Pref. (10% paid)	20/0	10¼-7¼ dis
Do. Ord. (20% paid)	30/0	2/11-2/4½ pa
General Mining	5½	2½-2½ pa
Goldthorpes, 1½	2½	2/7½-2/3½
Gray's Carpets, Deb.	12½	9½-9½
Hadon, 5½% Pref.	20/6	19/3-20/0
Harland Eng., 5½	11/6	3/0-3/6
Do. Pref. 10% (6/8 paid)	11/6	6/0-7/0
Lansil, 5½% Pref. (5% paid)	20/0	4/3-4/9
New Zealand, 3½% (£25 paid)	98½	28-24 dis
Rotary Hoes, 5½	16/0	11/3-12/3
Smith, W. H. (Hldg.) A	40/0	38/0-39/0
Do. B 4½	8/0	7/4½-7/10½
Do. 4½% Pref.	20/0	21/0-21/6
Do. Pref.	20/0	22/6-30/6
Vereniging East (Nl.)	80/0	11-11½ pa
Western Holdings	50/0	11-11½ pa
Whessoe	50/0	3/0-4/0 pa
Whitebread, Deb. (£20 paid)	100	14-15
Willmot-Broden, Pref.	20/6	19/9-20/9

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Odeon Theatres; Calico Printers' Association; Thos. W. Ward; Roan Antelope Copper Mines.

Prices, Jan. 1 to Nov. 9, 1949		Name of Security		Price, Nov. 2, 1949		Price, Nov. 9, 1949		Yield, Nov. 9, 1949		Prices, Jan. 1 to Nov. 9, 1949		Last Two Dividends		Name of Security		Price, Nov. 2, 1949		Price, Nov. 9, 1949		Yield, Nov. 9, 1949	
High	Low									High	Low	(a)	(b)								
BRITISH BONDS																					
101½	100½	War Bonds 2½% Aug. 1, 1949-51	100½	101	101	101	101	101	101	101½	100½	101	101	War Bonds 2½% Aug. 1, 1949-51	100½	101	101	101	101	101	101
102½	101½	War Bonds 2½% Feb. 15, 1950	101½	102	102	102	102	102	102	103	102	102	102	War Bonds 2½% Mar. 1, 1951-53	102	103	103	103	103	103	103
103½	102½	War Bonds 2½% Mar. 1, 1952-54	102½	103	103	103	103	103	103	104	103	103	103	War Bonds 2½% (after Dec. 1, 1952)	103	104	104	104	104	104	104
104½	103½	War Loan 3½% (after Dec. 1, 1952)	103½	104	104	104	104	104	104	105	104	104	104	War Bonds 2½% Aug. 15, 1954-56	104	105	105	105	105	105	105
105½	104½	Funding 2½% June 15, 1951-57	104½	105	105	105	105	105	105	106	105	105	105	Nat. Def. 3½% July 15, 1954-58	105	106	106	106	106	106	106
106½	105½	War Loan 3½% Oct. 15, 1955-59	105½	106	106	106	106	106	106	107	106	106	106	Sav. Bonds 3½% Aug. 15, 1955-59	106	107	107	107	107	107	107
107½	106½	Funding 2½% April 15, 1956-60	106½	107	107	107	107	107	107	108	107	107	107	Funding 3½% April 15, 1959-63	107	108	108	108	108	108	108
108½	107½	Funding 4½% May 1, 1960-60	107½	108	108	108	108	108	108	109	108	108	108	Sav. Bonds 3½% Sept. 1, 1960-70	108	109	109	109	109	109	109
109½	108½	Sav. Bonds 2½% May 1, 1964-67	108½	109	109	109	109	109	109	110	109	109	109	Sav. Bonds 2½% May 1, 1964-67	109	110	110	110	110	110	110
110½	109½	Vict. Bonds 4½% Sept. 1, 1920-75	109½	110	110	110	110	110	110	111	110	110	110	Sav. Bonds 3½% Aug. 15, 1965-75	110	111	111	111	111	111	111
111½	110½	Consols 4½% (after Feb. 1, 1957)	110½	111	111	111	111	111	111	112	111	111	111	Consols 4½% (after Apr. 1, 1961)	111	112	112	112	112	112	112
112½	111½	Treas. Stk. 2½% (after Apr. 1, 1975)	111½	112	112	112	112	112	112	113	112	112	112	Redemp. Stk. 3½% Oct. 1, 1966-96	112	113	113	113	113	113	113
113½	112½	Consols 2½% (after Apr. 1, 1966-73)	112½	113	113	113	113	113	113	114	113	113	113	Brit. El. 3½% Gd. Apr. 1, 1968-73	113	114	114	114	114	114	114
114½	113½	Brit. El. 3½% Gd. Mar. 15, 1974-77	113½	114	114	114	114	114	114	115	114	114	114	Brit. Tpt. 3½% Gd. July 1, 1978-88	114	115	115	115	115	115	115
115½	114½	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	114½	115	115	115	115	115	115	116	115	115	115	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	115	116	116	116	116	116	116
116½	115½	Brit. Gas Gd. 3½% May 1, 1990-95	115½	116	116	116	116	116	116	117	116	116	116		116	117	117	117	117	117	117

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'r'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (a) Net yields are calculated after allowing for tax at 9s. in £. (b) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Assumed dividend 18½% after capital bonus. (f) To latest redemption date. † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 5, 1949, total ordinary revenue was £85,960,000, against ordinary expenditure of £87,442,000 and issues to sinking funds (£230,000). Thus, including sinking fund allocations of £9,597,000, the surplus accrued since April 1st is £965,000 compared with £772,168,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April to Nov. 6, 1948	April to Nov. 5, 1949	Week ended Nov. 6, 1948	Week ended Nov. 5, 1949
ORDINARY REVENUE					
Income Tax	149,000	456,333	451,030	12,762	11,776
Sur-tax	105,000	28,150	39,370	610	850
Stamp, etc., Duties	176,000	104,900	114,000	2,300	3,300
Stamps	46,500	33,513	30,300	800	1,200
Profits Tax	240,000	64,200	25,900	1,500	600
E.P.T.	1,000	105	80	...	...
Other Inland Rev.	25,000	19,650	15,100	1,050	300
Special Contributions					
Total Inland Rev.	208,500	801,033	837,270	22,812	23,076
Customs	829,650	491,495	477,602	22,087	22,589
Excise	663,600	466,500	442,700	32,306	36,700
Total Customs & Excise	1493,250	957,995	920,302	54,387	59,289
Motor Duties	54,000	11,884	12,128	957	1,305
Surplus War Stores	40,000	70,136	64,737	1,619	770
Receipts from Trading	18,000	826	14,045	...	...
P.O. (Net Receipts)	12,000	5,360	5,940	...	...
Crown Lands	1,000	590	420	...	...
Receipts from Sundry Loans	20,000	10,323	11,697	1,181	1,231
Miscellaneous Receipts	50,000	93,081	46,712	464	288
Total Ord. Rev.	3777,750	1951,228	1913,258	81,520	85,960

Total Inland Rev.	208,550	801,033	837,270	22,812	23,076
Customs	829,650	491,495	477,602	22,687	22,589
Excise	663,600	466,500	442,700	32,500	36,700
Total Customs &					

Issues out of the Exchequer to meet payments (£ thousand)

Expenditure	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April to Nov. 6, 1948	April to Nov. 5, 1949	Week ended Nov. 6, 1948	Week ended Nov. 5, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	465,000	303,738	299,475	18,215	18,782
Payments to N. Ireland	30,000	13,991	21,621	538	1,153
Other Cons. Fund Services	12,000	3,798	6,076	...	107
Total	507,000	321,527	327,172	19,153	20,042
Supply Services	280,700	134,021	157,518	31,200	37,400
Total Ord. Expd.	332,970	165,548	190,356	50,353	57,442
Sinking Funds	...	10,513	9,997	1,670	230
Total (excl. Self-Bal. Expd.)	332,970	167,906	191,235	51,423	57,672

After increasing Exchequer balances by £613,655 to £3,534,355, the other operations for the week decreased the gross National Debt by £28,603,969 to £25,579 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	13
Tithe Act, 1936, s. 26	495
E.C.A. Receipts	16,000
Total	16,508

NET ISSUES (£ thousand)

Interest on National Debt	594
Post Office and Telegraphs	500
E.P.T. Refunds	428
Local Authorities Loans Act, 1945, s. 3(1)	5,850
Cinema Film Production (Special Loans) Act, 1949, s. 7(1)	150
Civil Industry Nationalization Act, 1946, s. 34(1)	2,000
Cotton (Centralized Buying) Act, 1947, s. 2(1)	3,000
Overseas Resources Development: Overseas Food War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	355
Total	15,577

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(1948 Accounts)

CIVIL SERVICE COMMISSION

The Civil Service Commissioners announce an Open Competition for about six vacancies in the Junior Assistant grade in the Government Communications Headquarters, to be held in 1950 concurrently with the competition for the Administrative Class of the Home Civil Service (Method II). Age limits at least 20½ and under 26 on August 1, 1950, but certain candidates born on or after August 2, 1923, may be admitted at the Commissioners' discretion. Entry on the salary scale, for men in London, of £330 x 125-£725; salaries are somewhat lower for women and for officers serving outside London. Promotion is possible in about seven years to higher grades on salaries from £700-£1,200 per annum, with prospects of further advancement. The work of G.C.H.Q., is very varied and although mainly specialised, requiring high-class linguists, mathematicians and scientists, it also covers most aspects of the work of a medium-sized Government department.

Further particulars and forms of application obtainable from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 2703; completed Application Forms must be received by him by November 5, 1949.

Our company has vacancy in London for senior copy-writer with considerable agency experience, including technical accounts. Under 40. Five-day week; free lunches and pension scheme.—Write Box Z.V.330, Deacon's Advertising, 36 Leadenhall Street, E.C.3.

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Prospectus from Dept. P17, WOLSEY HALL, OXFORD

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A course of three lectures will be given by General Sir Ronald Adam, Bt., G.C.B., D.S.O., O.B.E., at 5.30 p.m. on November 22nd and 29th and December 6th, at the University of London: The Senate House (entrance from Malet Street, W.C.1). November 22nd: Mobilisation and Supply of Personnel to the Army during the War; November 29th: Selection Methods and use of Man-Power; December 6th: Demobilisation and Re-training Men for Civil Life. Admission free, without ticket.

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(2) READER, SENIOR LECTURER OR LECTURER IN ECONOMIC HISTORY (with special reference to the period before 1750).

(3) LECTURER OR ASSISTANT LECTURER IN SOCIAL HISTORY.

(4) RESEARCH ASSISTANT, WITH THE STATUS AND SALARY OF LECTURER OR ASSISTANT LECTURER, IN ECONOMIC AND SOCIAL HISTORY (with special interest in Historical Statistics). Salary scales per annum: Reader £1,250 x £50-£1,600; Senior Lecturer £1,150 x £50-£1,500; Lecturer £900 x £50-£1,100; Assistant Lecturer £750 x £25-£100. Initial salary and status according to qualifications and experience. Membership of the F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than November 30, 1949, to the Registrar, the University of Manchester 13, from whom further particulars and forms of application may be obtained.

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ASHRIDGE.—Course 52. November 18th-21st. Britain's Foreign Trade. Opening Address, Lord Warrington; Trade Within the Commonwealth. Ronald Brech; Britain's Place in World Trade. A. K. Calvercross; Britain and the European Recovery Programme. Edward Prentice; the Devaluation of the Pound. W. Manning Dacey. Inclusive Fee: £3 10s.

Course 54. November 25th-28th. The Colonial Empire. Britain's Colonial Administration. African Dilemmas, the Fortress Colonies. Other Peoples' Empires. Lecturers include: J. K. Thompson, Rear-Admiral C. N. Oliver, Ivor Thomas, M.P. Inclusive Fee: £3 10s. Applications to Secretary, Ashridge, Berkhamsted, Herts. Telephone Little Gaddesden 3191.

BANKING Institution of highest standing has vacancies on its overseas staff. Candidates should be single men, not more than 26 years of age, who have had some banking experience. Applications, giving particulars, should be addressed in confidence to Box G.513, 7, O Street, 116 Old Broad Street, E.C.2.

THE BOOT AND SHOE MANUFACTURERS' FEDERATION wishes to appoint immediately an EXPORT MANAGER. Applications are invited from persons to whom the following apply:—
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(b) Applicants should be familiar with the shoe trade and be able to discuss technically the construction of boots and shoes.

(c) Applicants should have a general knowledge of leather and the interchangeability of leather.

(d) Applicants should have held an executive or managerial position.

Salary will be dependent upon age and experience.

Applications should be sent immediately to The Director, Boot and Shoe Manufacturers' Federation, 22 Gilbert Street, London, W.1.

OTHER NOTICES APPEAR ON PAGE 1101

The Economist

Established 1843

November 19, 1949

LEADING ARTICLES

The Extreme Centre - - - 1105
Peace With Tokyo? - - - 1107
Agricultural Progress - - - 1109
Soviet Semantics - - - 1110

NOTES OF THE WEEK - - - 1112

Compromise on Steel; Danger to the TUC; New Stage in Germany; The Ruhr's Place in Europe; In the Steps of Stresemann; Mr. Bevan Unrepentant; Housing Rents; Wanted—a Rent Policy; Whose Weapons for Europe?; Progress Report on ERP; Peasant Revolt in Italy; Enforced Example from the Civil Service; Civil Defence Recruiting Starts; Marshal Aid for Poland; Recognising Mao's China; Conferences in the Commonwealth; Alderney's Future; Tax-Free Tunis; Shaping Libya; Overseas France versus Overseas Britain.

LETTERS TO THE EDITOR - 1121

BOOKS AND PUBLICATIONS 1124

AMERICAN SURVEY

Wealth to Come - - - 1127

One Year After—Connecticut 1128

Climbing Down in the Strikes; Facts in the Far Eastern Dust; \$50 Gold?; Bores on the Run; California, Land of Cotton; Shorter Notes.

THE WORLD OVERSEAS

No Confidence at Kongwa - 1132

Self-Help in Sicily; Disappointed Danes; Civil War Threats in Colombia; South Africa's Forgotten Man; Trade With Communist China.

THE BUSINESS WORLD

Cotton Exports in Two Worlds 1140

The Burden of Stocks - - - 1142

BUSINESS NOTES - - - 1144

Sir Stafford's Diagnosis; Intervention and Confidence; New Vesting Date for Steel; German Assets Share-out; Local Authority Borrowing; "Departments" and Gilt-Edged; £8.2 Million for Persia; New Target for National Savings; Gas Light and Coke Compensation; Profits Tax Bill; Minister and Board; Film Industry Finance; Warning on Commercial Vehicles; Rise in Unemployment; Exports after Devaluation; First Dealings in Tin; Tin and Exchange Control; Jump in Wholesale Prices; Meat From Uruguay; Active Retail Trade; Shorter Notes.

COMPANY MEETINGS - - 1155

INVESTMENT STATISTICS - 1158

STATISTICAL SUMMARY - - 1159

Vol. CLVII No. 5543
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

The Extreme Centre

THE compromise on the Iron and Steel Bill, to which the Labour Commons agreed on Wednesday and the Conservative Lords are expected to agree within a day or two, clears the way for a general election this winter. It is not yet by any means certain that the Government will go to the country in February. But it is very probable, and—since the alternative, for a variety of technical reasons, would be late May or early June—it is very much to be hoped for. This means that the blanket of party politics, which already lies heavy over all public affairs, will now be thicker than ever, and all the great issues of state will be pushed into the background while the partisans lead the cheers for themselves and the electors struggle to make up their minds which party, on a balance of all considerations, will do most good, or least hurt, to the common weal by being in office for the next five years.

It is not, at any time, an easy question to answer—that is, for a non-partisan to answer—and this time least of all. It has been said that, at a political election, nobody ever votes for anybody, but against somebody else. This certainly looks like being true at this election. And yet, if ever there was a time when Britain required a positive policy, backed by active confidence that it would attain its objects, that time is now. Previous articles that have appeared in these columns in the last five weeks have attempted to sketch, very summarily, an economic policy designed to put the wealth-creating apparatus of the British community back into good working order. It could hardly be described as a popular policy, nor would its measures be painless, either to the electors or to the elected. But it is consistent; and it is designed to achieve the purposes that any resolute government ought to set itself. To end the series, it is necessary to enquire whether the coming election offers any chance at all of a government emerging clear-headed enough to define the goal of national reinvigoration and courageous enough to take all the necessary measures to attain it.

One of the stories that came out of the meeting of the Council of Europe at Strasbourg last summer was of the Greek lady, who, when asked what party she belonged to, declared herself a member of the Extreme Centre. When asked what the party stood for, she explained that it held very moderate views, but, if it came to power, would liquidate everybody who would not accept them. Not for the first time, Greek political philosophy points the way for other democracies. In the translation from Athens to Westminster, of course, "liquidate" would be softened to "keep out of office." But that is a trifle of procedure; the essential thing is to raise the banner of the Extreme Centre. What this country manifestly needs, and, to judge by many of the indications, is impatiently waiting for, is a government which will pursue moderate ends by forthright means. Moderation of aims does not mean acceptance only of those things on which all men can agree—that would be the Dead Centre—but it does involve acting on the assumption that neither of the competing philosophies is

likely to be either completely right or completely wrong. A Government which set out in the scientific spirit to define where it wanted the country to get to in five years, which deduced from that the measures that were best calculated to achieve the object, and then had enough moral courage to push its policies through, disregarding interim unpopularity in the conviction that the success of the policy would bring its political reward—that would be a government of the Extreme Centre, and the ills from which the British economy is suffering are not so large that they would not yield to such a treatment.

★

Where, in the coming election, is such a government to be found? Much of what has here been urged is in the programme of the Liberal Party. But—though it is said with real regret—it is hardly possible to believe that the Liberal Party could, unaided, provide such a government. The Liberals could assist and strengthen it—and the more of them there are in Parliament, the greater their assistance could be. But they cannot provide its main structure.

Is the solution, then, to be found in a National Government, a coalition of the main parties? It is an idea which greatly attracts many minds. But there are two things against it, either of which is conclusive. The first is that it appears to be politically impossible. The prejudice of the Labour Party against coalitions is based on instinct reinforced by history, and it would take much more than one closely-balanced election to upset it. Many Conservatives hanker after a coalition because it would enable them to stave off further nationalisation while still keeping a curb on the unions; but it is very difficult to see what advantage the Labour Party could expect from a coalition, whether it was the senior or the junior partner.

The second argument against a coalition is that it would be a thoroughly bad government. What is needed is a policy and rapid forceful action to apply it. How could Socialists and Conservatives agree on an economic policy? If the government either proceeded to further nationalisations or refused to do so, one side would declare itself tricked. They could never agree on how much social equality to barter for how much economic efficiency. On questions like these a one-party government can sometimes call upon its followers to beat a retreat, since its own sincerity in the cause is unquestioned; but in a coalition (exception always made for wartime) neither side can retreat for fear of being accused of weakness. A coalition cannot go beyond the Highest Common Factor of agreement; and it tends, by its existence, to lower that level.

The search is thus driven back on to one or other of the two major parties. In principle, a policy such as here sketched out ought to appeal to a strong Labour government. The objectives that it is designed to attain are those of the Left—not, it is true, public ownership (which, though it can sometimes be a means to other ends, ought to be exploded by now as an end in itself), but regularity of employment and an assured standard of living. If it appears to offend members of the Labour Party, it is only their tactical prejudices not their basic principles that are affronted. What the central section of public opinion wants is not to replace a government of the Left by one of the Right, but to replace a fumb-

ling, ineffective and doctrinaire government of the Left by a realistic, forthright and successful one.

Is it possible to hope that the present Ministers, in a new Parliament, would at last be willing to put first things first and seek rational means of achieving defined ends? The hope is perhaps not yet dead; but equally it is not very much alive. The present Government consists of a group of very tired men, fed down by strings of commitment to past mistakes. In the Labour party of five years ago, combined with class-conscious self-interest, there was a great deal of real progressive, crusading idealism. One of the more disturbing spectacles of the last five years has been to watch the idealism crumbling away. Ministers' speeches no longer reflect any conviction that they know how to build a better world; but the rancour and the hatred seem to grow stronger. The Labour Party is not reacting well under pressure. It may yet be able to lead the nation in a great jump forward; but something will first have to happen to coil its spring again.

★

Must it then be the Tories? Not a few correspondents have written, as this series of articles has been appearing, to protest against the policy being labelled one of the Left, when it is, they say, that of the Conservative Party. Conservative policy, it is true, is visibly dragging its anchor and it may conceivably by now have drifted over to the Left. But if the measures sketched out in these articles are Conservative policy now, they certainly never were in the days when the Conservatives were in power—and conversions that are announced on the hustings are rightly as suspect as those on the deathbed.

There are three cardinal points in which the policy here outlined is radically different from what has been Conservative policy hitherto. The first is that this policy deliberately embraces the philosophy of the purposively directed economy. It accepts the view that it is both possible and desirable for the community to exercise mastery over its economic environment—a view which the prewar Conservatives specifically and repeatedly rejected. In particular, the policy accepts as one of its primary objectives the maintenance of a high and

Rignano

Several correspondents have written to ask that a passing reference two weeks ago to "the Rignano principle," in connection with a proposal to put further limitations on inheritance, should be expanded.

The Rignano principle (named after its originator) has many technical variants, but the purpose of all of them is to ensure that a man may endow his immediate heirs more fully than his heirs of the second generation. One form of the proposal is that part of the total death duties payable should be collected at the time of the original decease and the remainder at the decease of the original heirs. Another form is that death duties should be collected in their entirety at the original decease but that, in respect of part of them, annuities, limited to one life, should be issued to the heirs.

It should be recalled that the proposal for further limitations on inheritance, on Rignano lines, was coupled with a proposal to reduce the present taxes on income, especially surtax.

regular volume of employment—which the prewar Conservatives neither accepted as a duty nor attained as an objective. Secondly, the policy accepts as one of its three co-equal objectives not merely the assurance of a reasonable minimum standard of life for all but the active pursuit of social justice as a primary objective of policy, not merely enough social security to avoid scandal but as much of the welfare state as is consistent with efficiency and regularity. The Tory Party is still far too much of a rich man's party to be able with any sincerity to make such an avowal. And thirdly, it is an essential element of the policy here advocated that a real attempt should be made to bring back the spirit of competition as the only guarantee of economic efficiency. It was the deliberate policy of the prewar Conservative governments to substitute cartels for competition and to replace the free market by the protected market. This attitude, which makes nonsense of most of the claims that are made for "free enterprise," the Conservatives do not even profess to have abandoned.

Moreover, is there any reason to suppose that the Conservatives would pass the two essential tests any better than the present Government—could they formulate a consistent policy, and would they have the courage to push it through? Far too much of the current Conservative criticism of the Government seems to imply

Peace With Tokyo?

THE question of ending by treaty the state of war with Japan has now come to the fore. It has been discussed in the last fortnight between Mr Bevin and Mr Acheson, and by the Prime Ministers of the Dominions. Indirectly this is a consequence of the Communist victory in the Chinese civil war. The dramatic and decisive events on the mainland of Asia—in particular, the elimination in China of the political influence of the Americans by the collapse of the regime which they supported—have made urgent a definition and consolidation of the American position in Japan. That position at present depends on the almost unlimited authority conferred by the surrender terms of 1945 on the Supreme Commander of the Allied Powers (SCAP) in the person of General MacArthur, sustained by four divisions of American troops. The powers of SCAP enable the American Government to do almost anything it likes in regulating the affairs of Japan. In practice, more and more discretion has lately been allowed to the Japanese Government, and the Americans are now in danger of bearing responsibility for everything that is done in Japan without in fact being any longer in full control. It is clearly desirable, therefore, from an American point of view that the present situation should not continue indefinitely, but that there should be a clear definition of the rights and obligations of the Japanese Government. This might be achieved, as in western Germany, by an Occupation Statute; but as there is a single, recognised government of all Japan, capable of signing a peace treaty on behalf of the Japanese nation, it seems preferable to proceed directly to a legal instrument finally terminating the state of war with Japan.

There is also a British desire for an early peace treaty, because of the difficulty and inconvenience which the ex-

that the mere replacement of Socialist Ministers, judging questions on their merits as they arise, by sound Conservatives, judging questions on their merits as they arise, would constitute a change of policy. And can one believe that a Conservative Government would really be willing to say "It does not matter how unpopular we are after two years, so long as the policy works in five"?

★

Must one therefore despair of British politics? It is impossible in their present state to feel very hopeful. But there is one recourse left, and that is to the British people. Politicians are quick to respond to public opinion—that is their profession—and there have been a few signs recently that public opinion is restive and anxious and far closer to a bold and forceful mood than either of the parties has yet reflected. If conditions improve over the next few months, this mood will doubtless pass, as it did in the winter of 1947-48, and whichever party wins the election will have a mandate for complacency. But if the storm should rise still further, then it is not impossible that, even as early as February, the election might take place in conditions that would put a premium on courage and produce one of those governments of the Extreme Centre which have been the glories of British history.

isting system has caused. As long as Japan is allowed no diplomatic relations with other nations and all dealings with Japanese authorities have to be routed through SCAP, attempts to put economic relations between Japan and the sterling area on to a satisfactory basis are continually being entangled in a web of bureaucratic red tape which is the despair even of officials accustomed to Whitehall ways.

If, then, both Britain and the United States want a peace treaty, what is there to prevent one being concluded as a normal sequel to a war in which the decision by arms has been complete? The principal obstacle remains what it has been for the last two years: the insistence of the Soviet Union that the treaty shall first be drafted by the four Great Powers—consisting in the Pacific of America, Britain, Russia and China—with each having a right of veto. It would then be presented as the joint decision of the "Big Four" for the formal concurrence of other nations which took part in the war against Japan. The Soviet attitude was clearly stated as long ago as December, 1947, when a Note to China referred to "the Four Powers which bore the main burden of the war and secured with their armed forces victory over Japan." Australia and other nations which were at war with Japan from December, 1941, to August, 1945, regard this claim on the part of the Soviet Union, which only participated in the war for a few days when Japan was already in a state of collapse, as a piece of colossal impudence, and Australia, at any rate, has made known its absolute refusal to agree to any procedure of Four-Power dictation. Further, even if the smaller nations were to accept, there can be virtually no doubt that the use of the veto would make agreement impossible. Owing to the manner in which Soviet demands were conceded

at Yalta in return for the promise of Soviet military assistance—which turned out to be superfluous—there are now no opportunities for diplomatic trading between the Russians and the Americans. At Yalta the Soviet Union got the Kuriles, South Sakhalin, control of the Manchurian railways and Port Arthur, and in addition, subsequently helped itself to the pick of Japan's external assets—the industrial installations created in Manchuria—as "war booty." America has now nothing left to offer the Soviet Union as a *quid pro quo* for Soviet agreement to American objectives in Japan. In any peace conference the Russians may be expected to pursue relentlessly the single aim of getting the Americans out of Japan and eliminating all safeguards which might prevent a disarmed Japan from being drawn, by a mixture of violence and cajolery, into the Soviet-Chinese orbit.

As the Russians or Chinese—if it can be assumed that Communist China would be represented at a Big Four conference—would presumably veto any proposals to retain American garrisons in Japan, or to give the United States any special right of intervention for securing observance of the treaty, the chances of a successful peace conference of all the former belligerents are remote. For this reason, American opinion has been inclining towards a peace treaty negotiated primarily by the United States, with the participation of as many other nations as possible, but leaving out the Soviet Union, and perhaps also China, if they refuse to drop the demand for Four-Power drafting with veto right. In a full conference of nations which were at war with Japan, the United States could probably obtain a majority for its basic policy; though it might have to make concessions on certain points to countries such as Australia and the Philippines which have recently been very restive at American favours to Japan. Australia, for example, would very strongly oppose suggestions—said to have been seriously considered in some American quarters—that Japan should be given facilities for emigration to areas in the Pacific.

The most important ends to be obtained through a peace treaty are three. Japan should be prevented from rearming and becoming again a menace to its neighbours; its newly established political democracy should be preserved from domestic violence, whether from the Right or Left; and, having been totally disarmed, it should be protected against external aggression, whether in the form of open seizure or of that more subtle kind of attack with which the examples of Spain in 1937 and of Greece since 1945 have made us familiar.

None of these objects can be achieved in present cir-

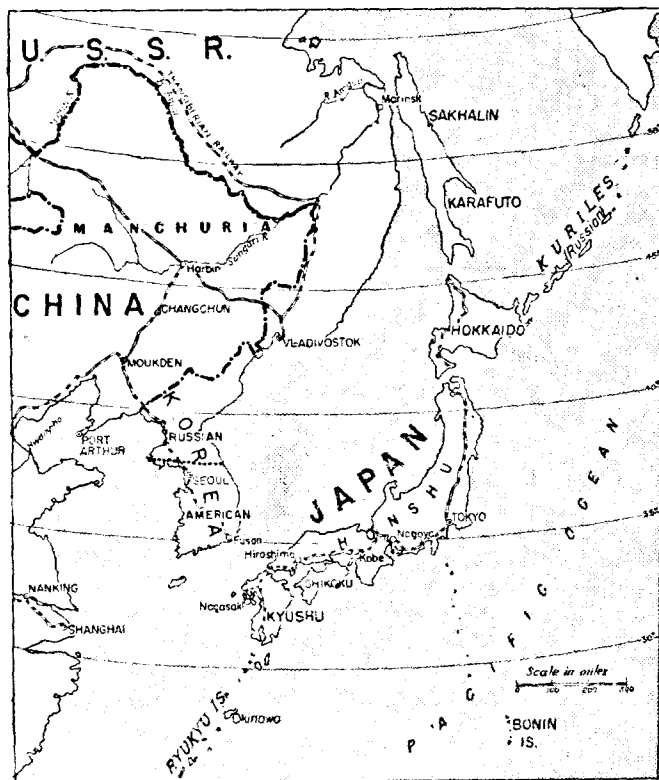
cumstances without an arrangement which keeps a body of American troops somewhere in Japan. Japanese democracy is by no means such a sham as some foreign critics of General MacArthur like to make out—for the agrarian reform carried out under the orders of SCAP has given it a definite social basis such as it has never had before—but it cannot be regarded as anything but very fragile. The strong habits of submission to autocratic authority, the difficult economic conditions which—even on the most optimistic calculations—must persist for a long time, the bitter frustration of Japanese national ambitions by the result of the war, and the absence of any Japanese armed forces to support the civil police in the event of serious disorder, all expose Japan to a grave danger of *coups de force* if the American occupation forces were to be completely withdrawn.

The danger of a Communist revolt is not negligible.

The party has made large gains in the last general election and has been greatly encouraged by events in China. Though there has been no opportunity for Communists to be put in power anywhere in Japan by Soviet military authority as in East Germany or North Korea, Communism has the advantage in propaganda to Japan that there is nothing similar there to the Oder-Neisse Line. Nor is it possible for the Japanese to observe close at hand what life is like under Soviet rule. Moreover the Chinese brand of Communism appears to have attractions for the Japanese which strongly supplement those of the Soviet model. It would not be at all difficult for the Japanese Communists to obtain arms across the narrow seas from the

mainland and cause serious trouble with even quite small guerilla bands, in a country which had no army. The Government, if it succeeded in quelling such outbreaks, would almost certainly do so by forming *Freikorps* of ex-officers and others, with the result that power would pass back into the hands of the militarist and nationalist elements.

If the work that has been accomplished by the Allied occupation is not to be completely undone, to the advantage of either an infiltrating militant Communism or of a reactionary, nationalist revival, the presence of an American force in Japan for an indefinite time to come is indispensable. And that can only be secured by negotiating a peace treaty or Occupation Statute in circumstances which would make it impossible for either the Soviet Union or China—or both—to exercise a veto. A policy of circumventing the agreement reached at Yalta is not to be undertaken lightly, even though the Soviet Union has already created precedents for doing so—notably in its treatment of Poland. But the alternative is one which neither the United States nor the British Commonwealth can contemplate.



Agricultural Progress

THE charts set out below tell, in summary fashion, the story of British agricultural production in the past ten years. The bottom two charts, which are based on the annual June census of the Ministry of Agriculture, explain themselves, but the two top ones, which are based on official figures only recently made available, require elucidation.

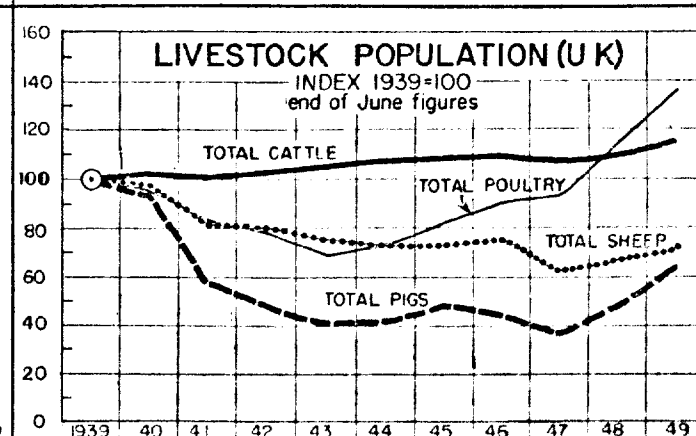
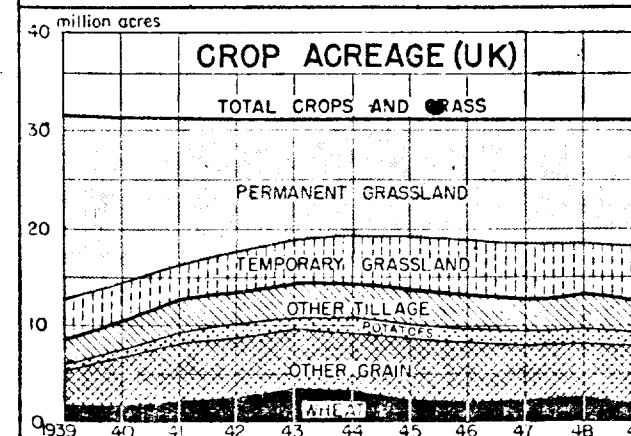
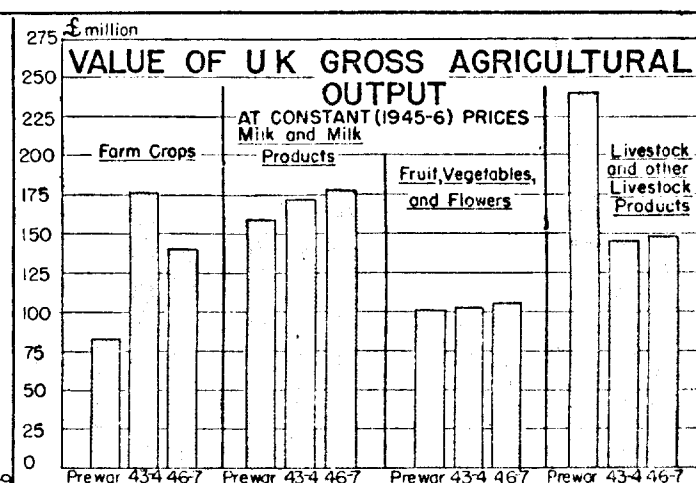
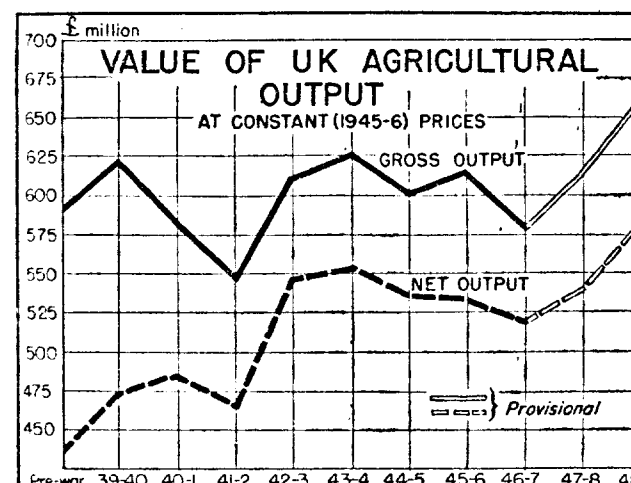
Gross agricultural output represents the total value of sales of agricultural produce, including an allowance for the amounts consumed by farmers themselves, calculated in this case at constant prices (the base year is 1945-46). To get a proper measure of the agricultural effort of the United Kingdom, it is necessary to deduct the value of imported feedingstuffs, seeds, and store animals, which have been used but not produced by farmers in this country. The figure thus produced is that of net agricultural output. Prior to the war, there were no official statistics of gross and net output. The figures recently published (Agricultural Statistics, United Kingdom, Part 2) only cover the war years 1939-40 to 1945-46. The figures for later years used in the charts are provisional estimates.

During the war, there was little increase in the gross output of agriculture, but gains were made in net output, especially after 1941-42. The explanation lies in the much greater self-sufficiency attained by domestic agriculture and the very drastic curtailment of imports of feedingstuffs. The acreage under grain crops was practically doubled by 1943, but even so a large

number of livestock had to be slaughtered for lack of feed.

It is not fair to judge the magnitude of farmers' efforts during wartime by the figures of net output. They were required by the Government to pursue a highly artificial pattern of production, with the aim of saving the maximum amount of shipping space and producing as much food as possible for direct human consumption. Net output did increase by about a quarter, but the increase in output of calories was considerably greater. Under peacetime conditions, on the other hand, when the object is to economise, not in the bulk of imports, but in their monetary cost, the figures of net output provide the best available measure of the contribution of British agriculture. Net output last year, a year of bumper crops, was about a third greater than in the years immediately before the war. Impressive as this figure may sound, it is considerably below the fifty per cent increase on prewar output which is the immediate objective of agricultural policy. Moreover, it may have owed as much to the weather as to policy.

The revival of livestock production has been disappointingly slow. It is only during the last two years that the numbers of poultry and pigs have increased. Meat production is still low, and inferior in quality. By 1948-49, the value of livestock production was nearly as large as before the war, but the share of milk production—which has advanced rapidly during the last two years—was disproportionately great.



A satisfactory expansion of British agriculture can only be built on a thriving livestock industry. This in turn requires that the industry shall be assured of regular and substantial imports of feedingstuffs. Temporary bonuses of rationed feedingstuffs are not good enough; and the attempt to make British farmers maintain permanently a high tillage acreage is both proving unsuccessful and is distracting their energies from livestock output

Soviet Semantics

"AN olive branch surrounded by thorns" is the American description of the Soviet peace proposals that have been debated in the Political Committee of Uno this week. The crux of these proposals is that there should be a "pact for the strengthening of peace" between the Big Five—which means something like a new Yalta agreement on spheres of interest. But already intelligent discussion of peace is proving as fruitless as ever because east and west talk a different language, and because the abuse and allegation with which Mr Vyshinsky accompanies his argument is too obviously part of the current "peace offensive" that is being waged by Communist parties all over the world. Public diplomacy is once again poisoning the streams of that private diplomacy through which the few agreements reached by west and east since the war have been achieved. Once upon a time President Wilson believed that secret diplomacy was a principal cause of war; "open covenants openly arrived at," he said, "would ensure peace." Since then, thirty years of publicity in international relations have been marked by greater international bitterness and insecurity than any period of modern history. The truth is, of course, that there never has been, and never can be, "open diplomacy." Diplomacy, the negotiation of agreements between governments, the daily rub of vital national interests, has always been, and must always be, secret. What now goes on at international conferences, at the United Nations, is not diplomacy but political warfare. In real warfare, before the infantry goes into action, a barrage of artillery and bombing prepares the way; so in political warfare a barrage of propaganda, directed at public opinion in the enemy's country—and in neutral countries whose attitude or votes are of importance—precedes the action of the diplomatists. When the "softening up" is over the real bargaining can begin—in secret.

Propaganda-by-conference and diplomacy are not alternatives; both are indispensable means of modern power politics. No government has yet so clearly understood this as that of the Soviet Union. Protected by its own defences against the importation of foreign ideas it can, with the "scientific method" of Marxism-Leninism, systematically undermine the public opinion of its opponents. But when secret diplomacy is needed none can excel the Moscow experts, as the negotiations with Hitler in the summer of 1939 conclusively proved.

The current phase of Soviet "softening up" tactics is this year's "peace campaign." In Paris, Prague and Rome, congresses of intellectuals have been held, in order to convince men and women of good will in the free countries that "peace" with the Soviet Union is to be had for the asking, that only the machinations of Wall Street imperialists and their Social Democratic lackeys are depriving the peoples of the world of this

—where the scope for expansion is still enormous. If the Government is in earnest about agricultural expansion—and the money which it is lavishing on the industry suggests that it is—it must proceed on the assumption that foreign exchange spent on feedingstuffs now will be amply recouped later by a greatly increased domestic output of meat, bacon, and eggs. Otherwise it, or its successor, must reconsider its whole agricultural policy.

great blessing. A variation on the same theme is that trade with the Soviet Union and Eastern Europe (presumably in large volume and on favourable commercial terms) is also to be had for the asking, as soon as the yoke of the Marshall plan exploiters is thrown off. To underrate this campaign is a great mistake. Its organisers are clever enough to turn to their advantage hopes, fears and prejudices that can be made, however diverse their origins, to coincide with their own aims. The "peace campaign" is a serious challenge which must be understood for the political manoeuvre that it is. This makes it necessary to examine the meaning of "peace," "independence," "imperialism" and other words used in Soviet political vocabulary.

Most governments naturally prefer peace to war. But they all also have their vital interests—be it only the vital interest of self-defence—which, in the last analysis they prefer to peace. These vital interests always include strategic and economic elements, but other factors may be equally important. Hitler demanded rights for German minorities beyond the German frontiers, and Mao-tse-tung may soon raise demands on behalf of the Chinese in Siam, Malaya or Indochina. The vital interests of the Soviet Union include opportunities to exact from vassals various forms of tribute in goods, and the control of strategic areas—Manchuria, the Danube Valley and the Baltic states today, perhaps Korea and the Straits of the Baltic and Black Seas tomorrow. They also include the extension throughout the world of the Soviet way of ruling and working, which used once to be called "world revolution." When Stalin overthrew Trotsky and proclaimed "socialism in one country," Soviet policy changed less than wishful thinkers in the west supposed. For Stalin has never ceased to emphasise that Soviet socialism is threatened by capitalist encirclement, and he argues that the encirclement and, therefore, the need to increase the home and foreign defence organisations—MVD and Red Army—will last as long as there are capitalist states left to do the encircling. Since every state is capitalist that has not a Soviet system, the threat to "socialism in one country" will not be removed until the "one country" in which the one true socialism is built has become "one world."

Governments in their hypocrisy have often identified vital interests with peace; but the Soviet government is peculiar in identifying peace with its vital interests. Peace, in its vocabulary, is the state of affairs required at any moment by the Soviet government. Thus, "Yugoslavia threatens peace," means "Yugoslavia threatens Soviet aims in eastern Europe." Because Tito has resisted Soviet threats and pressure for 18 months, he is, by definition, threatening peace, and whoever threatens peace is a "warmonger."

The hypocrisy of Great Powers has often led them to interpret the independence of small states as freedom from the influence of their own rivals: the Soviet government is peculiar in interpreting independence as subjection to its own orders. With perhaps one exception there is, in the Soviet view, no independent state in the world today outside the area which non-Communists call the Soviet sphere. The one exception is the United States which, though not subject to Moscow, cannot easily be represented as subject to any other Power. All other non-sovietised states are "puppets of American imperialism," ruled by native quislings in the pay of Wall Street, or of its minions in London or Paris. No British soldiers or bureaucrats under British orders remain in India, while Soviet soldiers, bureaucrats and "technical specialists" abound on Rumanian soil; yet India is not independent and Rumania is. India is not really independent because its foreign policy is decided in Delhi, not Moscow; Rumania is really independent, because its foreign policy is decided in Moscow, not Bucharest.

Likewise "imperialism" and "warmongering" are sins of the non-Stalinist infidel only; the truly faithful are, by definition, incapable of them. If the British Government owns shares in Iranian oil fields that is imperialism; but if the Soviet government owns one third of Rumania's oil resources that is comradely help to a young people's democracy. If American companies control air lines in South America that is imperialism; but if Soviet companies possess a monopoly of air transport in Hungary that is democratic co-operation. Western help to Greece in defeating rebels supported by Albania and Bulgaria is warmongering; the march of Chu Teh's armies is a historic victory for the peace front.

It is noticeable how often Soviet statesmen accuse the Americans of imperialism. Yet to non-Stalinist observers Soviet policy seems strangely similar to old-style European imperialism. The great industrial trusts and banks of the Soviet Union have their representatives in the vassal states. From Harbin to Tirana and from Canton to Leipzig, dazzling and lucrative careers are open to ambitious young men of the Soviet ruling class as "technical experts" in police repression, Marxist indoctrination or Stakhanovite labour methods. As the area of Sovietisation extends, so the prizes for the trusts and the jobs for the boys increase. Here are two substantial economic motives for Soviet imperialism.

It is often argued against this view that the Soviet Union, unlike Germany, has within its boundaries the

resources it needs for industrial development and so has no need for expansion. But if these resources are devoted to heavy industry, including war industry, while the average standard of living rises only slowly, the Soviet leaders will need to find a way to divert discontent. The only satisfactory scapegoat is one who cannot be reached—the foreigner. Xenophobe propaganda diverts the questions of the masses from the party's leaders, and from the masses its effects work back through the party pyramid upon the leaders. The Politburo manufactures hatred of the outer world, and like all propagandists, is affected by its own propaganda.

There is, too, a special department of state which has a personal interest in both internal tension and international hatred—the security police. As in the Ochrana of Imperial Russia, so in the MVD of the Soviet Union, promotion for the local informer and high honours for the police chiefs depend alike on their ability to persuade those greater than themselves that conspiracy is rife, inspired by foreign spies and saboteurs, which only their Bolshevik vigilance and devotion can frustrate. The extraction of confessions from enemies of the people, like the extraction of coal from the mines, requires Stakhanovite methods. The more numerous and the more lurid the confessions, the more far-reaching their international implications, the better is the promotion for the policeman, the greater the xenophobia, and the stronger the case for still greater efforts in heavy industry and armaments. That is why the people of the Soviet Union live in the shadow of "capitalist encirclement."

All who expose the international dangers inherent in the Soviet regime, and the double meaning of Soviet terminology, are, of course, denounced by Communists as warmongers. Many people of good will are sensitive to the argument that to say anything unpleasant about the Soviet Union is to create international tension. The Nazis once used the same argument. They had a special word, "*Brunnenvergifter*" ("well-poisoner") to brand those foreigners who doubted the Fuehrer's intentions. There is, of course, something to be said for the argument; for unpleasant truths do create hatred and distrust. But the danger that exposure of the truth may help the few real warmongers in the west is far smaller than the opposite danger: that misunderstanding of the challenge of Soviet policy may lead the people of the west, the vast majority of whom wish to live in peace with the Soviet Union, into dangerous illusions. To spread an understanding of Soviet semantics should be one of the major purposes of policy in the western world.

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NOTES OF THE WEEK

Compromise on Steel

Common sense and the national interest, as well as the views of the House of Lords, have been victorious in the Government's decision to delay putting the nationalisation of iron and steel into effect until after the General Election. The House of Lords have made their point—that the electors, by returning a Conservative or Labour Government, should have a chance to pronounce again on the wisdom of the measure—and they will almost certainly accept the modified form of their own amendments to which the Commons have agreed. The Prime Minister will be able to redeem his personal pledge to get the Steel Bill through in this Parliament, without waiting until it had been passed under the amended Parliament Act some time towards the end of next February, and thus will be free to call an election any time after the New Year. Common sense has been vindicated since the Government could have done nothing effective to the steel industry before the election, and the original vesting date of May 1, 1950, which the Lords had rejected, bore no relation to practical possibility. Moreover, the nature of the compromise is a reasonable one—the Lords' amendments calling for the vesting day to be postponed to July 1, 1951 or later, verged on the extreme, and in transferring it to January, 1951, or within twelve months therefrom, the Government have allowed for an adequate time lag after the electors have decided whether nationalisation shall be proceeded with or not. To delay the total operation of the Statute until October, 1950, as originally demanded by the Lords, is of dubious constitutional validity, and the point has been substantially met by Mr Strauss's promise that a Labour Government if returned would not begin the appointment of a nationalised Iron and Steel Corporation before that date.

This compromise was first bruited in the summer, and the possibility of it explains why the amended Iron and Steel Bill was held over at the end of July, when it came back from the Lords, until the present time. Earlier in the autumn, however, the Government were understood to have abandoned the idea of a compromise and to be preparing to force the measure through under the amended Parliament Act. The reason why the compromise plan was brought forward again in the last few weeks was probably that the Labour Party's election tacticians became convinced that the party should have the greatest possible freedom of manoeuvre from the turn of the year onwards.

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Much credit for this outcome must go to Lord Salisbury, the Conservative leader in the Lords, whose handling both of the Iron and Steel Bill and of the Parliament Bill has confirmed that he is the only parliamentarian of Mr Morrison's calibre in the Palace of Westminster. By persuading even the most recalcitrant of his followers to drop all their amendments to the Steel Bill except those that altered the date of operation, he forced the Government to fight out the issue on the ground of the Lords' constitutional right to give the people a chance to think twice on a measure for which no overwhelming body of public support can be shown. The Government for their part can argue that had the two-year veto period not been in existence they would never have been forced to hold over the Bill. Mr Herbert Morrison for his part deserves credit for the way in which he, too, has damped down the acrimony and vehemence in these disputes between the Commons and the Lords, disputes which could have split public opinion deeply and bitterly and which with careless handling could have caused great damage to the fabric of the constitution. The peculiar mechanisms of the British constitution are most safely handled by those who are skilled in politics.

Danger to the TUC

After weeks of hesitation and travail and after conferring with the Chancellor, Mr Bevin and Mr Bevan, the special economic committee of the TUC issued on Monday a statement urging their affiliated unions to suspend negotiations for wage increases until the General Council could produce a full statement on the economic situation. It is to be presumed that all that the committee learnt from its consultations with Ministers was that the Government have no intention of departing from their policy of trying to hold back inflation by means of physical controls—a policy which could be wrecked overnight by raising the lid on wage demands—and that for their part the unions must grin and bear such rises in the cost of living as would result from devaluation.

Although the public has grown wearily accustomed to appeals for wage restraint which are never in fact fully accepted by individual unions, it should not be forgotten that in the short run this is the only responsible line of action for the TUC to take, however much it may be dictated by a tenderness for the health of the Labour Government on the eve of an election. To adopt any other line in the present economic context—to condone even by silence general demands for higher wages while the rest of the economy is pegged tightly down—would lead straight to disaster. But nonetheless there are two questions which must be answered. First, can the TUC in fact restrain unions from pressing their demands? The question seems to have been answered by the decision on Wednesday of the Confederation of Engineering and Shipbuilding Unions to continue with a claim which would, if conceded, cost the engineering industry something of the order of £125 million a year. This is justified by the confederation's secretary on the grounds that there are sufficient profits in the industry to pay for this increase, and that it does not conflict with the TUC's appeal. In other words one of the country's largest unions has declared its respect for the TUC's appeal by defiantly ignoring it. If a well-paid industry like engineering can do this, what chance is there of restraining demands on behalf of less well-paid workers in other industries?

Secondly, even if the majority of unions do respect the agreement, does the TUC think that it can restrain wage claims for several years or more? Its present policy is based on a gamble that the Government can hold the cost of living down by main force until increased production has countered the danger of inflation. But this in fact is merely an extension of a policy that has failed to solve the problem over the past two years. Does the TUC never consider the possibility of urging upon the Government a less painful, sterile and ignoble policy than that of simply battenning the hatches upon all the motive forces within the economy? Does it never occur to it to demand a policy of economic mobility in which wages can safely be allowed to rise? If it does not, its leaders should reflect that by getting more and more deeply committed to the policy of the freezing of wages and profits as an end in itself, they are pursuing a course of action which is unlikely to produce economic recovery and which is quite certain to corrupt, and possibly in the end to disrupt, the trade union movement.

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New Stage in Germany

The conference held last week in Paris between Britain, France and the United States to determine the next phase in their German policy ended in a communiqué notable, even among official handouts, for platitudinous generality.

The explanation was, no doubt, the Allies' desire to avoid any appearance of confronting the Germans with a *Diktat*. But there were equally urgent reasons in the prevailing uncertainty in French politics, the newness of M. Bidault's Cabinet and the imminence of a debate in the Assembly on foreign affairs. The precaution was, however, meaningless, since, only a week later, Dr Adenauer gave the German Assembly a full account of the bases of his negotiations with the Allied High Commission—negotiations based upon instructions sent to the Commissioners as a result of the decisions reached in Paris.

From Dr Adenauer's account, it can be seen that the three powers have, very sensibly, accepted the necessity of making genuine concessions to the present moderate German regime at Bonn. Dismantling on all save purely war plants—the "A list" for dismantlement—is to be slowed down and reconsidered, and it seems likely that many factories will now be reprieved—even perhaps the Thyssen works of the *Vereinigte Stahlwerke* over which British and French opinion has been most stubborn hitherto. Moreover, the High Commissioners have been empowered to negotiate with the Bonn Government on the right of the Republic to take part in international organisations and to send trade and consular representatives abroad; they are also to reconsider the disadvantages imposed on Germany by the continuing state of war, and to discuss the revision of the present limits set to Germany's merchant marine. All this adds up to an important modification of earlier restrictions, and it is not surprising that Dr Adenauer found little difficulty in persuading the Bonn Assembly that real progress has been made.

The feeling need not be confined to German opinion. Dr Adenauer has made a statesmanlike attempt to transcend disgruntled nationalism and his effort to establish a basis upon which genuine negotiations between the Allies and Germany could be undertaken has been rewarded. The chief shadow falling across the new picture is the Allies' lack of preparedness for a new phase in their relations with Germany. To restore prestige, elbow room and sovereignty to the Germans is right and inevitable and this process has now been set seriously in motion. But the policy cannot be pursued safely unless a resurgent Germany is quickly fitted into a number of European institutions which give it scope, yet control its dangerous proclivities. Germany is now a full member of the OEEC, and Dr Adenauer has offered German co-operation in making the Security Board and the Ruhr Authority genuine instruments of international co-operation. His Government also seeks admission to the Council of Europe. But do the Allies yet know what they mean by any of these bodies? If they do not, they may find that German ambitions, not European interests, finally dictate their policy.

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The Ruhr's Place in Europe

The visit to Paris of the German Minister of Economics, Dr Erhard, during the Foreign Ministers' talks was undertaken in order to press ideas for Franco-German economic collaboration that have been germinating for some time past. If anything is to come of the regional areas of free trade for which Mr Hoffman is pressing, western Germany must have a place in them. The Federal Republic's representative on OEEC has already proposed that his country should join the discussions on "Fritalux." Dr Erhard has spoken of the possibility of freeing Franco-German trade on the lines of the most recent pacts between Germany, Switzerland and Holland, and envisages greatly increased turnover as a result. At the same time, a memorandum submitted to the Foreign Ministers by the *Vereinigte Stahlwerke* suggests that foreign capital should be invested in the steel combine as a way both of raising capital and allaying French fears about security. Finally, Dr Adenauer has formally proposed that the Ruhr Authority should be enlarged to cover the

heavy industries of France, the Saar and the Benelux countries.

Amid this wealth of proposals it is possible to discern a German effort to make capital out of the aspirations of the Economic Co-operation Administration and the State Department. The Americans like free markets; the German economy is based on freedom from state controls. The Americans want a free trade Europe; so does the Ruhr. German heavy industry looks forward to the collapse of plans for expanding steel production in uneconomic areas, such as Italy and Norway, should protective devices be removed. The Americans believe that, by interlocking the capital structure of French and German industry, French fears may be allayed without blocking Germany's capacity to pay its way. German industry is crying out for capital. Since France itself has little for investment abroad, the idea has been broached from the German side that American funds might be channelled to Germany through France.

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The French are fearful of this new partner that Washington is edging towards them. The fate of French heavy industry if it were exposed to free competition from the Ruhr is something Paris does not dare to contemplate. Sceptics in France and Britain may easily prove that there is little in the history of two world wars to show that the interlocking of capital deters adventurous countries from aggression. And the German suggestion on behalf of the *Vereinigte Stahlwerke* is crippled by innumerable practical and political difficulties. Finally, critics may point out, the Americans show a lack of logic by advocating the extension of the Ruhr Authority while demanding that it shall have none of the functions of an international cartel.

Nevertheless, a purely negative response to such efforts is not enough. Germany will always act from self-interest, and it is a great deal won if the self-interest is as enlightened as it is now. Something may emerge from the present vague proposals in the long run, if nowhere else than in the field of Franco-German trade. A great step towards the well-being of western Europe would, indeed, be taken if the prerequisite to a great expansion of trade across the Rhine were established—that is, if anything were to come of M. Monnet's far-sighted scheme for increasing French grain production, in order to supply western Germany, the "little Britain" of the Continent.

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In the Steps of Stresemann

How far Dr Adenauer is personally responsible for making real negotiation possible between his government and the High Commissioners seems not to be generally understood outside Germany. In Bonn it is well understood, and his courage in donning at this early stage the mantle of Stresemann has exposed him to violent attack from Dr Schumacher and his Social Democrats. They have not hesitated to use that fly-blown and Hitlerian charge that a moderate German Government is helping the French to establish their hegemony in western Europe. This is a rabble-rousing line unworthy of Dr Schumacher. It is true, however, that Dr Adenauer made a serious error in not consulting the opposition while planning his personal initiative; for it is vital that the policy of the Bonn government in foreign affairs should be agreed between both sides of the *Bundestag*.

The quality of this initiative by the Chancellor is best judged by two things: the proposals for German guarantees of security sent to Paris last week, during the meeting of Mr Acheson, Mr Bevin and M. Schuman; and the interview he gave to *Die Zeit* at the beginning of this month, and reproduced in full in *Le Monde*. The interview is the more important because it reveals the mental attitude of Dr

Adenauer. He declared that a working partnership with France was the pivot of his policy. That did not exclude friendship with Britain, and the "Chancellor of the federal German Republic must be at the same time a good German and a good European." He did not claim that all Germans would support him in this view, but he believed the younger generation would. He thought it a pity—as indeed it is—that the French should have made Germany's entrance into the Council of Europe conditional on the simultaneous admission of the Saar; but he realised that the French attitude on the Saar was only one symptom of their deep anxiety about future security. And it was on this subject that Dr Adenauer showed himself a statesman of quality by saying:

If France demands more security without taking account of the most elementary necessities on the German side, our attitude can hardly fail to stiffen. If—on the other hand—we are only ready to offer too little security, France cannot be expected to come to an understanding with us. It is a question of finding the happy medium.

Some Frenchmen would think this statement stiff-necked; some Germans would think it too appeasing. But that is the problem of Dr Adenauer—and of M. Schuman; each has to find the courage to face attack at home from men more interested in power than in peace. It is a thousand pities that, at the moment, the government of M. Bidault is less able to stand up to such attacks than the government of Dr Adenauer.

* * *

Mr Bevan Unrepentant

With characteristic self-confidence Mr Bevan has launched the new 1949 *Housing Manual** upon the world at the same time as he is attempting to cut £35 million out of the housing programme. Not that the two actions are necessarily incompatible—one can with skill build good houses as cheaply as bad. Most Ministers might, however, have felt a twinge of the incongruous. But not Mr Bevan. So local authorities have now been presented with the fruits of four years' experience of design and layout embodied in a glossy handbook without a word being said about costs.

Mr Bevan presented the book to the world with a speech to the press which was interesting in its own right. He discussed two aspects of his policy which have been much criticised. First he dealt with the criticism that too many three-bedroomed houses have been built and too few larger and smaller ones. The Royal Commission on Population also attacked the housing authorities on this score. In effect, this criticism has been accepted and local authorities have been instructed to "review their long-term housing needs more analytically" and to cater for large families and for more elderly and single people. The 1944 *Housing Manual* dealt very largely with the three-bedroomed house; the 1949 manual introduces a welcome variety of types, including three-storey terrace houses, maisonettes and small houses. The time for this is overdue; a recent survey of a town of 50,000 to 60,000 inhabitants revealed that 860 houses capable of holding families were occupied by single persons (a fact not unconnected with the present rent-control policy). It is quite clear that there is now to be a change of policy and that local building programmes should in future fit local needs more closely.

Secondly, the Minister defended the high standards of size, layout and construction as set by his department, which have contributed their full share to the rise of costs of local authority housing, on the ground that short-term reliefs would only result in long-term headaches. He is outwardly unrepentant, his only explicit gesture to economy being some references to instructions to rural authorities to economise on service roads and to other authorities to lower forecourt

* HMSO. 3s. 6d.

walls. But this is merely playing with the problem of costs. There is no justification for the pretence that costs can only be reduced by building mean and shoddy houses. It is necessary for the Minister to give more visible signs that he is concerned with costs and to give more encouragement and, if necessary, publicity to those authorities—and there must be some—who can combine good design with economy.

* * *

Housing Rents

A decision of the courts has produced an important clarification of the contemporary law of rent. Houses owned and let by local authorities are not subject to the control of rents imposed by the Rent Acts, as the tenants of those houses up and down the country have been discovering over the last year. In fixing its rents the duty of the authority, in a sense, is to hold a balance between the interests of the individual tenants and of the interests of the ratepayers of the district as a whole. Recently a rent increase by a particular borough was challenged in the courts and on Wednesday Mr Justice Romer gave his reserved judgment on the claim.

The challenge was made by Mr Belcher, a trade union official, on behalf of himself and some three thousand tenants of the Reading corporation; the plaintiffs claimed that a general rent increase made by the corporation at the beginning of 1948 was void and *ultra vires*. The evidence showed that, in making their final decision over rent increases, the corporation had acted on two guiding principles: first, that they should not budget for a surplus from the rents of the corporation's housing generally, and, second, that they should not charge against the housing revenues local and interest charges on unproductive development expenditure. Otherwise, the tenants of the corporation's houses should pay, in total, the net cost to the corporation of the houses they occupied. Mr Justice Romer's view was that the council had "carefully and conscientiously observed their duties to their tenants to the best of their ability, without losing sight of the duties which they owed to the ratepayers as a whole." He accordingly rejected the plaintiff's claim.

This decision is so comprehensively argued and stated that it should help to clear the air very considerably over the rights and liabilities of local authorities and their tenants. As the Court pointed out in this case, to ease the burden of rent on council tenants merely throws it on to the ratepayers as a whole, and that the majority of ratepayers in any local authority district are no better placed, so far as income is concerned, than the authority's own tenants—many of them, in fact, are worse placed in so far as the accommodation they get for their rent is concerned.

* * *

Wanted—a Rent Policy

The judgment described above brings out the confusion of thought which has come to surround the whole conception of rent for house property. Local authorities, being exempt from rent control, can raise the rents of council houses to meet increased costs of administration and repairs, at least within the limits of local public opinion. But private owners still cannot. The difficulties under which the private landlord is labouring and the discomforts suffered by those tenants who live in houses which the landlord cannot afford to repair are well described in a broadsheet published by PEP last week.*

Any policy of rent control must plait together three strands of interest—the landlord's, the tenant's and the public's. Traditionally, the landlord gets no sympathy; he merely grinds the faces of the poor. In practice, if he owns rent-

* Rent Control Policy. Planning 305.

controlled property he has suffered so severely in relation to other sections of the community that good and scrupulous landlords are being driven more and more to sell their property to the less scrupulous. The interest of the tenant is to combine a rent within his means with a standard of accommodation suitable to his circumstances. Few tenants in controlled property have any complaints against their rents; in most cases rent absorbs a much lower proportion of income than in 1939. But they have many complaints about repairs which some landlords will not, but most landlords cannot, afford to carry out.

The interest of the public is in preserving the fixed capital of the nation intact. A policy which results in landlords neglecting their property so that it falls into premature decay must involve a serious loss to the nation as a whole. This is happening at the present time, and it is urgent that steps should be taken to arrest this deterioration. The 1949 Housing Act contains provisions for grants to private landlords to cover half the cost of capital improvements, but it does nothing to help towards the cost of repairs.

There are no simple solutions to meet these claims. The PEP report rejects rather sweepingly, and for reasons of political inexpediency, any short-term policy of permitting rents to rise by any flat amount. It advocates some compensation to the landlords, by rent increases, tax allowances or subsidies to cover a rise of about 150 per cent in the cost of repairs, and visualise that rents might be permitted to rise from 25 to 75 per cent according to circumstances.

This may be as far as any government would dare to go in the first instance, but it is certain that any policy aimed at reducing the rigidity and fragility of the present economic structure of Britain must cease to placate the tenant at the expense of the nation, and put the creation of a more sensible rent restriction policy among its first objectives.

* * *

Whose Weapons for Europe?

The part that American equipment and materials are to play in the defence of western Europe needs rather more careful and public consideration than it has yet received. Much of the American aid now made available under the Military Aid Programme will take the shape of surplus ships, vehicles, arms and ammunition. These may be pressed on governments whose forces have been trained not only in the use of British weapons but in co-operation with British forces, both in Germany and elsewhere. What are these governments to do and say if they find that to accept aid in this form means changing the habits and training of their forces? Are they to look the gift horse in the mouth? Are they to ask the question—which will seem ungenerous and grasping to the donors—whether American arms are to be had free indefinitely, and go on to ask how they are to be paid for when Congress thinks MAP should come to an end?

Representatives of the US State Department and Department of Defence have been in London, Rome and Oslo during the last ten days, and they will doubtless have run already against this difficulty. They will have found that the western governments have made deplorably little progress in the standardisation of their defence requirements. The delay is generally explained—not without reason—as due to uncertainty about American intentions. In such a situation the case for pushing in American material is difficult to resist; if defences are to be improved quickly only the Americans can overcome the difficulties that stand in the way.

Nevertheless, it is not right that Norway should be asked to receive American destroyers for a navy that has been equipped and trained on British lines. Nor is it right that French divisions should be equipped in a way that makes them entirely dependent on American material reaching them by sea. If there must be a good deal more alacrity and

realism in the British and French handling of the industrial and financial side of integrated defence plans, there should also be more give and take from the American side. It would be easier and safer for the Americans to change in some respects to good European designs in equipment than for the Europeans to change to American designs. To judge by wartime experience American service advisers are likely to be quite obstinate in resisting such ideas. But such questions will at least be discussed openly in the United States, whereas in London they will rebound from the baize curtain of secrecy that envelops Mr Alexander.

* * *

Progress Report on ERP

Concern with western Europe's failure to increase dollar exports is the keynote of the fifth and latest quarterly report on the European Recovery Programme which President Truman has just sent to Congress. The report covers the pre-devaluation period, April 3rd to June 30th. It notes that in spite of gains in production and a rise in total exports, the Marshall countries were unable to reduce the dollar gap. Indeed, their sales to the dollar area fell.

During the period under review, industrial production in Marshall Europe reached a record height of 18 per cent above the prewar level and total exports to the world rose to a peak of nearly \$5 billion, while exports to the western hemisphere sank by \$60 million. The result is that whereas last year the visible exports of western Europe paid for 23 per cent of their American imports, the rate fell to only 16 per cent in the second quarter of the current year. Britain and Belgium alone accounted for two-thirds of the drop in dollar earnings, and the products which registered the sharpest decline were motor cars, tractors, metals and iron and steel.

To reverse the trend, the report suggests, will require vigorous effort on both sides of the Atlantic:

The United States, of course, must be willing to accept greater competition from European supplies in order to help Europe pay its way.

European governments, it says, emphasising a point made by Mr Hoffman on his recent trip to Europe, must "provide immediate incentives to exporters to shift their sales from soft currency to hard currency areas." Its advice to European businessmen is to install more efficient machinery and to pay greater attention to merchandising and advertising their goods in dollar markets.

The only crumbs of comfort which the report drew from the European scene during the period covered were the expansion of production, the decline in inflationary pressures and the strengthening of stable, democratic governments.

Present Problems

We all number among our friends at least one who seems to have everything he could want: the Christmas present for him is the most difficult of all to choose.

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Full details of the enlarged and improved edition for 1950 are given in the illustrated pamphlet available from:

**The Economist Intelligence Unit,
22 Ryder Street, St. James's, London, S.W.1**

Much has happened since June 30th when the report closed its accounts, but the document has more than historic value. Its statistics show in detail how critical was the position of Britain and the other soft currency areas in the early summer of this year. If there are still lingering doubts about the inevitability of devaluation, this record should dispel them.

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Peasant Revolt in Italy

Ever since the Christian Democrat triumph in the Italian elections of April last year, there has been a tendency to dismiss the danger of upheaval or Communist gains there. It is, of course, true that in both France and Italy the Communist wave which was sweeping forward during 1946 and 1947 has spent itself. But what has been achieved in Italy is in reality no more than a breathing space. The country is bound to remain basically unstable, politically as well as economically, until some way can be found of modifying the fundamental tensions produced by its rising population, its static economic resources—and outlook—and the extremes of rich and poor.

No one understands this better than Signor De Gasperi, the Prime Minister; but it is doubtful if he can do enough about it to be sure of another success at the next general elections—probably in 1953. He is regarded as too rooted in Catholicism not to incur hatred as a clerical reactionary even if he does press land reform, and too much of a genuine liberal to be really stiff, intolerant and domineering. Further, by 1953 the flow of American aid which is now being pumped through Italy's veins will have slackened, if not stopped; and far too much of it has been spent on consumer goods to have a decisive effect on Italy's capital resources.

This is the background against which must be judged the recent very serious riots of landless peasants in southern Italy. The De Gasperi government has embarked on a programme of land reform, which is aimed at attacking one of Italy's key economic and social problems. But parliamentary delays, the web of bureaucratic procedure, and opposition and evasion by some of the landlords bid fair to slow down so much the execution even of this relatively modest reform that its positive effects may well be lost. It was sheer despair which lately drove the peasants of Catanzaro in Calabria to seize by force several thousand acres of private land. After heated negotiations between the landlords, the government and the Peasants' Union, a temporary calm has been restored—but not without the peasants gaining a good deal of what they fought for, and the government introducing a special Bill to expropriate 110,000 acres in Calabria without waiting for land reform on a national scale. The whole affair has received great publicity in the Italian press, most of it sympathetic to the insurgent peasantry.

The result is that the Communists may be able to threaten a sufficiently widespread upheaval in the south to force the government to try and act spectacularly—or admit a grave defeat. Drastic action would split the Christian Democrat Party irretrievably. Whatever happens these are signs that Italy still has a stormy and most difficult future to face.

* * *

Enforced Example from the Civil Service

The Civil Service at the present moment presents a remarkable spectacle of enforced self-denial. A month ago the more senior civil servants were standing grimly on the bridge as their promised salary increases sank beneath the waves of the economy cuts. Two weeks ago the Civil Service Arbitration Tribunal rejected the claim for a 15 per cent increase in pay for 60,000 clerical officers, and this week it has rejected a claim for temporary clerks. Crew as well as

officers are thus doomed to the unwelcome task of being an example to the passengers—the nation at large—with only slender hopes that their example will be followed. The best comfort that can be given is that even if the good example is not imitated widely, a bad example would have been.

In present circumstances the rejection of both the Civil Service Clerical Association's claims must be right, although Mr L. C. White, the Secretary of the Association, has been prompted to condemn the whole arbitration machinery. The principal claim was based on the argument that civil service clerical salaries had increased by only 28½ per cent compared to an increase in the cost of living of 86 per cent. The Treasury rebutted this view by claiming that even if the maximum of the clerical officers' scale is only 28½ per cent higher than in 1938 the minimum is up by 76 per cent and that at the mean of the scale the rate is now 48 per cent higher. This gives a less unfavourable picture for the new entrant and the officer in the early stages of his career, but it does not look attractive to the older officer. In happier times some improvement in the maximum might well have seemed justified.

A more convincing argument put forward by the Treasury was that rates of pay for work of a similar kind outside the civil service is roughly the same. Fancy salaries for secretaries and typists in commercial offices in the City are not general for all clerical work. The truth is that black-coated workers have been slipping down the nation's salary scale for some years, while the artisan and factory worker have been climbing up. For the nation as a whole this may be no bad thing, and is one example of the price mechanism working where it should. And, unlike the senior civil servants, the clerical officers have not the additional grievance that they have been denied what was once promised.

* * *

Civil Defence Recruiting Starts

This week recruiting has been opened for the Civil Defence Services. The organisation of the services is roughly similar to that developed during the late war. First and foremost, there is the Civil Defence Corps—a Crown service (a new phrase in official nomenclature) under the Home Secretary—which is responsible for communications, wardens, ambulance, pioneer and rescue work and organised with functional sections under geographical divisions based roughly on the county and county borough. There is the Auxiliary Fire Service organised under the local fire brigade. The National Hospital Service Reserve is designed to train a corps of people capable of creating the enormous expansion in hospital resources attendant on air attack (but not for epidemics or peacetime crises). Finally, there is the traditional Special Constabulary, needed in peace as well as in war to maintain order in an emergency. Recruiting is open to all those not enrolled in some other active military or civil defence reserve, but excluding all those in the Class Z reserve (that is those who served in HM forces in the late war or subsequently under national service). Apparently the Army, as the price of committing itself to mobile assistance to the civil defence organisation in time of war, has demanded that its ultimate reserves are not to be tapped.

There are two reasons why it is to be hoped that civil defence recruiting will prosper better than recruiting for the territorial and auxiliary reserves of the fighting services. In the first place, recruiting has not been launched until the planning of the internal reorganisation and training has been completed, so that the recruit can enter the service with some confidence that his or her time will not be wasted. In the second place, three of the services are sponsored by a minister—Mr Chuter Ede—who is trusted by the public and who has not gone out of his way, as has Mr Shinwell of the War Office, to alienate those very people upon whose goodwill he is most dependent.

Marshal Aid for Poland

Ex-Soviet citizen and Polish Marshal Rokossovsky is quickly settling down to his job as Poland's Defence Minister and Commander-in-Chief. Within a week he has expelled from the Polish Communist Party that controversial and allegedly Titoist personality, Mr Gomulka, who had so far survived disgrace and public recantation of his ideological errors. Soon the Marshal will be able to pull every string of importance in the Polish State, resuming the tradition of rule by marshals founded by Pilsudski and Rydz-Smigli before the war.

Over his predecessors Marshal Rokossovsky has one enormous advantage: the presence in Polish Silesia of several divisions of Soviet troops—his own praetorian guard, as it were. For his task of integrating—western Europe should note what this word really means—the Polish with the Soviet forces and the Polish state with the Soviet system, he has been given powers more conspicuous, more imperial than Moscow has yet claimed in any other country, save perhaps Bulgaria.

To grasp what it really means one has to imagine a sudden announcement from Paris that, at President Auriol's request, the Americans have released General Clay so that he may become Minister of Defence and Commander-in-Chief of the French forces, with a permanent seat in the French cabinet and a high place in the counsels of the coalition. In the fact that such a happening in France is incredible but in Poland is credible lies the essential difference between what is called American imperialism and what is in fact Soviet imperialism.

It is now easier to see how and why Tito saved Yugoslavia from Poland's fate. He was himself head of state and head of the armed forces; to get a grip on Belgrade like that he now has on Warsaw, Stalin would have to liquidate a whole regime, not merely remove an unimportant general like

Rola-Zymierski in Poland. Tito saw what Soviet attempts to interfere in his army and economy foreshadowed. He was able to plan resistance with some hope of success because Yugoslavia has frontiers that nowhere run with those of the Soviet Union and a coast line that outflanks the iron curtain.

Ruthless though it is, the appointment of Marshal Rokossovsky is a brilliant piece of opportunism. It guarantees the subservient behaviour of the Polish armed forces—unless, of course, the Marshal should one day turn Titoist by infection from his native Poland. It leaves Moscow free in the future to pursue with the Germans policies that the Poles might bitterly resent. Indeed, it makes a new partition of Poland in the next decade a practical possibility. On the other hand it gives a show of authenticity—rather emphatically proclaimed in the Marshal's first order of the day—to Soviet assurances that Russians and Poles stand shoulder to shoulder in defence of the Oder-Neisse frontier with Germany. If, as part of his policy for Germany and Austria, Stalin should wish to withdraw his troops from Europe—or at least to eastern Poland—the major precautions have now been taken. He could stage a tactical retreat of great diplomatic value in his dealings with the western powers; the master hand would be withdrawn from sight but the grip would remain.

* * *

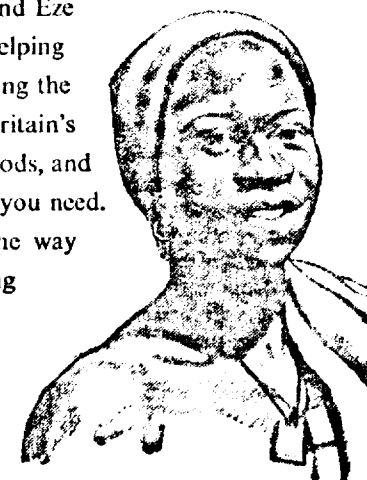
Recognising Mao's China

It is reported from Washington that the conference of British Far Eastern diplomats recently held at Singapore has recommended unconditional recognition of the Chinese Communist Government at an early date. The United States Government is said to have shown a sympathetic understanding of the urgency of Britain's need, on account of the importance of its trade with China, to put its relations with the new power on a regular basis as soon as possible.



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The American Government itself cannot immediately grant recognition because Mr Acheson has promised not to take any vital decision on China without consulting Congress, and Congress will not reconvene until January. There has been so much criticism—some of it well deserved—of the Administration's handling of Chinese affairs that it would now be politically dangerous to take any major step in policy towards China without Congressional concurrence.

There is a considerable body of American opinion which demands that diplomatic recognition—with the consequent admission of Chinese Communist representatives to the Security Council and other international bodies—should at least be made conditional on undertakings by the new regime to observe treaties concluded by previous Chinese governments, especially as the Communists have announced their intention of abrogating "traitorous" agreements made by Chiang Kai-shek. The British view is that it is better not to attach any conditions to diplomatic recognition which may cause indefinite delay before diplomatic intercourse is resumed, but rather to rely on negotiations after recognition for the protection of British interests.

There is a strong case for independent British action in this matter, but it would be well to recognise clearly the risks involved. However benevolent the State Department may be towards prior recognition of Communist China by Britain, a large section of American opinion will undoubtedly regard it as a selfish British attempt to steal a march on America in Chinese favour. If, later on, Britain has need of American support in a Far Eastern crisis, there will be a strong inclination in America to say that Britain, having chosen to take its own way over the recognition question, must bear alone any unpleasant consequences of following an independent policy. It can, of course, be argued that the British—having not materially aided Chiang Kai-shek after the war—have a much better chance than the Americans of establishing good relations with the new Chinese Government. On the other hand, it is Britain, and not America, which has authority over some millions of Chinese in Hong-kong and Malaya, and is therefore the obvious target for attack whenever Chinese Communism finds it expedient to beat the nationalist drum. All in all, Mr Bevin's decision, announced in the House of Commons on Wednesday, to delay recognition and continue discussions with the Commonwealth and the United States, appears the only sensible course to pursue.

Conferences in the Commonwealth

Dr Evatt, the Australian Minister for External Affairs, has been the first Commonwealth statesman to make public what has been privately known for some time—that a conference of Commonwealth Foreign Ministers would take place early in the new year. The scene of the meeting is to be Colombo and the date probably some time in January; the Prime Minister of Ceylon, Mr Senanayake, has thus gladly renewed the invitations which he first issued at the Commonwealth meeting in London just over a year ago.

The unusual feature of the Colombo conference is that it will apparently be an attempt to frame a single view on various problems of foreign policy, to which all the Dominions will subscribe and for which they will all jointly be responsible—rather as Cabinet Ministers frame a government policy. It remains to be seen whether or not this means that, in discussing the Japanese peace treaty with the United States, one Commonwealth delegation will be responsible for putting forward the case for the Commonwealth as a whole instead of several delegations arguing each for its own Dominion government.

Such a step would be a remarkable innovation in the development of the Commonwealth. It has been avoided in the past, partly because each Dominion has been—indeed still is—peculiarly sensitive about its sovereignty, partly because of the difficulty of ensuring adequate discussion and

support in all the parliaments concerned in time for whatever common action is needed. The latter objection is no longer so strong as it was, for governments now tend to act first and to consult parliament only to secure approval for what they have already done. Sovereignty is still as jealously guarded as ever, but the habit of co-operation is growing, for it is clear that the Commonwealth as a single unit is more powerful than any one member of it.

Another good piece of news about the Commonwealth is the decision of South Africa, India and Pakistan to discuss among themselves the question of the status of Indian minorities outside the sub-continent—a matter which should never have been brought before Uno and exposed to the mercies of South American and Soviet bloc voting.

Alderney's Future

The Report of the Committee of the Privy Council of the island of Alderney presents, besides a fascinating picture of a little known and historically interesting community possessing the charm of the miniature and archaic, an instructive example of the difficulties besetting a very small economic and social unit. Alderney has an area of about $3\frac{1}{2}$ square miles, some 1,200 inhabitants, perhaps 500 houses, a few cattle, some market gardens, and a summer tourist trade. It has one doctor (aged 73), one lawyer (who, as public prosecutor, sometimes conducts both sides of a case), and two minute primary schools. It also has a heavy legacy of confusion and destruction from the German occupation, a legacy now being liquidated by a Rehabilitation Authority financed by the Government at Westminster. Given certain necessary reforms, farming, horticulture, fishing and the tourist trade should, the Commissioners think, keep the islanders going economically; but with regard to amenities they found the island administration "not in a position to provide the minimum standards which are essential in a present day community." They discerned a risk that in time "the island might become derelict, a situation which His Majesty's Government could not allow to occur."

A democratically approved solution to Alderney's most pressing fiscal and administrative difficulties has been found in the transfer to its more substantial neighbour, Guernsey, of responsibility for some major services, with a corresponding diminution, though by no means eclipse, of local autonomy. But no administrative ingenuity can give its inhabitants the benefit of full integration into a large-scale economy. Higher education and social services on the mainland scale, for instance, are simply impossible. There are compensating advantages. Alderney is a genuine community, a genuine neighbourhood, a genuine political and social entity, not, like most comparably sized mainland groups, a soulless suburban sprawl or urban agglomeration. It has a right to survive. But one wonders what Authority would have recommended had Alderney not been surrounded by the "moat defensive" of the Channel. The value of community tradition, set against that of 100 per cent main drainage and a quota of institutes, is not always so highly considered on the mainland.

Tax-Free Titus

The scandal of the exchange control informers is even worse than could have been supposed from Sir Stafford Cripps's original disclosure a fortnight ago that rewards would be paid "in suitable cases" to those who provided information leading to convictions under the Exchange Control Act. Two further written answers to Parliamentary questions (put by Mr Gammans) have elicited the facts, first, that in assessing the rewards "all the relevant factors will be considered, including any expenses incurred by the informant" and, secondly, that "it is the practice of the Treasury not to divulge the names of persons who give such information."

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This is really scandalous. The common informer known of old to the law did at least have to possess enough intestinal fortitude to show his face in court, have his name in the newspapers and suffer cross-examination. In the new dispensation he is to sneak in secret, and no amount of protest that this is what the Inland Revenue has been doing for years can make it smell sweet. Furthermore, it now appears that informers are to get their "expenses," and any man of the world knows what that means—the rewards will be tax-free.

It is a disgusting business and one can only record a real sense of surprise that Sir Stafford Cripps should have stooped to lend his name to it.

* * *

Shaping Libya

There is still one hurdle to cross before the fate of the ex-Italian colonies is settled. The Assembly must pronounce on the decisions taken, by large majorities, in its Political Committee. It is unlikely to reject them, for the Assembly is composed of the same delegations, sitting on different chairs.

By the arrangement voted last week, Libya is to become an independent sovereign state at latest by January, 1952; Somalia is to become sovereign after ten years of an Italian trusteeship, the terms of which will no doubt be drawn up at the Trusteeship Council meeting in January. Eritrea is to be the subject of yet another inquiry into the wishes of its inhabitants. For the moment, the plan for Libya offers

the most complications. By its terms, there shall be one Libya, not three Libyas, yet at the moment the territory is divided into Tripolitania, administered by the British, with local administration only of municipalities; Cyrenaica, also in British charge but with considerable autonomy, under its Emir, in internal administration, and the more backward inland Fezzan, administered by the French. Over the next two years, these three areas, assisted by a United Nations commissioner and a council of seven foreign and four local advisers, must draw up a federal constitution through the agency of a national assembly. Can they do it amicably?

The united Libya movement has been vocal partly because the Arab League has encouraged it and partly because the Tripolitarians, though they think the Cyrenaicans backward, have thought that the quickest route to independence was to join with Cyrenaica and to profit by the rewards the British have been giving it for its help against the Italians in the war. In fact few Tripolitarians want to be too subservient to a Cyrenaican Senussi Emir. Now that they are sure that all danger of an Italian return is averted a tenuous link would suit them better. If United Nations state-making is to succeed better here than it did in Palestine, a great deal depends on its choice of commissioner. He must look ahead, not back—that is, not waste time throwing up Uno hands in horror at all that was not done by the impecunious caretaker administrations. He must be a man of single purpose, unwilling to be played off by local adepts against the outgoing British and French administrations. He must, too, be intent on creating a Libya with enough common services—customs, currency, defence and so on—to constitute a unity but enough local autonomy to please most of the people all the time. For a man of parts, the job is not impossible. The chief rocks ahead lie outside Libya. One of these is the effect that the creation of Libyan sovereignty will have on the more forward dependencies in Africa—notably on Tunisia and the Sudan. The other is the repercussion of the Libyan negotiations upon Anglo-French relations.

* * *

Overseas France *versus* Overseas Britain

Few people in this country realise how many situations in Asia and Africa create French grievances about British policy. Now that the quarrel over Syria—as symbolised by General de Gaulle on the one side, General Spears on the other—is over, what is there left to cause misunderstanding? The current French retort is: first, unfavourable Anglo-Saxon comparisons between French Indochina and the British action in India or the Dutch in Indonesia; second, British "sponsorship" of the Arab League, leading to a United Libya, leading to unsettlement in Tunisia, which the French hope will under some new treaty opt for inclusion in the French Union, and in Algeria, which is part of France. The French arguments are cogent: "Why should you encourage us to do in Indochina what you are not doing in Malaya?" "Can you not see that your encouragement to Arabs disrupts us—whose Moslem population live just across the way from Marseilles—far more than they do you in Sudan or Aden?" These views cannot be lightly set on one side just because they are uttered in the same breath as baseless contentions—such as that the mooted *Anschluss* between Iraq and Syria is a British design to get Damascus under a British puppet's thumb.

It would be a grave pity were the friction to be allowed to invade the commission of six foreigners—Britain, France, Italy, the United States, Egypt and Pakistan—who are to help the Libyans to frame their federal constitution. At a moment when Franco-British relations on Germany are troubled, preliminary agreements, at least between the Western Union members, on small points about the Fezzan and Cyrenaica are highly desirable. Anglo-French agreement has been successful in Africa south of the Sahara. Can it not be secured elsewhere?

Letters to the Editor

More Coal or Cheaper Coal

SIR,—In your article "More Coal or Cheaper Coal" in *The Economist* of October 15th you state that emphasis must be laid on reduction of costs, leaving production to find its own level. Yet on the other hand you blame the Board for failing to take advantage of foreign demand: you agree that exports are necessary, yet you support a policy which would result in the demands of the home market being barely satisfied without any available export margin. You side-track the loss of manpower and its disastrous effect on the industry, you skirmish lightly with absenteeism—"it is intolerably high"—and pass on to your main theme—reduction of costs.

What you miss is:

(i) The loss in manpower has been most severe in the South Wales district, which was the greatest exporting area. This loss is largely responsible for the failure of South Wales to reach its target and to export to dollar earning areas.

(ii) The Board has a Committee which is devoting all its time to reduction of costs. It has been particularly active in South Wales. It has succeeded in effecting cost reductions though not, as yet, on a very large scale, as it is studying the problem pit by pit as would seem necessary. But of necessity its work is of considerable duration. In most areas, the mines were in an appalling state when the Board took them over, and to feed them with capital equipment, to weld them into one large industry is of necessity a long term project.

With the exception of one or two coal owning companies, capital investment in mechanisation was almost unknown. Does *The Economist* propose a continuation of a cheap labour policy, or is it willing to face the vast reorganisation involved which will take at least ten years to resolve?

On the basis of what you call Professor Beacham's "incontrovertible statements" you reason that the opportunity for exporting British coal is now passing and that the "plodding progress" of British coal output will not now overtake it. I am surprised that your journal pays attention to a statement which, whilst it is true in itself, takes no account of the facts—obviously demand is affected by prices but, as yet, there is no indication that future world supplies are likely to be more than adequate for demand. On the contrary, the demand for British coal continues to increase.—Your faithfully,

STATISTICIAN

[There are more ways of getting cheaper coal than by a "cheap labour" policy; and to talk, in present circumstances of "the continuation of a cheap labour policy" begs two questions at once. Clearly reorganisation of the coalfields is to be supported; but the longer it will take, the more necessary it is that it should be designed to meet the market conditions of the future, not of the past or present.—EDITOR.]

Medical Expenditure

SIR,—Your correspondent's last sentence in "Polio's Peak," which appeared in *The Economist* of October 15, 1949, is a masterpiece of understatement. Since it is the first criticism, however, that I have seen in a lay publication with respect to our sentimental squandering, I am grateful to you for publishing it. According to the last data that I have seen, we are spending more than five dollars *per annum* per polio death. Our expenditures on diseases of the heart (which are to a great extent the result of rheumatic fever in childhood) amount to about forty-three cents *per annum* per death. We spend so little on diseases such as leukemia, lymphosarcoma, and Hodgkin's disease that statisticians do not even bother to calculate how much is spent for each death per year.

Lay publications could serve their communities far better if they had the courage to point out the iniquitous situation

that exists in the financing of medical research. Contributions are sought and obtained on the basis of sentiment rather than on the basis of need. I can only hope that more non-medical journals, particularly in the United States, will follow your example.—Yours faithfully,

PAUL DE R. KOLISCH

130 West Kingsbridge Road, Bronx 63, New York

Plebiscite for Protectorates

SIR,—Following on your article "Dr Malan and the Protectorates," might I make a proposal regarding British action should Dr Malan persist in his demand to incorporate the territories in spite of our having given him a categorical "No"? We have promised that no action will be taken until the people are consulted—let us then put such a consultation in hand. It should be carried out with the utmost impartiality, and under the supervision of neither Britain nor South Africa who are the two contestants. A Commission representing three or four other Commonwealth countries—including at least one of the Asiatic Dominions—might be charged with responsibility for organising the plebiscite (or whatever form of consultation is decided upon). We have no doubt what the answer of the native populations will be. After that Dr Malan's moral position will be as untenable as ours will be impregnable.—Yours faithfully,

RITA HINDEN

134 Greenhill, N.W.3

Australian Budgeting

SIR,—Your article "Australia's Pre-election Budget" (September 24th) could be regarded as good electioneering material for the Australian Government. This is not surprising because your Melbourne Correspondent has drawn heavily on the Australian Prime Minister's own assertions. Your correspondent states: "It (the Government) can point to the establishment of the Australian motor-car industry and the expansion of the steel industry. . . ." The facts do not support these assertions. Plans for an all-Australian motor-car date back to pre-Curtin and Chifley Labour Government's days, and, in fact, motor-body building, car assembly and the production of a large range of motor-car parts had reached substantial figures during the period of the Lyons and Menzies non-Labour Governments. So far as the steel industry is concerned, in 1948-49 6.3 per cent less pig-iron was produced in Australia than in 1938-39, 11.9 per cent less blooms and billets, and 3.3 per cent less of steel ingots. This falling-off of production in the basic industries, due mainly to inadequate production of high quality coal, has seriously prejudiced both primary and secondary industrial expansion in Australia. Your correspondent claims that the Government "has actively encouraged the expansion of secondary industry." This may be so, but, to quote Professor Copland, Chancellor of the National University in Canberra, the Australian economy should be described as of "the milk-bar type." Australians can buy plenty of ice-cream, but few tiles for housing. Output of confectionery has increased, but brick production is still lagging on prewar figures.

Australia's undoubted prosperity is not due in any extent to the Federal Government's efforts. Primarily it arises from soaring prices for Australia's exports in the face of strong world demand for primary products, particularly wool, wheat and base metals. The pity of it is that the prosperity in the Commonwealth is not nearly so great as the increased income from overseas could have made it if the Government's financial methods had been sound. Wages are high—so is the degree of inflation. In 1938-39 14.3 per cent of the national income was spent on imports. In 1948-49 the percentage so spent was

The Economist

November 17, 1949

22.6. With few exceptions, exports of Australian primary products are below prewar quantity levels. When overseas prices fall, the present postwar honeymoon will be over for the majority of Australians.—Yours faithfully,

W. S. BENGTTSSON, Senior Research Officer
The Liberal Party of Australia, Sydney

Small Savings

SIR,—One of the contributing factors to the present inflationary condition has been the fall in the level of small savings, where for the current financial year withdrawals have exceeded new savings.

In fact it is clear that the *past* encouragement of savings in the liquid form of Post Office Savings and Trustee Savings Accounts and National Savings certificates has proved a present embarrassment, and has helped to render a deflationary budget policy ineffective.

We wish to encourage savings of a more permanent nature that are a genuine offset to investment, while providing adequate facilities for the transient seasonal savings. Might not the solution be found in a new type of savings certificate, carrying a higher rate of interest but not encashable on demand, while there is no reason why the liquid convenience of savings should carry more interest than those paid on deposit account with the commercial banks? This would in effect represent a funding operation of the most liquid liabilities now outstanding against the national output.

These assets should however be made transferable at a nominal fee, and the Stock Exchange might be encouraged to quote them, thus making the advances to the small man that many feel it should do if it is to survive.—Yours faithfully,

C. N. WARD-PERKINS

Pembroke College, Oxford

SIR,—The terms of the letter from the chairman of the Savings Movement in your issue of November 12th must inevitably give the impression to many that the leaders of the movement fail to appreciate the basic reason for the continual falling off in savings. Surely it is the fact that the people no longer feel that savings invested with the Exchequer are secure. For several years the saver has seen the real value of his savings progressively dwindling to such an extent that his confidence has to a large extent been sapped. There is no use being unrealistic and endeavouring to divorce savings from politics. Obviously the Government's shilly-shallying and negative approach to the economic crisis have played a considerable part in shaking public confidence.

Until confidence is restored there can be no real prospect of any material improvement in the savings figure and confidence will not be restored until the public feel in their own minds that, whatever government is in power, it is prepared to face up to the realities of the situation confronting it.—Yours faithfully,

B. GRANT CARNEGIE

15 Glengate, Kirriemuir

Death Duties

SIR,—In your article "Tighter Credit, Lower Taxes," it is suggested that death duties might be revised on the Rignano plan.

Might I suggest that a more fruitful change would be the substitution of a legacy duty for the present tax on the estate. This change could be carried out without loss of revenue, by arranging a suitable graduation. Moreover, by fixing a comparatively lower rate on bequests to near relatives an increased incentive to greater efforts would be given. In addition this would encourage a wider distribution of property ownership. A change, which can make a bow to egalitarian sentiment, with

a possible increase in incentive and without loss of revenue, is surely worthy of notice.—Yours faithfully,

JOHN G. WALKER

226 Spen Lane, Gomersal, Leeds

Rights of the Subject

SIR,—You have recently set out, with admirable clarity, four examples of individual rights. Is there not, however, a fifth right, namely, that an individual is innocent until proved guilty?

For any man to be automatically labelled criminal if the tank of his motor-car contains red petrol makes a mockery of his rights and of the law which brings it about. I cannot do better than describe the Motor Spirit (Regulation) Act in your own words as: "an unmistakable hallmark of the police state."—Yours faithfully,

P. B. W. COX

2 Castlebar Hill, Ealing, W.5

Dollar Exports

SIR,—Mr Gaunt asks some questions about the conception of British Dollar Exports, Limited. The purpose of the company is conceived to be, first, to offer direct incentives to the small producer, or the manufacturer who is unwilling to venture into non-sterling areas, by purchasing a percentage of his goods in sterling and marketing them in North America. British Dollar Exports, Limited, would be a tough, capable exporter, working, it is envisaged, in harmony with the Export Credits Guarantee Department. This would mean, *inter alia*, (a) financing of market research by survey, advertising and promotional expenditure, guaranteed by the ECGD (i.e. bank credit extended to the company on the guarantee of the ECGD. In the event of failure the Department would protect the company from liabilities which might otherwise prove too onerous); and (b) the company organised to supply the requirements of the North American market, with the stock carrying necessary to maintain North American standards being "underwritten" by the ECGD. Large organisations exporting to the dollar area are excluded because they are already tuned to meet demands upon them. At what price would the Government perhaps take over goods from the company not required in dollar areas? That is a matter for negotiation; but probably they would consist in the main of consumer goods in short supply at home which, by a decision of the directors who would represent concerns selling to the company, could be released for home consumption.

Secondly, Mr Gaunt asks, will the shares to finance this company be taken up? Why not? The manufacturers would have every inducement to finance their own super-sales organisation, and the subscription lists should appeal to the patriotic and speculative citizen. And why not a subsidy to the company in a *winding up*? It would certainly make the prospectus attractive. I do not quite understand the significance of Mr Gaunt's "biggest obstacle" because British Dollar Exports, Limited, would, of course, be a "truly huge undertaking" and the manufacturers would sell to the company as arranged.

The President of the Board of Trade stated the Exports Credits Guarantee Department is willing and anxious to support any proposition, large or small, however unusual, which is business-like and sound in its approach to increasing dollar markets. The Department is commercially inspired, it impresses, is helpful in a real way, and it is undoubtedly a permanent feature in the economic structure of the country. The arguments for British Dollar Exports, Limited, are too numerous to unfold in a letter in your columns; but if my suggestion puts a thought into any head that can turn it into a practical proposition, then your space, sir, will not have been wasted.—Yours faithfully,

COLIN A. PERRY

Drayton House, London, W.C.1

[Advertisement]

WELL DONE, SIR GRAHAM!

SIR GRAHAM CUNNINGHAM has poured a stiff dose of realism into Whitehall's milk-and-water of pious hopes. We congratulate him and all others concerned in the formation of the Advertising Advisory Committee for the Dollar Exports Board, and we wish them well. In the course of his speech to the Advertising Association announcing this move, Sir Graham rightly emphasised that it is no use making goods unless we know how to sell them, where to sell them, how to induce the customer to buy them, how to let him know they are available and where they are available.

OFFICIAL SPEAKERS of all grades have been suggesting for some months past that our real problem is one of selling. From our own studies and operations in the Transatlantic markets we have reached a different conclusion. We recognise the selling problem, but we do not think it comes first. We believe that the basic trouble is that British manufacturers, despite five years of urging, have not yet geared their production to the making of consumer goods specifically designed for these markets.

THE DOLLAR EXPORTS BOARD is right to concern itself with selling, merchandising and advertising, but should it not start with first things first? British manufacturers as a whole badly need education in the function of marketing by means of market research.

WE ARE NOW TOLD that because of devaluation we must all work with great haste to close the dollar gap for good and all. We believe this to be dangerous nonsense. The horrible truth is that we have wasted the last five years in 'opportunity' exporting to a sellers' market. We cannot now correct overnight the mental debility of years. We are engaging upon the most ruthless trade war since the end of the 19th century, at a time when our selling brains seem addled with complacency and staleness. Even if we overcome this defect during the next year or two, even if we equip ourselves with the right weapons, we shall then only have reached a point at which we can give battle on equal terms. The battle will still remain to be fought. Then, and only then, can we bring up the supporting arms of merchandising, selling techniques and advertising.

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IN OUR OPINION the Dollar Exports Board should concentrate on the following

1. Satisfying themselves that their brief is realistic; that their own activities will be matched by strong Governmental efforts to solve relevant matters of higher policy not within the Committee's brief. For instance, a re-examination of the Trade Agreements Act just reviewed by Congress. This needs persistent pressure at the top level. However well we prepare and fight we cannot surmount insurmountable obstacles.

2. Funds should be found either from the Government, Trade Associations, groups of manufacturers, or any combination of these, to investigate particular markets for groupings of products or industries. We do not believe that much will be done here on a voluntary basis. Although our official trade intelligence may prove helpful on occasions, it will always be a poor substitute for business initiative and drive.

3. Control of the price structure of anything British. American middlemen must somehow be made to realise that not all British goods are in the luxury class. High mark-ups kill volume; but volume is surely not a difficult thing to sell to the American businessman. The future of British exports is not in luxury products such as whisky or super woollen goods, but in mass production items with a small mark-up, quick delivery and, of course, consumer acceptability and competitive price.

4. Prevailing freight rates should also be examined. They present great problems even to American manufacturers. For example, bulky toys pay freight on cubic measurement not on weight.

5. The techniques of delivery need urgent study. Whatever the difficulties, stock building must be undertaken so that shipping delays do not affect orders which are needed to meet carefully designed merchandising plans at the market end. There is no confidence in the hard currency markets that Britain has really attempted to solve this problem. Americans certainly will not risk a let-down on their forward stock planning and rapid turnover techniques.

6. British trade representation in these markets is still woefully weak, both in quantity and quality. This is a very difficult problem. A comparatively small number of really good men representing groups of manufacturers could soon make a difference. They must be men who can analyse the markets and sell. The mere order-taker is useless. Whoever represents Britain across the Atlantic must know his market, know his products and be able to quote price and delivery dates which will be honoured without a doubt.

Books and Publications

Dim Light on the Chancellor

"The Biography of Sir Stafford Cripps." By Eric Estorick. Heinemann. 369 pages. 21s.

GRANTED sufficient intellectual curiosity and power of detached penetration in the biographer, this is the right moment for a study of Sir Stafford Cripps. Never, in the course of a career that has set many questions, has he appeared in quite so questionable a shape as in the summer and autumn of this year; never have his bearing and his action so puzzled both enemies and friends. An "authoritative biography" by one who "has had access to all family documents and papers" ought to be a book of fascinating interest, severe as are the limitations set to any account of a living man.

It ought to be, but somehow, it is not, for it tells the careful reader of the press little that he did not know before. It leaves the puzzle where it was. Mr Estorick suffers from two main handicaps. The first is that he does not know the British labour movement from the inside. This, though serious, need not be fatal: his subject never suggests that he responds to its characteristic "feel." The second is more serious: he never conveys the sense that he knows the religious impulse from the inside. Dr Busch, writing the life of Bismarck, described himself as being "on his knees." Formally, this is Mr Estorick's attitude to his subject, but, on the essential, central point, his adulatory words convey no illumination. He devotes many pages to stating and restating the one fact universally known and accepted about his hero—that Christian faith is what makes him go, but, while adding nothing to understanding, these pages fail to carry conviction. The reader feels that the impulse that burns in Sir Stafford is, to his biographer, no more than a word, and a word devoid alike of precision of content and of any moral carrying power. It is a small, yet indicative point that in dealing with the events of 1931 and the far reaching shock they delivered to the Labour Party's very recent convert, there is no mention of the effect on him of the utterances, at that time, of certain ecclesiastics. Yet this attitude on the part of the Church carried the shock to the sensitive centre and goes far to explain the aberrations of the immediately succeeding years. Within a remarkably short space of time, Sir Stafford brought into being two, antithetical, "Unity" movements: the first, strictly based on class, was formed in close alliance with the Communists; the second, called by his father, Lord Parmoor, the "Holy Alliance," ignored both class and party affiliation, and extended as far to the right as the Duchess of Atholl. Small wonder that the patient Labour Party had in 1939 to expel him; small wonder that a letter from Sidney Webb expresses "complete bewilderment" as to "what Stafford's line is." Bewilderment remains.

Although the early chapters contain a somewhat high proportion of infantia, they are interesting above all in their suggestion of hereditary and background strains. The two on Russia are a baffling naïveté, not least where Mr Estorick is moved to draw a parallel between the Ambassador and Stalin.

Both men were scientists. . . . Both men were of high principle and great character whose integrity was unquestioned and whose sustained intensity of purpose had brought them into the forefront of the political leaders of their respective countries. This ambiguous tribute may help to explain why Mr Estorick is quite at a loss when he has to deal with Sir Stafford's relations with the Labour Party. A thorough study ought, nevertheless, not to omit to inspect his failure as Leader of the House of Commons in 1942, and at party conferences: since, in either case, what is lacking is contact. It is strange, for instance, that a brilliant advocate should, almost invariably, bring from his pocket a speech, composed in the study, which

he proceeds to read. He reads remarkably well; but reading is by no means the medium of direct communication that speech can be: it is apt to suggest lack of connection with—even indifference to—the previous course of debate. Some of the speeches quoted—for instance that delivered at Chungking in February, 1940, cited by his biographer as "the greatest of his career"—are wholly detached from any views save those held, at the moment, by the orator, and imply a considerable inclination to impose those views. There are no more illuminating pages in this dubiously illuminating book than those recording the exchange of letters at the time when Sir Stafford was trying to bring political pressure on the Trustees of the Albert Hall to allow it to be used for a Unity (Communist phase) meeting. The last word, here, is with Mr Churchill, who outraged Sir Stafford by drily replying to his appeal for support: "I cannot feel that right of free speech is directly involved in the inability of a particular person to procure a particular hall."

The Interpreter's Story

"Statist uf Diplomatischer Buhne: 1923-1945." By Paul Schmidt. Athenaum Verlag. Bonn. 589 pages. 15 marks.

THERE can be no doubt that these memoirs of the German interpreter will be one of the important source-books for the twenty-two years covered by his official career. The condemnation of secret diplomacy and the natural trends of the times created the necessity for professional interpreters at the end of the first world war, and the linguistic helplessness of Hitler brought Dr Schmidt into the stalls of the political theatre throughout the Nazi act. The garrulousness of the Führer made the post of his interpreter a singularly trying one, all the more for someone who had been devoted to Stresemann and to Stresemann's later aims.

His life before 1933 and after it were as different from one another as civilisation from savagery. In the earlier period he records only one primitive episode, when Pilsudski came to Geneva in December, 1927, and behaved so rudely that his own Foreign Minister, Zaleski, blushed to the roots of his hair. In the transitional period between the coming of Hitler to power and his breach with the League Dr Schmidt describes a clash between Nadolny, who was head of the German delegation, and Heydrich, who had come to Geneva to represent the German para-military formations. Heydrich hoisted the swastika over the Carlton hotel, but the Genevese reaction was so hostile that Nadolny insisted upon having it removed; in view of Nadolny's recent activities it is interesting to have this indication of the strength of his personality—not many other people over-rode SS Gruppenführer Heydrich.

The picture of Hitler which emerges from this book is no new one; it is rather as if this time we were given a close-up photograph. Among a thousand other incidents he is able to describe Lloyd George's fateful visit to the Berghof, and it was he who received the British declaration of war from Henderson on September 3, 1939; when the news was conveyed to Hitler, Schmidt saw the Führer give Ribbentrop a furious look as if to say "You told me they were not capable of it."

There are a few minor slips in Dr Schmidt's book, but on the whole it is a valuable and careful piece of work. Above all it is a plea for a return to diplomacy in the place of gangsterism, a return, that is to say, to a consciously political search after practical compromise, to the battle waged by Briand and Stresemann against nationalist fanaticism and in favour of the federation of Europe.

The Pursuit of Happiness

"The English Utilitarians." By John Plamenatz. Basil Blackwell. 228 pages. 10s. 6d.

"The Growth of Philosophic Radicalism." By Elie Halévy. Faber and Faber. 554 pages. 25s.

THE first of these books contains John Stuart Mills' famous essay on Utilitarianism, together with a critical essay by a Fellow of All Souls. The second is a reprint of M. Halévy's masterly historical analysis of the Utilitarian school, with its skilful unwinding of the relationship between their political and their economic theories.

Utilitarianism—which may crudely be described as the theory that the greatest happiness of the greatest number should be the supreme objective alike of private morality and of state action—deserves reconsideration. It was, claims Mr. Plamenatz, the greatest English contribution to political and moral philosophy; but he asserts that the doctrine is destroyed and no part of it is left standing. This is surely an overstatement. Certainly many of the psychological and economic theories of the Utilitarians can now be seen to be crude or false; but not all of them. It is true that the Utilitarians were supreme individualists. In believing that the sole aim of state action should be the satisfaction of individual desires, they overlooked the historical process whereby a man's wants are themselves shaped by the institutions under which he lives; but this omission does not, as Mr Plamenatz supposes, make the welfare of the individual a false criterion. It is true also that the *laissez-faire* economic doctrine, which—as M. Halévy so well demonstrates—was closely linked to the political and moral beliefs of the earlier Utilitarians, has long been discredited. But the connection between the two theories is historical and not logical. The pure milk of Utilitarian theory can be, and has been, equally well used to buttress the Fabian Socialism or middle-of-the-road Liberalism or any

other economic system which seems likely to maximise total happiness.

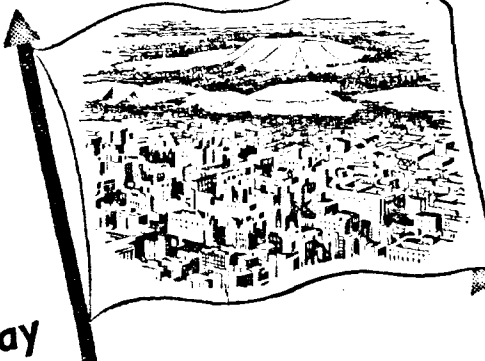
Whether discredited philosophically or no, the happiness criterion has taken firm root in the minds of politicians and peoples. The great historical service performed by Bentham and his followers was to rule out the appeal to established authority, or convention as providing any sort of justification for laws and institutions which have outlived their usefulness. In their own day, the Utilitarians were led on to a ruthless attack on harmful government controls and private monopolies. More recently, the self-same criterion has been used to justify the widespread extension of public social services and government planning. Now, perhaps, the pendulum will swing slightly back. It is the planners today who are in danger of exceeding their usefulness.

Utilitarianism has no set application. The very vagueness of its central belief—for how is happiness to be measured?—must make its practical application obscure as well as fluid. Yet the theory from its skilful blend of humanitarianism and realism still has value. The early Utilitarians made great play with the need for harmonising individual self-interest with the cause of social welfare, and by this means of increasing the total store of happiness. Bentham regarded this as the guiding principle of good legislation. Contemporary legislators would do well to attend to this criterion.

Television

"Television." By Maurice Gorham. Percival Marshall. 141 pages. 12s. 6d.

TELEVISION, its potentialities, its impact on the social pattern of this country, is still an unknown quantity, and so a legitimate field for speculation. Television is primarily a form of entertainment; that is, the majority of viewers will be people who expect the bulk of transmission time to be devoted to



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entertainment rather than instruction. It can bring sight and sound into the home, and actuality. It will compete directly with both radio and cinema; it may overwhelm both. It is a challenge to the whole idea of the BBC's present monopoly, to the shareholders in the film industry (who already receive so small a share in the initial takings) and to the revenue (whose entertainments tax is the major beneficiary of every film performance). It may well challenge the educationists of every kind in its more specialised fields. In short, a survey of what television is and may become could give a great many people a great deal to think about.

But, unfortunately, this book by Mr Gorham will not do that. Mr Gorham was head of the BBC's television service for two years and resigned at the end of 1947. He has, then, had some time since in which to think over the implications of the next few years, but his thinking, as reflected in this book, has not been very profound. For instance, Mr Gorham has very little to say on the question of finance and yet, in every form of entertainment, the promoter knows that there is a limit to his takings and that, if he is to live at all, he must contrive some room for himself in between his ceiling of takings, which may descend, and his floor of costs, which so often rises faster and further than he had planned. Or does Mr Gorham think that the BBC television service should be subsidised indefinitely? He does not say. And, when anyone writes, "If the film industry joined hands with television . . . it would be possible to have both television and a film industry in countries that can now hardly afford either," he is not even stating a problem; he is skirting round it. The book reads in fact, like an expanded collection of Sunday newspaper articles.

Help on a Dull Subject

"Elementary Theory of Finance." By William Lundie. John Smith and Son. 133 pages. 8s. 6d.

THIS book is written by the Lecturer in Mathematics and Actuarial Science at the Glasgow Institute of Accountants and Actuaries and is primarily intended for students preparing for the "intermediate"—a euphemism for the most elementary—examination taken by would-be chartered accountants in Scotland. The author indicates in his introduction, however, that he has cast his net rather wider than is usual in such works in the hope of interesting those who have to deal with financial and investment problems in their everyday business.

In the event Mr Lundie has written something which is too competent as a textbook for it to fulfil any other useful purpose. Actuaries, accountants and, to some extent, bankers, are fated by their profession to carry the cross of that rather dull sort of factual examination, which most people leave behind at school, into realms of quite incredible, technical complexity. There is no doubt that many ordinary business men would do well to acquaint themselves with the ground covered by these professional examinees in the earlier stages of their journey. But the technique of guiding amateurs over the ground is a difficult one for professional instructors to acquire. Examinees need books such as this, which seeks to impress rigid formulæ on their minds (without always quite fully explaining them), which underlines the pitfalls dear to the hearts of examiners (but to nobody else) and which sets out—in one hundred and thirty-three pages of text—no less than one hundred and thirty-four mathematical exercises. But the wider audience, which Mr Lundie apparently seeks, is likely to wilt under such schoolmasterly handling.

Indian Land Problems

"The Agrarian Problems of Madras Province." By V. V. Sayana. Business Week Press. 332 pages.

DR Sayana writes rather badly and his detailed suggestions for reform are somewhat unpractical. But these are minor blemishes on the only book available in England which gives

an up-to-date picture of the Indian agricultural situation. Dr Sayana's primary field is Madras, but he has illumined his description of Madras's problems with so many illustrations from other parts of India that the book is, in fact, a fairly comprehensive review of the whole position.

India's main agrarian problems are well enough known. There are too many people on the land; there is too much tenancy and debt, and there is an increasing tension between the peasant and his landlord and moneylender. Dr Sayana's main merit is that he provides the figures and the details which give these generalisations definition. He shows how the zemindar, who was supposed to take from his tenants only a little more than he himself paid to the Government, has, in fact, been charging them anything up to forty times the land revenue. In the villages Dr Sayana surveyed, non-resident landlords held from one-quarter to one-half the land. He quotes the census to show how the proportion of landless labourers to the total number engaged in agriculture, increased from 317 to 429 per thousand in the single decade 1921 to 1931. He makes clear the extent to which the introduction of a money economy into the countryside has made all relationships fluid. There has been an average of over one million transactions a year in sales and mortgages in the twenty years 1925-1945, and reached one-and-a-half million transactions in 1943. This is hardly the static countryside of the romantic imagination.

Finally, Dr Sayana has performed a very considerable service in bringing together in one book all the main reform legislation which has been undertaken in the last half century. His discussion of the most interesting Act in the recent legislation—the Bombay Tenancy and Agricultural Land Act, 1948—is particularly valuable.

Shorter Notices

"Population." Vol. 4, No. 3. Revue Trimestrielle de l'Institut National d'Etudes Démographiques. Editions de l'INED, 23 Ave. Franklin-Roosevelt. Paris. 586 pages. 300 frs.

THE preoccupation of French opinion with demographic problems is both more intense and of longer standing than that of Great Britain. It is reflected in the excellence of this quarterly journal which offers articles of statistical, economic, historic and sociological interest deserving the most respectful study. M. Louis Henry's analysis of the relation of population structure (as against total numbers) to housing needs, is one which might well find a parallel here; M. Alfred Sauvy's warning as to the "false problem" of world population deserves to be taken to heart by neo-Malthusians and optimists alike; M. Philippe Aries opens a window of fascinating speculations on the radical change, between the 17th and 19th centuries, in accepted social attitudes to birth and death; M. J. Fricart's close and detailed study of the forces of decline in a village community points the way to a valuable field of research; M. Bourgeois-Pichat provides a logical framework to the economics of migration; M. Leon Tabah's article on the relations of sugar and alcohol production, and Mr. P. H. Karmel's statistical and mathematical study (translated from Population Studies) are strictly for specialists; the rest, including a thirty-page critical bibliography, is in no way beyond the scope of the general reader.

"Documents on European Recovery and Defence." March, 1947-April, 1949. Royal Institute of International Affairs. 150 pages. 8s. 6d.

HERE is a volume of first-hand sources in the shape of documents and speeches which diplomatic correspondents and historians will cherish. What has been so far available only in well-thumbed clippings is now presented in a durable book—the story of the treaties, declarations by statesmen, expert reports and economic agreements through which western Europe has moved towards closer association with national policies. There are only two criticisms to be made of a job which Chatham House always does well: the Franco-Italian Customs Treaty of March, 1949, is not worthy of inclusion because it is not being taken seriously; and it should have been possible to give a sketch of the defence planning machinery set up under the Brussels Pact.

AMERICAN SURVEY

Wealth to Come

(From Our American Staff)

IN spite of all the talking about undeveloped areas in the ten months since Mr Truman first made their problems and possibilities the Fourth Point of his inaugural address, the scope and practical meaning of the President's idea are still obscure. No one knows exactly what he had in mind, and there is more than a little doubt whether he himself knew. The idea was, however, a fertile one, and it has gone on pushing up a shoot here and a shoot there, some of them in unexpected ground. In the last fortnight the prevailing vagueness has been given a slightly sharper definition in two different places. President Truman's speech to the women of the Democratic Party on election night dealt with the "what" and the "why" of Point Four, as it appears to him now. A spate of prophecies from economists of various schools touch on the "how"; if their forecasts of the country's next half-century are correct, the United States can afford Point Four—if it chooses to spend its money that way.

The President's speech, almost unnoticed under a blanket of election news, is said to have been extemporaneous. Sounding like an amiable attempt to explain a complex fragment of foreign policy to a group of school girls, it was a simple and rather moving presentation of the double dream that occupies this unpredictable President—"the welfare and the prosperity of the United States of America, and the welfare and the prosperity of the world as a whole." The first part of the dream Mr Truman took for granted. The second part, he seemed to think, was equally obtainable: he talked not of ways and means, but of the historical background against which he saw it, the areas in which it might be set, the analogies from the past which illustrate what might come about.

To Mr Truman, the dream means peace. Wars are fought "for economic reasons, or because some country is overpopulated, or because some country wants some riches that another country has"; do away with these inequalities, and all will be quiet. What the President is expressing is a modern and international version of the dream of the American pioneer: the development of untouched resources into marketable products, the transforming of barren river basins into blossoming Tennessee Valleys, both to be used "for the welfare and benefit of the inhabitants of those countries, and not for their exploitation."

The job has two parts. The first is to revive those nations which invested their capital in the United States in its early days, so that American railroads might be built and American mines opened. "This country was developed by capital from France and Holland and Belgium and Great Britain," Mr Truman reminded his listeners. Later, during two world wars, that capital was withdrawn from such profitable investments and spent for American munitions to be used "in the fight for liberty." Marshall aid thus becomes a returning of bread cast upon the nineteenth century waters, a paying back

of money entrusted to a youthful land needing capital for its own development. (There was no mention of any returns that might previously have been made on that capital to the individuals who invested it.)

The second job, said Mr Truman, is to tap "the immense well" of uninvested private capital in order to develop resources which now lie idle in "Asia, Africa, in South America, in Australia and in Indonesia and all the rest of the world." The President took as an example (and he is not the first to use it) the valley of the Tigris and the Euphrates which in Nebuchadnezzar's time supported, he said, twenty-five million people "all the time in luxury," and can do it again if the requisite technical knowledge is applied.

Much of this Presidential musing (including the apparent implication that Babylonian slaves lived amid what would be recognised as luxury by modern workers) might be brushed aside as reflecting merely the expansive influence of a night when Democrats were winning elections, were it not that it coincides with a current of optimism which has sprung up in places far from the White House, and which has its source in the slow lifting of fears that have obsessed the American mind for two decades. Bit by bit the scars of the great depression are healing. Bit by bit the country is being persuaded that another shooting war is not imminent, that its attempt to keep Communism out of Western Europe is succeeding, that the post-war depression, expected soon after Japan surrendered and anticipated every year since, is not going to materialise to any important extent.

★

As for the future, economists know that the accomplishments of the scientists during the past half-century have not yet been fully exploited; the prophecies based on them dazzle the most cautious. It is twenty-one years since the theme of two chickens in every pot, and two motor-cars in every garage, was sounded by the then Presidential candidate, Mr Herbert Hoover. Citizens, bidden to marvel at the new millennium which lies just over the horizon, may be forgiven if they hear echoes of that older optimism and remember what followed.

Such scepticism does not daunt the prophets, who are gentlemen of experience and wisdom in their fields. Mr Harold Moulton, head of the Brookings Institute, considers, after years of study, that the United States a century hence may support double its present population at a standard of living eight times as high as at present. Mr Sumner Slichter,

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

professor of economics at Harvard University, "suggests" to the readers of the usually sober *Atlantic Monthly* that by 1980 the "output of goods and services of the American economy, which was \$246.7 billion in 1948, will be at least \$416 billion (in terms of present prices) and that it is more likely to be larger—probably in excess of \$550 billion a year."

Business men agree with the economists. Mr Emil Schram, president of the New York Stock Exchange, informs audiences in the Middle West that tomorrow "will be more interesting and fruitful in finance than even the past," for "capital markets will be opened by reason of the world need for capital," and the government will cease to penalise the private investor. Mr Donald Woodward, of the Mutual Life Insurance Company, tells agency managers in Quebec that the future is bright for insurance because incomes are rising and life is lengthening—the family which had \$2,800 a year in 1900 has \$5,800 a year now, and will have more than \$7,000 by 1975 (all in 1949 dollars). And *Life* magazine, studying a still shorter term of years with the aid of figures prepared by the Twentieth Century Fund, uses a series of full-page advertisements to call attention to the "Decade of Opportunity" lying ahead, and the possibilities it offers to the sellers of consumer's durable goods.

All this is heady stuff, even to the most persistent sceptic, and he is in a minority in a nation normally inclined toward optimism. It represents a long swing of the pendulum from the depression psychology of the nineteen-thirties, when the talk was of a "maturing economy," of the American frontier coming to an end, of America's need to learn to live self-contained in a static world. Its significance may be no more deep or lasting than the earlier plunge into despair. On the other hand, if the country is coming to accept the implications of the widening of its economic frontiers by wars and international readjustments, the argument that Point Four will cost too much may have less force in 1950 than it had last January.

One Year After—Connecticut

[FROM OUR AMERICAN STAFF]

CONNECTICUT, in New England, is one of the States, like Illinois and Michigan, to which the Democratic tide in last year's elections brought a new liberal administration. Small though the State is, its problems are large and, as seen through the magnifying glass of its alert new Governor, Mr Chester Bowles, they form a worthy subject for the efforts of a man who may some day aspire to be President. Mr Bowles is in many ways a big man. Enthusiasm is the breath of his life, and persuasiveness comes naturally to him. Having made a fortune in the advertising business, he retired while still a young man, became a devoted admirer of President Roosevelt, and acted as his administrator of price controls during the latter years of the war. His liberalism, grown more doctrinaire as the New Deal has faded, seems to spring from a Goethean love of all mankind—a sunny characteristic which serves him well.

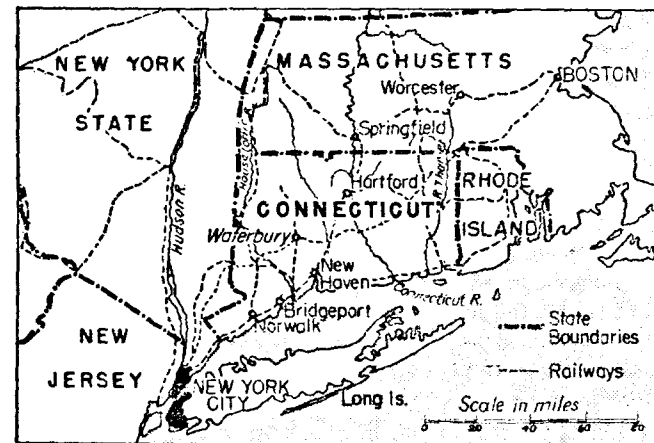
Mr Bowles was elected Governor last year on the Democratic ticket by a margin so narrow that his Republican opponents took the ballot boxes to court and demanded a recount before they would yield. His inauguration was delayed for four hours until the court's confirmation of his election was received. Even then, the Republican holders of certain minor offices, usually placed at the disposal of a new administration, clung to their jobs; several of the 169 towns into which the State is divided were treated for some

time to the unedifying spectacle of rival judges, belonging to opposing parties, dispensing justice in rival courts.

The State which gave the new Governor so grudging a welcome lies across the New York-Boston trade route, and takes commerce and colour from both. The first it welcomes, the second it deprecates. The State is only ninety-five miles long and seventy-five miles wide, but in 1662 its boundaries extended, by royal charter, to the Pacific Ocean. Some of the stubborn insistence on tradition and individual right which characterises it can be seen in its efforts to hold on to that empire; the last fraction of land outside the State to which it had any claim—a remnant of the Western Reserve in Ohio—was only yielded up this year.

The political structure of Connecticut is by no means adequate to its economic and industrial importance. The "Fundamental Orders," adopted in 1639 by the three rival sets of pioneers who first explored Connecticut's wilderness, are said to form the first written constitution in the English language. A modification approved in 1818, and still in force, secured to the rural regions the power to accept or reject further changes, by means of a rotten borough system under which any two towns, no matter how small, may out-vote any one town, no matter how large. The State motto *Qui Transtulit Sustinet* (He who transplanted still upholds) under three grape vines rampant, is not construed as applying to political innovation.

The Governor must work within this archaic framework, and within it he must deal with forces as diverse as the



Republican machine which governs upland towns no matter who sits in the Governor's chair, and the industrial workers in coastal towns who vote not only for Democrats, but in two cases, at least, for Socialists. Further complications are added by the various economic interests which exert pressure on the State government in devious ways. They include agriculture in the fertile river valleys (which produce 18,000 acres of the most valuable tobacco grown in the United States), insurance in Hartford (twenty-six of the big companies originated or have offices in the State) and manufacturing in the southern tier of towns along the coast (which adds \$1.9 billion to the value of the raw material used). Combined, they created the \$4.5 billion of goods and services produced within the State in 1948.

The construction of this lively economy, within an antiquated political structure, has resulted in a degree of political corruption which is hardly a secret. A critic writing as early as 1907 observed that Connecticut "illustrates the tendency of capital, centralised in private control, to assume control also of government." Fifteen years later another charged flatly that "the electorate is corrupt," and added: "Election

Day is a biennial harvest. The Republicans are the usual purchasers." If this is still true, Mr Bowles, a Democrat, may owe his election to the Republican tendency to underestimate the power of the independent voter.

Faced with the sorry complexities of this situation, the new Governor started on a programme of self-education which is widening to include both the other leaders in the community and the led. Elected in November, 1948, he found himself expected to produce a legislative programme and a budget to pay for it when the legislature convened on February 1, 1949. Examining former budgets, Mr Bowles found them "neither complete, nor comprehensible, nor prompt." State practice was to provide legislators with a slip of paper bearing in round figures the amounts that each department intended to ask for. On this basis the political trades were made, and the totals of approved items, added together at the end of the session, became the "budget" for the next two years.

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Mr Bowles, stirred by the challenge, believing that "the executive budget should be a vitally important instrument of government," enlisted in Hartford a small group of devoted burners of midnight oil, and set to work with them. When the legislators arrived in February, they found on each desk not one sheet of paper, but a volume of a hundred sheets, printed in big type and with plenty of charts, bound so that it would lie flat, containing a detailed analysis of the State's income, its tax structure, the programmes of expenditure already under way, and the recommendations of the new Governor. The volume even included the text of a proposed Appropriation Bill, complete to the last detail, for each department. This analysis of state finances and state needs was presented with such simplicity that any citizen could understand it, and those who wished to circumvent it would have to do so in a glare of publicity. The glare distressed the legislators, but did not defeat them. They took refuge in devious subterfuges and, although the biennial session technically came to an end in June, the Assembly has not yet passed anything which could be called the budget for 1949-51.

The Assembly did, however, pass the appropriation of \$49,000 requested by the Governor for a "survey of all the functions of government—legislative as well as executive." A Committee on State Organisation has been set up, composed of leaders in industry, education, insurance and other fields. Under their guidance, study teams, each having the advice of an expert (and in choosing them the Committee has not confined itself to Connecticut residents) are now at work reaching into the farthest corners of the State. Field studies are expected to be finished in late 1949, with a consolidated report to be ready about March, 1950. There is every reason why this could become a powerful campaign document if Mr Bowles decides to run for another term, but that is not the primary reason for its existence.

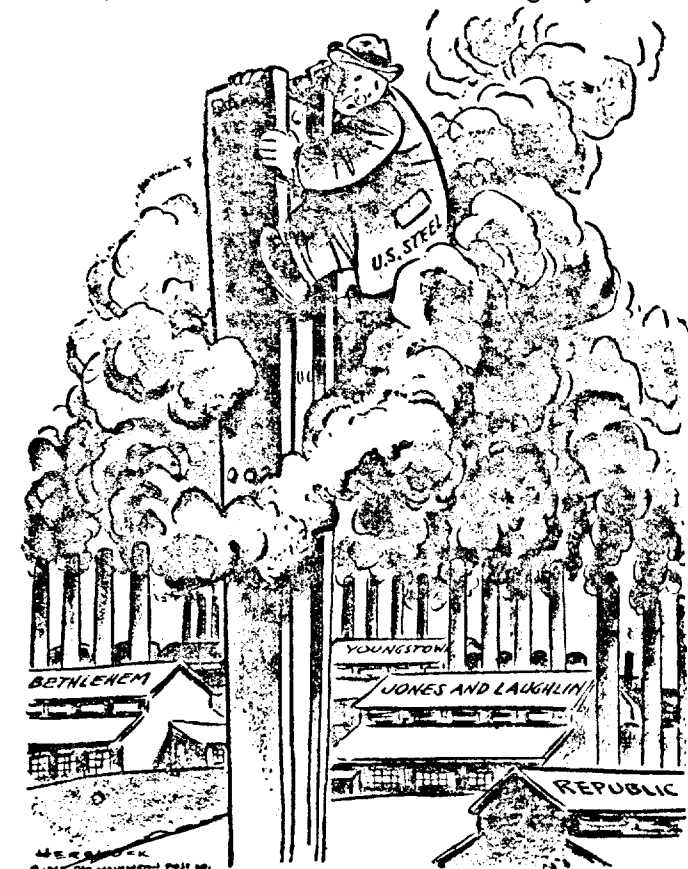
The Connecticut Committee has taken the lead among the state committees on reform, which have been created, in large part, as a result of Mr Hoover's attacks on the cobwebs in the federal Government. The new techniques of analysis being used in Connecticut are attracting wide attention. Since the first world war, the trend in the States has been towards reform of the executive, while legislative inadequacies have been passed by. If Connecticut can improve both, it may wipe from the record the judgment of 1907 which has been so often quoted: "The State's chief pride is in its inability to move forward."

American Notes

Climbing Down in the Strikes

Even a giant can be smoked out and, once its competitors' chimneys showed signs of life, the US Steel Corporation quickly climbed down from its obstinate refusal to negotiate with the steelworkers. The strike was brought virtually to an end by this capitulation of the company that produces one third of the country's steel. The corporation signed on the same pension and welfare line as the Bethlehem Corporation and the rest of the steel companies. The new contract is binding for two years and, from rough calculations, it appears that it will cost about \$3 a ton of steel. It is difficult, for the companies, at least, to see how a rise in the price

"Maybe It's A Little Cool For Pole-Sitting Anyhow"



Herblock in the Washington Post

of steel can be avoided, especially as other costs have gone up in the 16 months since the price was last increased.

This welfare plan seems to have a sounder actuarial basis than the one which Mr Lewis established for his coal miners in 1946, and which is financed by a royalty of 20 cents on each ton of coal mined. Approaching bankruptcy stopped the payment of pensions in September and provided the excuse for the coal strike, which cut the royalties almost to the bone. The Supreme Court last week dealt a direct blow at the union's own purse, by refusing to review Mr Lewis's conviction for contempt of court in 1948, when he kept his men out of the mines in spite of a legal injunction. The fine of \$1,420,000 had, therefore, to be paid and another fine will be inevitable should this year's strike involve similar defiance of an injunction. Such government intervention was imminent when Mr Lewis suspended the strike last week; attempts to split the coal owners had only made their front more solid; hunger and boredom were weakening Mr Lewis's hold over his miners, almost for the first time.

It is not, therefore, surprising that the giant of labour also decided that, after seven weeks, the time to climb down had

come. But Mr Lewis has only put one foot to the ground. He sent the miners back to work, to relieve the public distress—and to earn a little money for Christmas. But he warned the nation that the strike would be resumed if no settlement had been reached by November 30th. The Administration, however, has no intention of letting Mr Lewis get away again and the President has now taken over from the federal labour mediators, who were no more successful than the coal owners in discovering what the miners want. Mr Lewis has only let it be understood that higher wages, shorter hours and another 20 cents a ton for the welfare fund would not come amiss.

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Facts in the Far Eastern Dust

The three official receivers, who have been examining Far Eastern affairs since last August when the State Department filed its petition in Chinese bankruptcy, are about to present their re-organisation scheme. Final details may, however, be delayed until Mr Jessup returns from his projected field trip to the Far East. Meanwhile, the dust is settling in China, as Mr Acheson has been waiting for it to do, and it is possible to distinguish a number of facts on which Far Eastern policy can focus.

One of these is the Japanese peace treaty, although it is still in the "working paper" stage; the State Department, unlike General MacArthur, has not yet declared its position on this question, but there is a strong feeling that Japan must quickly be restored to normal relations with the rest of the world if its friendship for democracy is to be ensured. The new Chinese Government's dislike of democracy has been demonstrated by its treatment of American consular officials. These arbitrary arrests are one reason why the US Government is not yet prepared to recognise the Communist regime, even though further delay may involve falling out of step with Britain. Mr Acheson has also promised to consult Congress before withdrawing recognition from the Nationalist Government, and Congress is in recess until January.

President Truman, who is said to be taking as keen a personal interest in China as he did in Palestine, has been presented with \$75 million of military assistance funds, to spend as he thinks best, in the general area of China. The smallness of the sum is in inverse ratio to the number of suggested uses: amongst them are help for Americans stranded in China; military equipment for Tibet, whose independence of China may be recognised before long; military aid for Indo-China, presumed to be the next Communist target; and assistance for the Indonesian Republic.

Some form of financial help coupled with recognition of the Indonesian government are expected to provide speedy evidence of approval for this successful end to a revolution which has always been, unofficially at least, after America's own heart. The United States, it is widely held, must help the new republic to prove that freedom does not, in the Far East, mean Communism. The neighbouring Filipinos have just polished up their halos with their voting papers; not only did they refuse to be led astray by Communism, but they re-elected the favourite President Quirino, in preference to the ex-collaborator, anti-American Señor Laurel.

Another way in which "the revolt of Asia" can be handled with the "fine discrimination," for which the *Washington Post* has called, has just been tried. Mr Nehru's invitation to visit the United States was an attempt to bring India, with Pakistan the strongest and most stable centres of western influence in the Far East, into the American connection. But both Mr Nehru's refusal to commit himself on active opposition to Communism and the difficulties being met in negotiating a commercial treaty with India show that to woo the East is not to win it.

\$50 Gold?

Not even President Truman, apparently, can stay the rumours of a much higher dollar price for gold. Fostered by Congressmen, and by radio "experts" whose knowledge of monetary matters is usually in inverse ratio to their value as broadcasters, these rumours have become the strangest sequel to the world-wide devaluation of currencies in terms of the American dollar. Against them, Washington has brought its biggest guns to bear. Repeated denials of any change in policy have been made by Mr John Snyder, Secretary of the Treasury. Mr Thomas McCabe, Chairman of the Board of Governors of the Federal Reserve System, has joined combat, and finally Mr Truman himself has dismissed the rumours in the most categorical terms. But they persist, and they derive some strength, at least, from the way in which European central banks have shown, since devaluation, their decided preference for gold against dollars.

In the propagation of these stories, the gold bulls do not lack material on which to work. There is an open—and a perennial—bid for a higher gold price by the domestic gold producers, who carry little weight in Washington, but who can rely upon valuable publicity. There is an abiding school of "hard-money" theorists who advocate the abandonment of "managed money," the restoration of gold coinage and an "automatic gold standard." But the real foundation for the present campaign is supplied by two contradictory considerations. The first is the possibility that inflation in the United States will again become so strong that the dollar itself will become an overvalued currency. The second is that deflationary influences will develop to the point at which "a shot in the arm" will be necessary.

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Whatever may be the longer-term consequences of devaluation, the first of these theories is in such plain contrast to the facts of 1949 that it can be dismissed out of hand. Nor do deflationary causes provide any more rational foundation for a possible revision of the gold price. The reserve requirements of the commercial banks have been reduced sharply this year, but they are still much above the standards prevailing for many years, and they can be cut again, and cut substantially. These banks (in round figures) hold \$70,000 million of Treasury securities, all of which provide reserves, dollar for dollar, for multiple credit expansion. The Reserve System itself holds a reserve of gold certificates equal to almost 60 per cent of its combined liabilities in notes and deposits, against a legal minimum of 25 per cent. Here is a base for credit expansion wide enough to blow the roof from the US economy. But the rumours go on.

Perhaps the most solid ground upon which they stand is the opportunity which devaluation would give to the US Government to take the "paper profit" and to use it, either for the finance of a spectacular operation designed to bolster debtor nations on the return to convertibility, or for the purpose of debt redemption, or the finance of a budgetary deficit on the grand scale. Such a profit would amount to \$6,000 million with gold at \$43 an ounce, and \$11,000 million at \$50, the highest level to which the gold bulls presently aspire. It is not impossible to imagine circumstances in which such an operation with its "painless tax yield" would become an enticing one for Washington. But equally, it is scarcely possible to believe that it is within sight.

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Bosses on the Run

Three notorious political machines, two of them Democratic and one Republican, received damaging defeats in the elections last week. Two ancient Democratic bosses, Mayor Curley, of Boston, and Mr Frank Hague, of Jersey City, suffered what can hardly fail to be the *coup de grâce*, while Philadelphia, for half a century "corrupt and content," wit-

nessed the beginnings of revolt against the Republican machine. Registered Republicans outnumber Democrats by three to one in Philadelphia, but not all the machine's efforts to call in reputable candidates at the last minute persuaded the voters to overlook the revelations of embezzlement and fraud during the past two years. The Democrats won four non-policy-making city jobs; the real test will come in two years' time when elections for Mayor are held.

In Boston, where the Irish vote seemed to endow Mayor Curley with eternal political life, he has been defeated by another Democrat, Mr Frank Hynes. Mr Curley was the victim of the split vote which in the past has often served to divide the opposition. He polled the highest vote of his career, but Mr Hynes did better, with the aid of Mr Tobin, Secretary of Labour, once Mr Curley's aptest political pupil and later his most effective adversary. Boston welcomed Mayor Curley back after he had served a prison sentence for mail fraud, during his fourth term, but has declined to give him a fifth. But as a precaution against his political resilience—even at 74—the voters decided to transfer some of the Mayor's powers to a new city council, after 1951.

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The re-election of Governor Driscoll in New Jersey gave the Republicans their solitary substantial triumph, and it was well deserved. So liberal that some conservative Republicans deserted him as a "Fair Dealer in disguise," Mr Driscoll in his first term replaced the state charter with a new constitution which gave New Jersey an efficient modern government, outlawed racial discrimination, and guaranteed the right of collective bargaining. Some Republicans even see a moral for their party in the Driscoll triumph on a record of efficient, humane, and constructive rule. But it was also due to the collapse of the Hague machine.

Defeated in Jersey City last May by Mr Robert Kenney, the election for the governorship represented the last chance for the Hague machine to regain the ground it has steadily been losing since 1942. The prize was made more glittering by the increased power of appointment given the Governor in the new constitution. But the loss of Jersey City to an anti-Hague Democrat, with ambitions to succeed Mr Hague as the state Democratic boss, scotched this plan; Governor Driscoll was the first Republican to carry Jersey City since 1920, and his lead there made the difference between victory and defeat. The campaign of the Hague candidate, Mr Wene, could also have been hardly more inept. The attempt to enlist Catholic support for legalising bingo—the gambling game which elsewhere makes a substantial contribution to church revenues—alienated the rural Protestant vote. And Democratic billboards proclaiming "It looks like Wene" cried out for the Republican postscript: "But it's really Hague." When the returns were in, Mr Hague announced the final retirement from politics which the voters had ordained, and even offered to relinquish the vice-chairmanship of the Democratic National Committee that he still holds.

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California, Land of Cotton

The "Maid of Cotton" was crowned last February at Memphis, Tennessee, as usual, but she came from California, recognition at last that cotton has gone west. Texas alone is expected to produce more than a third of this year's crop of 15.5 million bales, and with California, New Mexico, and Arizona will account for nearly half of it. The land where cotton once was king, east of the Mississippi, will supply less than 30 per cent of the total. California, with an expected yield of 1,300,000 bales, has become the fourth largest producer.

Cotton now means more to California than oranges and lemons; and the Golden State characteristically produces bigger and better yields, at lower cost than its rivals. Until this year much of California's cotton, deprived of its prewar market in the Orient, has gone "into the loan"—the federal

price support programme which is responsible for the great increase in cotton acreage and the new cotton fortunes in the west (and, in part, for declines in consumption). This year, however, there has been enough of a new variety of seed—Alcala 4-42, perfected by the Department of Agriculture—to make its use compulsory for all farmers, in order to protect the purity of the strain.

The crop now being picked has qualities which command slight premium prices and attract private buyers, no mean feat in a year of glut. Alcala 4-42 has a longer and stronger staple than earlier varieties of Alcala; it ripens earlier and carries its bolls higher, which facilitates mechanical picking. To complete California's satisfaction, Alcala is a stay-at-home; it does badly elsewhere.

Apart from Alcala's virtues, the heat and rich soil of the San Joaquin Valley have proved ideal for cotton, while its aridity repels the boll weevil. The cost of driving the deep wells, on which irrigation depends on the Valley's west side, and in Texas, is prohibitive to all but large-scale producers, but with capital for water and machinery, cotton can be grown in the west at a cost estimated to be one quarter of that in the "one acre, one mule" economy of the south. Only a few voices have warned that eagerness for quick profits may be robbing the future of its water.

But the cup is about to be dashed from California's lips. National production of cotton this year is expected to exceed domestic consumption and exports by about 3,000,000 bales, resulting in an expected carry-over next year of over 8,000,000 bales—a full year's home requirements. Cotton growers, therefore, will be asked, on December 15th, to approve marketing quotas and acreage allotments designed to reduce next year's crop by more than 20 per cent; if they refuse, federal price supports will drop from 90 to 50 per cent of parity. California, the newcomer, will suffer a greater cut of 33 per cent, for acreage allotments are to be based on plantings in the years 1945-48. Millionaire growers will not be the only victims. Although 15 per cent of California's crop is being picked by machine, some 115,000 itinerant pickers will round off this year's work in the cotton fields of the valley in which John Steinbeck set his novel, *The Grapes of Wrath*.

Shorter Notes

As the hundred-thousandth Displaced Person landed in the United States, the Senate's failure to amend the DP Act bore fruit. The DP Commission announced that it could no longer defer adjusting the number of the various types of refugees to the percentages required under the Act; until now it has paid little attention to these, in the hope that they would be removed and in order to keep up a steady flow of admissions. As a result only 31 per cent, instead of 40 per cent, have been of Baltic origin and only 26 per cent, instead of 30 per cent, have been agricultural workers. Now 84 per cent of the next 100,000 DPs must fall into one or other of these categories, which make up only 40 per cent of those remaining in the European camps.

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Just before Congress adjourned, it authorised the Commodity Credit Corporation to make up the difference, of about 40 cents a bushel, between the domestic price of wheat and the lower rate at which it is exported under the International Wheat Agreement. Marshall dollars may now be used to buy wheat at the treaty price; previously only free dollars could be used and exports had been running at a very low rate.

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Harvard, recognising that since women are equal to men in the eyes of the law they should have equal opportunities to study it, will admit women to its Law School, beginning next year. This, one of the most famous law schools in the country, is also one of the last to admit women.

THE WORLD OVERSEAS

No Confidence at Kongwa

(By a Correspondent Recently in Tanganyika)

THESE is one factor above all which has led to the sad pass in which the groundnut scheme now finds itself. It is quite simply lack of leadership. At no point has there been genuine respect for, or trust in, the wisdom or competence of the directors of this enterprise.

Take the bare facts—an expanse of poor land, a plan for quick mechanical cultivation, the glorious prospect of extension on a twentieth-century footing of the spirit of empire building and pioneering. Certainly those are difficult ingredients to throw together, but two very positive items were added to the mixture—an astronomical financial backing calculated airily in millions, and a number of keen technicians and administrators, still flushed with pride at having helped to win a world war. What was lacking? A master hand to galvanise the enterprise and reconcile the difficulties within it.

It is inevitable in any discussion of the groundnut scheme that mention be made of the original White Paper. It stands to politicians much in the same relation as the Versailles Treaty did to Hitler. It is a useful oratorical jumping-off point that has little relation to today's problem. It does, however, point clearly to the muddled thinking that has all along entered into the consideration of this project. A short, swift survey was undertaken. The chances of the results of the report being anywhere near right were a gamble—necessarily—but worth taking at a moment when constructive action was so badly needed for economic and psychological reasons. Throughout Africa, across public bars, and from worn chairs on mosquito netted stoeps came a rumble that should have been a warning. But the fearless planners ignored it. What did old-fashioned farmers and back-water business men know about the splendid new victory mechanics had won over nature? Science and caterpillar tractors hand in hand could meet the worst that Africa might put up against them. To pay attention to gloomy forebodings of old fogies was to show a lack of faith akin to treason.

Little Credit for the Workers

On that basis the scheme was launched. It is difficult to sort out who deserves blame for what. The Overseas Food Corporation took over responsibility in April, 1948, from the United Africa Company, who had started the project until such time as the newly formed Corporation was instituted and ready to assume its task. The Corporation was handed a sticky situation. Things had not gone according to plan, but the attitude that was allowed to percolate through was: "Never mind, UAC have handed this mess on—blame them for anything that has gone wrong. We'll change all that; wait and see." This call was welcomed by the workers on the spot, who knew things were going wrong, and who were more concerned to get the position righted than they have ever been given credit for. Hope that strong measures would be taken and a lead be given did not, however, last for long; and gradually the UAC scapegoat had fewer floggings and even some champions harking back to the good old days.

The disintegration that comes quickly when an unsure atmosphere takes hold, set in and has never been checked. Throughout its early history the groundnut scheme was regarded and run as an operation of war—with the implication that the cost need not be counted. But imagine an

army corps with no code of discipline, an ill-defined chain of authority, demoralising orders and counter orders, occasional short visits from the CIGS publicly countermanning rules and regulations—some purely domestic—which had painstakingly been agreed and accepted. Add to this the awareness, which can never be hidden from all grades, that the powers-that-be were (and still are) at variance with each other. It only takes the added factor of spasmodic political interference overruling all else, to produce chaos.

Resignations of Good Men

Anyone who has lived and worked on the groundnut scheme—how unfortunate it is that distinguished visitors are so blinkered by the pressure of their programmes and the speed of their transit—would agree that bewilderment and disillusion are and have been the prime sentiments shared between all grades. This is the tragedy. Many good, vigorous men saw the writing on the wall and took themselves off to jobs elsewhere. Almost for certain they stayed in Africa, for once having experienced life in that country they were bitten with it. It was not the hardship of dust storms or the grilling sun that prompted them to move.

At monotonously regular intervals there have been bursts of conscience-stricken energy from on high. Purges have been introduced in the name of reorganisation. The words "retrenchment" and "redundancy" have rung intermittently across the dusty acres and still echo faintly. No one questions the need for such stocktaking, but it may be held that here prevention would have been better than cure. There have been instances, and repeated ones, of employees of excellent credentials and experience arriving bursting with keenness in their new khaki shorts and bush hats, left kicking their heels in the red dust for weeks, and then being told they are redundant. So home they went, all expenses paid by the long-suffering taxpayer. Rather naturally when they get home they spread the word that it is a poor show.

It is horrifying and depressing to a degree to feel insecure in one's own job, not because of taking a venturesome risk which may not come off, but because one is involved in a bureaucratic organisation where mediocre values are acceptable. General conditions may be bad enough, but the worst drought or cloud-burst is less damaging than finding oneself involved in an action which is questionable on grounds of wisdom, need or rightness, purely because a political question raised 3,000 miles away convinces the authorities, against the advice of the experts on the spot, that it must be done. Everyone forced into acceding to such a practice or taking part in it loses respect for the source of such orders, and themselves become muddled in carrying them out.

Lack of respect has done fearful damage to the scheme. When one is in the middle of it all one finds out quickly enough the few personalities who have the power of inspiring this first essential of good organisation. They stand out head and shoulders above their fellows. They have their own personal tug-of-war in trying to fight for the principles in which they believe, and they are tempted to clear off to other fields where they can do their work without this fight against dictatorial ignorance and obstinacy. A reasonable man begins to despair at the low standard of efficiency, and

even intelligence among his colleagues, until he realises that he himself is not giving of his best, since no one seems to encourage it. No amount of planning, good, bad or indifferent, can ever come to life without the yeast of inspiration.

Five minutes of the technique which Field-Marshal Montgomery knows so well would have changed the picture completely. He could not have raised acres of nuts perhaps, but he would have explained what was happening on a basis of truth. One clear statement that could be accepted by the men whose lives are wrapped up in the success or failure of the venture, and by the great public watching the progress of British colonial development would have saved morale. So far one story has been served up for the public, quite another to the workers—if indeed they have been told anything at all. No wonder there has been mistrust and lack of confidence.

This lack has been crystallised at least twice in the space of one year, in the form of a signed round robin statement of "no confidence" drawn up by a number of responsible heads of departments who have clearly demanded better guidance. Nothing has happened, of course, except a further breach in the already flimsy fabric of authority. The reaction has been a degrading "fend-for-yourself, there is £23 million in the till and nobody cares anyway" attitude.

A Commission of Inquiry is long overdue. It cannot do much about the accounts now; that is a situation that can be deplored but has to be written off. It could insist on a chance being given for enthusiasm, faith and loyalty to be infused throughout the groundnut scheme. This will only come through sincere, firm and consistent leadership, commanding respect for the whole project, and restoring self-respect to those in whose hands the future lies.

Self-Help in Sicily

[FROM OUR ROME CORRESPONDENT]

Six years after its brief celebrity as a world battlefield, Sicily figures in the international and even in the Italian news chiefly as the home of the bandit, Giuliano. In reality the "Giuliano zone," as understood by the police, covers only about the tenth part of the island's surface, embracing, unfortunately, the outskirts of the capital, Palermo. As a very rough generalisation the Palermo end of the island is poorer and wilder than the Catania end. These two big cities, the former loaded with architectural splendours of all ages, the latter a dignified but bustling commercial and university town, contend for the moral leadership of the 4,500,000 inhabitants of the island. Together with Messina, the gateway to the mainland, the big cities house a quarter of the population. The characteristic Sicilian unit is, however, the township of about 10,000 people. It is usually built on a hilltop with a baroque Cathedral and several baronial mansions, only some of which are occupied. Most of the

peasantry live in single street-level cavities which serve the large families for all their needs, and the donkeys for dormitories. But the population appears to the rapid glance of the tourist to be neither ill-clad nor unkempt nor devitalised. It is increasing by some 40,000 yearly.

A great deal of conversation in Sicily turns upon historical injustices. Of the conquerors who have held Sicily in the past two and a half thousand years, the Saracens alone have left a good name as stewards of the land, and the inclusion of Sicily in the modern Kingdom of Italy is held to have been disastrous. Publications sponsored by local Sicilian authorities display with graph and statistic the contentions that Sicily's share in the industry and shipping of the whole Kingdom abruptly diminished after the unity, that its part in the public works and improvements financed by the state has always been puny, that the island steadily earned an export surplus in foreign trade which was swallowed in the Kingdom's persistent import surpluses. Sicilian savings are held to have been drained away to enrich the north, and northern companies to have acquired Sicilian enterprises to stifle them. A typical story tells how the insurance companies from the north brought up compensation rights of the Messina earthquake victims early this century and gained cheap possession of the best street sites. One even hears that Giuliano has been written up in order to keep Sicily out of the lucrative tourist market. If these grievances are sometimes fanciful, acceptance of the general thesis that Sicily has suffered neglect and high-handed overriding of its interests has been forced on the "Continent" by the demand for severance which sprang up in Sicily in the wake of the Allied landings in 1943.

Separation from Italy

The Separatist movement, supported both by Catanian progressives, who in 1944 viewed Victor Emmanuel and Badoglio as camouflaged Fascists, and by Palermo noblemen who a year later anticipated a social revolution on the Italian mainland, strongly impressed the authorities of Allied Military Government who appointed one of the leading exponents of separatism to be Mayor of Palermo. Civilian contacts between Italy and the island, reduced in August, 1943, were only very gradually resumed. The Badoglio and subsequent governments despatched High Commissioners to try to stop the Separatist rot, and an experienced Christian Democrat politician, Salvatore Aldisio, himself a Sicilian landlord, finally did much to forge a substantial Christian Democratic link between island and mainland. This political group now controls the Sicilian Regional Government which enjoys autonomy within the limits of a Regional Constitution which obtained recognition by Rome in the summer of 1946.

The militant Separatist movement supported some guerrillas in the mountains at least until late in 1946. Its political head, Finocchiaro Aprile, sat in the Rome Con-

I heard it from a Crossword Fan
Who cried when watching cricket,
Who heard it from an Uncle
In an upper-income-bracket,
Who heard it from a Perfect Gent
Who tried to pick his pocket -
He said it was in

this week's

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stituent Assembly in 1947. He there attempted to explain away the previous demands for total severance, claiming to have advocated Sicily's inclusion in an Italian confederation of autonomous states. He had actually demanded a "Mediterranean" Confederation. Signor Aprile is now out of affairs, while his senior comrades are in different stages of grace—one a member of the Regional Government, another recently subjected to police visitations at his stately home, and a third in prison. Meanwhile, that ancient counterpart to misgovernment and absence of government in Sicily, the Mafia or "Honoured (Secret) Society" for self protection against official and private violence, impinges powerfully upon property and affairs. According to the local Communists, the Mafia is now controlled from the other side of the Atlantic by a tough group of Sicilian Americans charged with facilitating the tasks of a future American military occupation when Sicily once again becomes a strategic keypoint. But the Mafia probably has no connection with the higher Separatist leaders except when extorting money from them.

The powers made over to the Regional Government and Assembly of Sicily are quite wide enough to endorse the Sicilian view that they are political, and not merely administrative. The Regional President, who is also Premier, provides for the maintenance of order. The delimita-



tion of the territory into provinces is suppressed, and the region may set up such local government units as it thinks fit. A clearing house at the Bank of Sicily is empowered to devote to the requirements of the Sicilian Region the foreign exchange resulting from Sicilian exports, tourism, and emigrants' remittances.

Taken at face value the first two provisions mentioned would eliminate the Italian Minister of the Interior, who commands the prefects in each province, while the last would detach Sicilian finance from the lira exchange system. None of these provisions have been put into force. Transference of responsibility for order is in voluntary suspense because the region does not feel equal at present to the task. (The campaign against Giuliano is being conducted by a special force of mainland Carabinieri.) Abolition of the provinces waits upon a discussion whether this really implies abolition of the prefects who have in Sicily perhaps more than anywhere else represented the severity of officialdom. An attempt to implement the exchange independence provision seems to have been given up in a few hours when it was suggested by Rome that Sicily would be asked to pay for imported supplies coming from Italy in foreign currency.

The Sicilian Government is, however, installed with considerable splendour in the royal palaces of Palermo, surrounded by remnants of the island's national history and backed by an Assembly which boasts its descent from a Parliament with many centuries of intermittent traditions. It has taken over, or is taking over, a large part of the

administration of public works, education, and other Government branches. The regional constitution, however, can evidently mean a great deal or very little according to the political forces of the moment.

The Palermo political world is a small one and its brilliant cultivated members may be more at home in history and jurisprudence than in administration and economics. Their leading men and the mayors and notables throughout the country seem to be fired with genuine progressive ardour and one feels that it will not be their fault if for another generation Sicily continues to force its peasants to trek many miles each twilight because rural settlement lacks the necessary basis of water, side roads and reasonable safety. The literature put out under Regional Government auspices shows a determination not to gloss over the painful and backward features in the life of the people, but to stir public opinion by portraying them dramatically.

Disappointed Danes

[FROM OUR COPENHAGEN CORRESPONDENT]

UNLIKE his fellow social democrats in Norway and Sweden, the Danish Premier, Mr Hedtoft, has no majority in Parliament. His government has to rely on support from the *bourgeois* parties. During the last two years he has managed to get it—but now and then with such poor results that he felt himself "more like a messenger boy coming with fine bills which the other party leaders altered beyond recognition" than as a leader of a vigorous labour movement. Encouraged, however, by the success of the Norwegian social democrats in the recent elections, he obviously sought, when Parliament met this October, for a situation where he could appeal to the country.

The Opposition, however, gave him no chance. The Farmers' Party (*Venstre*), the leading opposition group, split. One section, headed by the party's leader, called the Government's policy "detrimental to the country." But the majority, under the leadership of the former Minister of Finance, Professor Thorkil Kristensen, was willing to co-operate with the Government on a practical basis. They consider that in the present economic circumstances Denmark ought to have a coalition government; by abstaining from voting they secured for the Labour Government an unwelcome vote of confidence.

Desire for Free Trade

Whether the Government will be able—or will want—to continue under these circumstances will be decided by temperament and political flair, no less than by the economic situation. The former two questions are imponderables, but Mr Hedtoft is a cunning politician who may be relied on to take his chances. No crisis could arise on the devaluation—*Venstre* and the Radical Left here followed the Government wholeheartedly—but on November 15th two important laws expired. These affect the control of supply and of prices. The Opposition considers that the principles of liberal, free trade are involved; they object to the insulation of the Danish market from outside competition and to the retention of Danish industry on an artificial basis. Furthermore, they oppose the continued delegation of Parliament's power to the cabinet. For their part, the Government say that they have cancelled as many wartime regulations as they justifiably can; out of 18 rationing orders made after the war, only six are still in force. If Denmark abolishes what is left of rationing—on butter, margarine, sugar and meat, for instance—this will mean losses in foreign currencies, even hard currencies, which the country cannot spare. But, short of a technical hitch over some unforeseen minor question, there is no reason to expect that Mr Hedtoft's minority government will not remain in power for the present session.

At the same time as the hectic debates in Parliament, the Anglo-Danish trade discussions started on October 11th. As has already been reported, it was decided after eleven days to prolong the current agreements and to begin new negotiations in London at about the turn of the year. This postponement was suggested by the Danes from two motives. One was selfish: the complexities of the situation made it preferable to wait for a more precise view of the market's reaction to devaluation. The other was altruistic: in the middle of Britain's economic crisis Denmark would not press for higher prices.

Higher Prices for Raw Materials

That devaluation in the long run will necessitate a change in prices in the long-term agreements for butter, bacon and eggs exported to Britain is inevitable. The raw materials—feeding stuffs, oilcakes and artificial manure—are bought in dollar countries, while exports are paid for in sterling. Nevertheless, it meant immediate sacrifices for Denmark to continue the agreements. Prices in the devaluing countries are generally rising, while Denmark, under the current agreements, automatically gets lower prices for agricultural exports to Britain.

Although it was not actually promised during the first round of the negotiations, it was understood that Britain would not increase the prices on such goods as were not affected by the devaluation—coal, coke, steel and so forth. The surprise was very great, therefore, when Britain only a week later put 10 shillings on to the price of each ton of exported coal. The Danes were prompt to express official regret at this unfortunate move. First of all it will mean that the Danish Government will almost certainly have to ask for new negotiations immediately: the long-term agreements include a clause which gives both parties the right to ask for a revision of prices if the economic situation changes

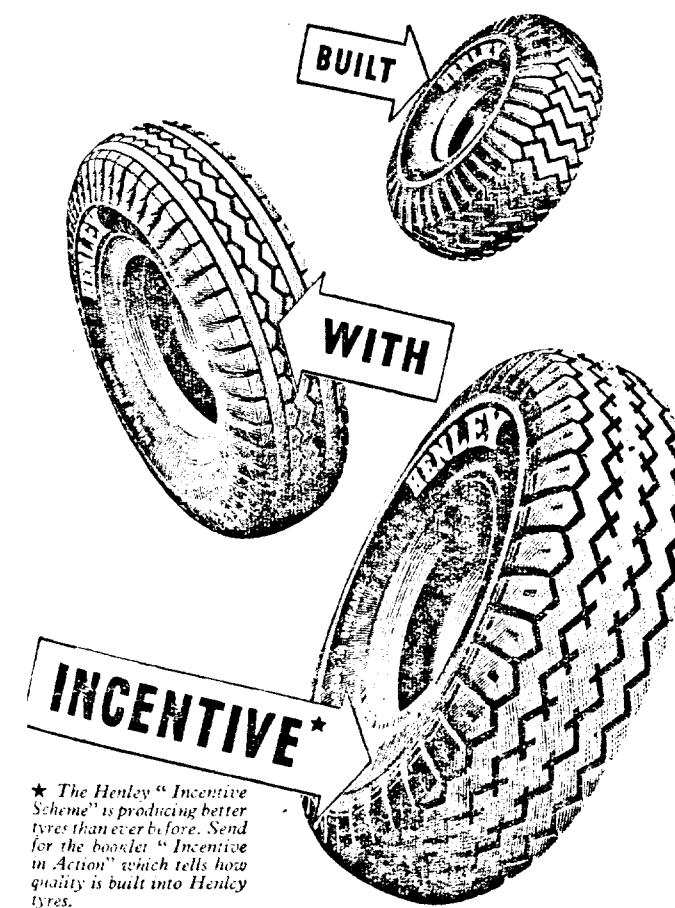
fundamentally. Furthermore, the Poles, who have been suppliers of an important part of Denmark's coal, are likely to get their demand for a 25 per cent increase in their coal prices accepted (as they have in Sweden).

New Markets for Denmark?

Denmark is bound to deliver a certain percentage—up to 90 per cent.—of its total agricultural exports to Britain, but the new situation will mean that Denmark, as it cannot afford to have a production based on dollar prices with payment in sterling, will not further increase agricultural investments. It will be more interested in increasing commercial intercourse with third countries, such as France, which is now able to export coal, steel, petrol and so on at favourable prices, and even South American grain and oilcakes at sterling prices.

Denmark was one of the first members of the sterling group. After the war all parties agreed to conclude export agreements with Britain on terms which were worse than those to be had with third countries. It was a trade policy based partly on sentimental feelings—a little gratitude to Britain for its sacrifices during the war—and partly on a long-term and traditional policy. Moreover, during the present economic crisis, Denmark has felt itself linked to Britain. Nevertheless, it cannot afford simultaneously to continue exporting to sterling countries at pre-devaluation prices goods on which dollars have been spent and importing from sterling countries at dollar prices.

One may, therefore, say that developments after the devaluation of sterling, brought to a crisis by the British decision on coal prices, have created a feeling in Denmark somewhat analogous to that witnessed in France and elsewhere on the Continent: a feeling that Denmark should not join with Great Britain economically as fully as it did before, and that it would have a better chance by looking for contacts with other countries.



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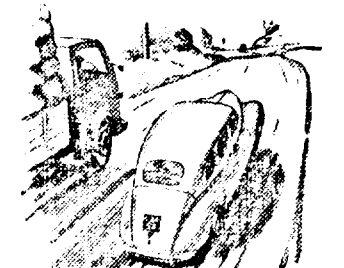
It's a good road now. But there have been bad patches; they got lost in the torsion bar suspension, and not a kick in the steering. Only your eyes noticed.

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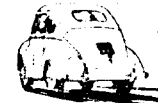
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Civil War Threats in Colombia

[FROM A CORRESPONDENT]

COLOMBIA is tottering on the verge of civil war. The rivalry between the two traditional parties has reached such a stage of bitterness that it threatens to divide the country into two opposing military camps. The root of the trouble goes back to the election of 1946. At that time the Liberal Party, which has the allegiance of a majority of the people of Colombia, and which had been in power since 1930, was seriously split, and therefore lost the presidential election. There were two Liberal candidates, Gabriel Turbay for the more orthodox and moderate faction of the party, and Jorge Eliecer Gaitan for the more left-wing element, and as a result the Conservative Party's nominee, Mariano Ospina Perez was elected chief executive. Fearing trouble, the new President immediately invited his Liberal rivals to join him in a National Union Cabinet. This was agreed upon and a Liberal-Conservative Cabinet remained in office until early in 1948, when the Liberals withdrew as the result of pressure on the part of Gaitan, who had now become the chief figure in the Liberal Party.

Disaster then struck. On April 9, 1948, Jorge Eliecer Gaitan was assassinated and within a few hours, Bogotá, which is a predominately Liberal city, had arisen in a spontaneous rebellion. In a raging fury the mobs attacked the principal centres of Conservatism in the city, including the Archbishop's palace, and the headquarters of the Conservative paper *El Siglo*. The mobs also pursued the leading figures of the Conservative party, including Laureano Gomez, then Foreign Minister and presiding officer of the Inter-American Foreign Ministers' conference. In the course of this search, the building in which the conference was meeting was set on fire.

Had there been real direction given to this uprising the government would certainly have fallen. The Liberal leaders hesitated, however, and the Communists were too weak to do much more than see to it that a few places against which they had a special grievance were burned. As a result the siege which the mob laid to the Presidential palace was repulsed by only a few hundred soldiers.

After long conferences between the Liberal leaders and President Ospina Perez, it was decided to form a new National Union Government, with Dario Echandia, who had succeeded Gaitan as leader of the Liberal Party, as Prime Minister, and General Ocampo, chief of the general staff, as Minister of Defence. Thus order was restored and a beginning was made in reconstructing the centre of Bogotá which had been reduced to the state of London after the blitz.

Conservatives in Power

The unrest of the people, however, was not alleviated. The Conservatives, who represent the large landowners and the Church throughout the country, and the industrial bourgeoisie of the province of Antioquia (the chief industrial centre), saw in the presidency of President Ospina Perez a chance to gain full control of the country once more. In spite of the truce which was agreed upon with the formation of the Echandia cabinet, a number of those Conservatives who were appointed governors of provinces used their positions to oust all Liberal office-holders and even, as in the case of Antioquia, to imprison a number of the leading members of the opposite party.

There was violence on both sides, but the Liberals were the worst sufferers. The situation became so serious from their point of view that after constant warnings by Echandia, the Liberals finally withdrew from the cabinet in May, 1949. An all-Conservative administration was then formed, and for the first time that party was in full control of the administra-

tive apparatus of the country. They have used it with a vengeance. They have attempted to make a clean sweep of office-holders in the public administration. Virtually all the public works employees—who after nearly twenty years of Liberal control, were overwhelmingly Liberal—were dismissed and replaced by Conservatives. The same process was applied to nearly all the other government departments, and it has even been put into practice in the armed forces. General Ocampo, who is a Liberal, was summarily retired, as were numerous other high ranking army officers of a Liberal persuasion. At the same time, the Conservative regime has violated the long civilian tradition of Colombia by putting an army officer in as Prime Minister.

Meanwhile violence has increased. It has even reached the halls of Congress, where in a gun duel one Liberal deputy was killed and several on each side were wounded. In the countryside it is a good deal worse, with casualties mounting



into the thousands. Here again the Liberals are the worst sufferers from this violence, since, fundamentally, the present period is one in which the Conservatives are attempting to purge their traditional rivals from all political posts and in some cases, even to drive them underground.

Liberals Fight Back

The Liberals have fought back both in Congress and in the country. In spite of the Conservative control, the Liberals won the Congressional elections of June 1949, and they then used their majority to push through a law advancing the 1950 presidential elections to November, 1949. By doing this, they hoped to win the presidency before too much damage had been done to their political machine, or before they had, perhaps, been driven underground. The law was vetoed by President Ospina Perez, but was passed over his veto. It was then placed before the Supreme Court which finally ruled that the law was constitutional. The presidential election will, therefore, take place this month.

If the elections this month result in the victory of Dario Echandia—the Liberal candidate—it seems probable that the situation in Colombia will calm down. The present turbulence between the two parties arises basically from the attempt of the Conservatives to maintain the advantage they reaped from the temporary Liberal split of the Gaitan period and to get complete control of the government. If they fail in this attempt, it seems not unlikely that things will return to their more or less normal state. But should the Conservatives decide not to accept political defeat, or if they should succeed in the next few months in winning enough converts through a show of force and violence to

re-elect a president, it seems very likely that Colombia will be split by civil war.

A civil war in Colombia would be a severe setback for democracy and civilian government in Latin America, because that country has been one of the principal examples of both a civilian and a democratic regime for many decades. In 1930 a peaceful transition was made from Conservative to Liberal rule after almost half a century of the former being in power. And last year, after the Bogotá insurrection, the strength of the democratic forces was demonstrated by the fact that the uprising did not result in a military dictatorship, as would have occurred in almost any other Latin American country. Having survived that, it is to be hoped that Colombian democracy can survive the further ordeal of the presidential election.

South Africa's Forgotten Man

[FROM OUR JOHANNESBURG CORRESPONDENT]

ON December 16th, at a monument near Pretoria, "national" celebrations will be held to commemorate the victory of the Voortrekkers over the Zulus at Blood River in 1838. But speeches will be in Afrikaans only—though a Nationalist newspaper has kindly given an assurance that members of the public may speak English among themselves, if that is their home tongue. At first it was proposed that one of the exhibits should be the gallows beam from which the Slagtersnek rebels were hanged by the wicked British—twenty years before the Great Trek began. This will now probably be shown separately; nevertheless English-speaking South Africans are being given every inducement to stay away from the "national" celebrations. The event, despite all official denials, is more and more assuming the character of an Afrikaner victory over the English. It follows logically from Dr Malan's exclamation on the day of his political triumph in May last year: "South Africa is now again ours."

The Voortrekker celebrations emphasise the fact that the Afrikaner who is not a Nationalist is rapidly becoming the forgotten man in South African politics. In fact the Nationalists have no right to identify themselves with all Afrikaans-speaking South Africans. Afrikaners are among the bitterest opponents of the Nationalists and the most stalwart supporters of the United Party, whose leader, General Smuts, is a great Afrikaner. The Nationalists constantly complain that the outside world wilfully misunderstands them. Afrikaans-speaking South Africans who are not Nationalists have much greater cause for complaint.

The Nationalists themselves are in no doubt about the real position. Non-Nationalist Afrikaners living in small remote *dorps* surrounded by Nationalist neighbours risk social ostracism and worse for refusing to be swept off their feet by bitter Nationalist anti-British propaganda. For years the

Nationalists have vilified General Smuts as "the handy-man of Empire" and, more recently, as "the British Field-Marshal." Only very grudgingly did the committee in charge of the Voortrekker celebrations consent to his being present. They are determined not to recognise him as an Afrikaner at all. But the late General Hertzog was an even clearer case. During the Voortrekker celebrations in 1938, when the memorial which has now been built was first mooted, General Hertzog, who was then Prime Minister, was kept away from the event by a Nationalist campaign of unbridled bitterness and ferocity. This should make clear to the onlooker six thousand miles away in Britain the danger of confusing "Afrikaner" with "Nationalist."

Danger of Afrikaans Separatism

If white South Africa divided politically on purely racial lines, as some British comment tends to suggest, the game would have been up long ago. Sixty per cent of white South Africans are Afrikaners, only 40 per cent are English-speaking. In fact, they never have so divided, and it is to be hoped they never will. In 1948 they came close to it, but already there are indications that many people who then voted for the Nationalists wished they had not.

The danger nevertheless remains that non-Nationalist Afrikaners may be driven into the Nationalist camp. They are still rightly proud of being Afrikaners. One of the most damaging charges made against the United Party—even though it was not true—was that it had become essentially an English party, with the Afrikaners merely the tail which in this case quite failed to wag the dog. Attacks on the Nationalist Government too often take the form of contrasting present economic troubles with past prosperity, and hinting that a United Party Government would have no difficulty in raising money abroad. This is like saying that a British Tory Government would receive more sympathetic treatment from America than the present Labour Government. Even the Afrikaner who detests the Nationalists' policies begins to wonder if there may not be some truth in the Nationalist propaganda that the Malan Government is discriminated against because its members are all Afrikaners.

Similar instances occur frequently. The Minister of Education, Mr C. R. Swart, has instructed his department to prepare a new history of the Boer War which will include "British atrocities" he claims to have seen for himself (when he was a child of six). To revive fifty-year-old "atrocities" can only further embitter racial feeling, and one of Mr Swart's critics suggested that he needed the services of a psychiatrist rather than a historian.

But a good-many English-speaking commentators played into the Nationalists' hands by pouring scorn not only on Mr Swart but on the very idea that the Boer War was anything but an impeccably fought gentlemen's war. Yet there are scores of non-Nationalist Afrikaners who can vividly remember instances of what they regarded at the time as



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"enemy" brutality. This does not mean they want those painful memories revived; but they do resent the confident assumption of English-speaking South Africans that there were no "atrocities" at all.

Struggle for the Schools

Finally, there is the language question. In the Transvaal, the United Party is fighting tooth and nail against a proposal to send English- and Afrikaans-speaking children to separate schools—whether their parents, who may be bilingual themselves, like it or not. If the children are thus "kraaled," the Nationalists will have ample opportunity to get at the Afrikaans children with racial propaganda, and the "English" schools might also teach a form of racial propaganda, if only in self-defence. The Nationalists do not want one South African nation; one of them, Dr Theo Wassenaar, has plainly said so.

Non-Nationalist Afrikaners are among the strongest opponents of this form of educational segregation. But this does not mean that before the Nationalists came to power there were no strong feelings about the two languages. In the thirty-nine years since Union, the English-speaking South Africans have made the slowest possible progress towards learning to speak Afrikaans; the Afrikaners have made immense strides towards being thoroughly at home in either language. But their reward is that today the conversation in a "mixed" gathering is almost always English—because the English have never bothered to learn Afrikaans and trade on the fact that the Afrikaners know English as well as they do. Too often insult is added to injury by the remark, "It's so much easier for you to learn English—we're no good at languages." The Afrikaner cannot but think that this is a poor compliment to his language, and that if the English are not so prepared to pay so small a price for the big prize of real national unity, they cannot really want it. The refusal of the English to learn Afrikaans gives the Nationalists their biggest excuse for reintroducing separate schools and writing off bilingual schools as a failure.

These factors go to the very root of contemporary South African politics. If they are ignored or not known abroad, and if in Britain and elsewhere the non-Nationalist Afrikaner is treated as the forgotten man, then South African politics will remain a complete mystery to outsiders, and a distorted picture will be presented which may end by convincing the Afrikaners that the Nationalists are right when they say that the outside world has no real understanding of South Africa.

Trade With Communist China

[FROM A CORRESPONDENT IN HONGKONG]

Now that the occupation of Canton by the Communists is a *fait accompli*, two questions are uppermost in the minds of merchants in Hongkong. Will the Communists ask for recognition on a basis that will allow trade to flow easily? If the Communists show signs of being approachable, is the British Government considering the granting of such recognition now, or are they intending to postpone action for the time being until it is clear that the new regime has established itself firmly all over the country? No one knows the answer, but it is urgently hoped that one will be forthcoming soon, as an attitude of "expectant waiting" is always hard to bear, especially when a ripe plum in trading waits to be plucked. The foreign trading concerns are prepared to adapt themselves to any new regime, provided they are not hampered with too many regulations such as would make trade impossible. They hope that the British Government, with much to offer that is required by China, will be able to negotiate matters more or less satisfactorily.

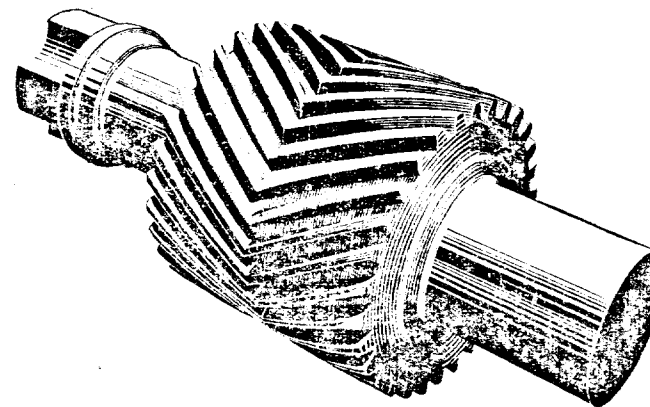
At present there is no sign that the Communists intend to make trouble over Hongkong. Opinion here is that they will have their hands too full with stabilising their government and getting it to function over the tremendous area that they now occupy to be able to stir up such a hornet's nest as Hongkong might prove to be. It is interesting that although there was the usual exodus from Canton by train, ship and plane before the occupation, the stream of refugees was composed mainly of people who had been identified with the Nationalist Government and of well-to-do merchants who, by sending as much of their goods as possible to Hongkong, hoped to be able to continue trading without fear of molestation; the poorer part of the community mainly stayed where they were, with the exception of those directly in the path of the armies. Compared with previous occupations and the panic that seized the people on those occasions, there was very little excitement about the fall of Canton, and comparatively few refugees crossed the border into the Colony. The news had got around that the Communist troops have a sense of discipline and that the "devil" was not as bad as the Nationalists had painted him.

Breaking the Blockade

The Nationalist Government, acting from Taiwan, has now extended the blockade, which hitherto has been directed against the northern ports, to Canton, and on October 16th a ship, making its way to that port, was stopped by three destroyers flying the Nationalist flag and ordered back. Since then no large ships have attempted to run the blockade, but cargo has been coming into Hongkong and leaving for Canton by junks, which sail from the Colony a couple of hours before sunset in order to arrive at the Pearl River delta at dark and thus to elude the vigilance of the destroyers. If they are caught, they have to buy their way through—adding a considerable sum to the cost of the voyage for passengers and to the cost of freight for cargo. But the game seems to be worth the candle, for, with the cutting off of communications between Canton and the outer world, the prices of commodities, particularly of foodstuffs, have soared to double, and in some instances almost treble, what they were before, and good profits can be expected by any dealer who cares to take the risk of getting his goods to the market. To make matters more difficult the opening of the Kowloon-Canton railway, which runs direct to Canton, has been delayed. At present only mails are taken by this route, the mail sacks having to be transferred across the border to a train on the other side.

As usual, Macao continues to play an important part in the struggle. Junks or small launches and towboats of every description as well as larger sized steam vessels leave Hongkong loaded with cargo to capacity, discharge it in Macao and from there it is despatched over the border into China, so avoiding seizure by the Nationalist destroyers. In the same way country produce is collected at inland ports scattered throughout the Pearl River delta and taken by small launches via Macao to the Colony. This method of handling trade is still being organised, but it should not be long before it begins to operate efficiently.

Meanwhile, in Canton itself, the Communists are busy getting their government going and arranging financial matters. A temporary rate has been fixed for the new People's Notes of 2,000 for one silver dollar and PN 500 to HK\$1, and it will probably not be long before overtures are made to Hongkong for the reopening of trade. In fact there is a feeling of relief in the air that at last the tension is over and that now it is for the new government to declare its metal. It is well understood that international politics must play a large part in the granting of any sort of recognition to the new regime, but it is hoped that some sort of method can be worked out under which trading relations can commence. A military control committee has already been established and is functioning; shops and schools have reopened and electricity, water and telephone services, as well as the various departments of the Municipal government, have been restored with very little delay.



GEARS

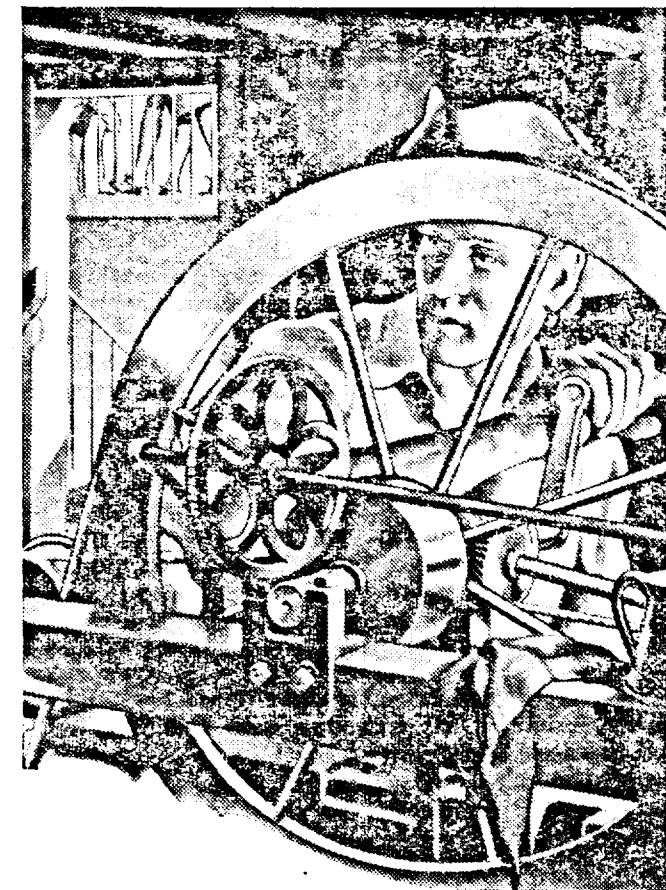
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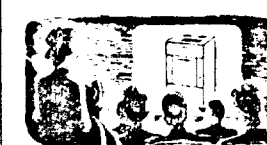
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THE BUSINESS WORLD

Cotton Exports in Two Worlds

THE cotton industry, which is rarely disposed to be cheerful, has watched anxiously for the approach of the buyers' market. The implications of this expected—and, one day, inevitable—change in the tone of the world market for cotton textiles provided the theme for the conference which was organised at Harrogate last month by the Cotton Board. An annual conference to review current industrial problems has in the last three years become an established and useful custom in the industry; the meetings this year produced much material for an estimation of long-term probabilities in the cotton trade, and should prove a useful stimulus to the study of ways in which the industry can adapt itself to those probabilities.

The buyer's market for cotton textiles is still, however, in the future; it has arrived in some countries, but in the countries to which the great bulk of the Lancashire output is sold it is still no more than a dream or a memory. As the dust settles after devaluation it is becoming apparent that for the cotton industry, at least, the buyer's market has receded. Sir Charles Renold pointed out at the Harrogate conference the extreme difficulty of recognising the crucial point of change in the market until it has actually passed. Managements which have been for so many years ceaselessly preoccupied with output do not instantaneously turn their attention to selling. Further, if the portents of change—the relaxation of pressure of demand, the thinning-out of order books—are noticed, "there always seem to be valid reasons for regarding the falling-off as purely temporary."

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When cotton export business began to flag slightly last summer, such reasons were not difficult to find; and, indeed, it now begins to appear that they were in fact temporary. A few orders were cancelled; some buyers in some countries appeared to lose interest; complaints and fault-finding became a little more common. It was, however, quite reasonable to suppose that anticipation of the devaluation of sterling was behind these manifestations. This is now beginning to be confirmed by the sharp increase in the number—and in the urgency—of inquiries from overseas markets which has been noticed in the past six weeks. It would be foolish as yet to project this revival of interest into any startling triumph for the export drive; conclusions of that sort ought not to be drawn until the contracts have been signed and the goods are on the move. Export negotiations can break down on any of a number of points, and one of these is the date of delivery. But, though the volume of export business will still be below what is desired, deficiency of output will continue to be the limiting factor. Further, so long as output is insufficient, delivery dates will be long, and therefore exports to soft-currency countries (which endure long delivery dates patiently) will continue to flourish at the expense of

exports to hard-currency countries, where patience is uncommon.

To some extent, no doubt, the rush of inquiries in the last few weeks reflects demand which was bottled up through the summer months when the world was waiting for devaluation. It may also reflect some anticipation of demand by buyers who now expect the prices of cotton goods to rise. To determine the real level may take some time. But in one branch of the trade—cotton yarn—overseas demand has risen so sharply as to alarm the Treasury. It was announced on November 1st that the issue of licences for the export of cotton yarn to soft-currency countries was being temporarily stopped by the Board of Trade. Exports of yarn had been increasing over the past two years, and had assumed in the first half of 1949 a quarterly rate of more than 20 million lb. There was nothing objectionable in this, since yarn supplies to British manufacturers had become comparatively easy, and the production bottleneck had shifted from spinning to weaving. The increased sales had been to soft-currency countries, but this was broadly true of the trade in woven goods also—and, indeed, of the country's export trade as a whole. Last month, however, the volume of new applications for yarn export licences drew the attention of the Treasury to the fact that dollars are scarce not only in Britain but also in other countries which have cotton manufacturing industries—and that the import of British yarn instead of American raw cotton offered a useful, if limited, means for other countries to side-step their own dollar shortage. The increased demand from Europe—France, Norway, and Denmark have been particularly mentioned—was concentrated on the medium counts which are made from American cotton, and the suspicion arose that the European countries might be proposing to switch some of their spinning activity over to Egyptian yarn and take their "dollar counts" from the British spinners.

Situations of this kind are not easily dealt with without destroying or damaging some normal and useful trade. Europe contains traditional markets for Lancashire yarn—notably in Holland, Norway and Denmark; and the industry is quite properly anxious not to lose these markets or to fail its regular customers. It has, therefore, resisted the complete stoppage which was at first announced, and has succeeded in obtaining some rather ambiguous relaxations. Applications for licences can now be considered, but those for export to soft-currency countries outside the Commonwealth "cannot be issued for the excessive quantities which caused the present embargo to be imposed."

Plainly the same considerations do not become invalid, but are merely diluted, when they are applied to cotton manufactures as a whole and not merely to yarn. The cotton trade is a large user of dollars. It is not a large earner of dollars. Its products go mainly to the countries of the sterling area. A speaker at the Harrogate conference observed that British sales of cotton

textiles outside the Commonwealth and Empire are now down to some 60 million yards a year, or rather less than a fifteenth of the total. In the economies of the sterling countries they play an important dollar-saving part. They are also an essential stimulus to production, and particularly to the delivery of goods for export, in the colonies.

The industry is now expected also to earn dollars, in the first place from the Canadian market which was lost to Lancashire during the war. Canada, which took 76 million square yards of British cotton piece goods in 1939, took only 8,000,000 square yards in 1947. The special measures which were taken to expand dollar exports last year had some initial success in Canada, but the achievement of the third quarter of 1948, when 12.8 million square yards were exported to Canada, proved to be the peak of the effort, and these exports have since declined steadily. Devaluation has now, however, largely removed the price disadvantage of British as against American cotton goods in Canada, and Canadian inquiries for Lancashire goods appear suddenly to have revived. It remains to be seen whether these inquiries will lead to actual exports.

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The industry is aware that if dollars are not earned the supply of its raw material will be endangered. But the experiences of three firms are worth describing briefly to illustrate the kind of obstacles which arise. One exporter, who has been selling corduroys to Canada, has found the quality of his goods very well received and could sell perhaps 20 times as much—if he could get the material made. There is, however, some reluctance among weavers to weave corduroys, since the operation of the Uniform List of payments in the weaving industry makes some other cloths more profitable. There is a shortage of labour for cutting. It is difficult to make the material in the width required for the Canadian market (36 in., instead of the customary 28 in.); there are not enough wide looms. The difficulty of width arises with many materials; during the years in which Canada has been supplied by the United States, the Canadian makers-up have become accustomed to the American width of 42 in. for dress goods, and much of their cutting machinery is laid out for this width. Many Lancashire looms were put down to weave a narrower cloth, which is readily accepted throughout most of the world. But the market in Canada is not a sellers' market. "Weavers' choice," as a speaker observed at Harrogate, is a large determinant of what cloths are made in

Lancashire. But in Canada the consumers' choice prevails.

A second firm had large orders from Canada, which were cancelled in May. The firm thereupon took on other orders from other overseas markets. After the devaluation of sterling it received renewed inquiries from Canada, where perhaps the price had become more acceptable—or where, not less probably, the purchaser had been waiting to see what would happen to the sterling exchange rate. By now the manufacturer was booked up for some months ahead and was unable to promise quick delivery; but the Canadian buyer is accustomed to quick delivery and tends to insist upon it.

A third firm had many difficulties in its Canadian trade with complaints or claims on the ground of deficient quality, which it believed to be in general unfounded. It produced a shirting material to the order of three Canadian importers, and in order to avoid claims took exceptional precautions to ensure the uniform quality of the three consignments. When production was sufficiently advanced, the firm sent samples to the Canadian purchasers with the assurance that the delivered goods would match the sample. One purchaser did not reply; one wrote to say that he no longer required the goods; the third accepted, but when the shipment arrived complained of flaws.

These difficulties of detail will serve to bring out the position which may arise when an industry in enjoyment of an insatiable sellers' market in one area of the world is urged to invade a buyers' market elsewhere. In the sterling area and in the soft-currency markets the buyer is not always right; in North America, he is. The Lancashire cotton industry today is a prosperous industry which can still sell roughly everything it makes; its problems are problems of labour supply, labour utilisation, equipment and methods of work. As it slowly overcomes these difficulties its output slowly expands, and there is no real difficulty in selling the product. The devaluation of sterling, since it has obliged the countries of the sterling area to seek fresh economies in dollar imports, has made the demand for Lancashire textiles more insatiable than ever. By removing or diminishing the British price disadvantage, it has also revived the demand from Canada and possibly from other hard-currency markets also. But devaluation has not altered the essential difference in commercial atmosphere between the sterling area and the hard-currency markets, which are by comparison fickle and hard to please, given to fault-finding and disposed to drive hard bargains on prices. These unattrac-

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tive habits were familiar to the trader in cotton goods in prewar years; but today, for every difficult buyer in a dollar country there are many willing buyers elsewhere.

It is plain that no course of action which is wholly within the control of the cotton industry will provide the solution to this dilemma. Certain courses of action are within its control, though they will provide only a partial answer: the expansion of production, the cutting of costs, and the elimination of "weaver's choice." Greater output would make more rare the situation in which a manufacturer can supply the demand of one cus-

tomers only by refusing the demand of another. Lower costs would give greater freedom of choice of markets and greater room for manoeuvre in trading policy. A more rational system of payment (on which, as it was worked out in the Moelwyn Hughes report, the weaving unions are about to ballot) would contribute to these ends. It would also remove some of the conflict between the weaver's choice and the consumer's taste. By such measures as these, the industry can at least increase its powers of survival, which it will need when the markets change and the test of fitness comes

The Burden of Stocks

THE closed season in the new issue market is proving a considerable embarrassment for some industrial concerns who are in mid-course with expansion schemes or whose stocks and work in progress have now grown to a comfortable—if not, indeed, an uncomfortable—level. Some reflections of these tighter financial conditions are evident in the latest batch of company reports for the September quarter. Last week the profits of these 597 companies were reviewed; now it is proposed to look at their balance sheets. The figures have been compiled in exactly the same way as for earlier quarters* and in one important particular they tell the same story. The burden of stocks is now becoming a point of real economic importance.

Compared with the other quarters of the year, the September quarter, broken by the holiday season, sees the publication of fewer reports. But the figures for the 522 companies (out of the total of 597) which gave comparative balance sheets for the latest and the previous end-years are of great significance. For these 522 companies, the value of stocks (which, of course, include intermediate products and work in progress as well as raw materials and finished output) rose by nearly 16 per cent, from £318.8 million to £368.8 million. This is a rise which far exceeds any broad measure of increased prices during the last financial year of these companies. The end of the average financial year of these companies fell, not in the September quarter (that was when the

figures were published) but somewhere near the end of March. Of course, some of the reports were made up to June 30th, but others were made up to much earlier dates. March 31st probably strikes a fair balance.

It is for the twelve months from March, 1948, to March, 1949, therefore, that price comparisons are needed in order to deflate the rise in the money value of stocks and so to gain some impression of the increase in their real volume. There is no one price index which accurately measures the changing prices of the multi-

tudinous items which industry has to keep in stock. Wholesale prices of industrial raw materials increased during the twelve months by about 3 per cent; export prices of manufactures rose rather more, by 3½ per cent, while metal manufactures increased by 4½ per cent in price and textiles by 5½ per cent. It would probably not be too far out to take 3½ per cent as the average rise during the latest trading periods in the price level of the stocks held by these companies.

It follows, on this assumption, that the rise in the real volume of their stocks, in the year roughly to last March, was of the order of 12 per cent. It is too late to argue that an increase in stocks of this order was necessary to maintain a high level of industrial output; with a few exceptions the stock bins of components and the pipe lines of intermediate products were filled quite comfortably two years ago. What these company accounts show is the ending of the sellers' market when stocks were snatched off the shelves as soon as they appeared. They now stay longer, and there are more of them.

	522 Companies			597 Companies		
	Previous Year	Latest Year	Latest Year	Previous Year	Latest Year	Latest Year
Capital (Parent Companies):—						
Debenture	95,113	102,229	116,637			
Preference	213,115	225,765	269,531			
Ordinary	284,129	287,176	345,771			
	592,357	615,170	732,059			
Revenues and Surplus:—						
Capital res. and E.P.T. funds	124,625	144,793	169,044			
Revenue res. and carry forward	229,789	282,489	371,418			
	354,414	427,282	540,462			
Total Capital, Reserves and Surplus	946,771	1,042,452	1,272,521			
Outside Interests in Subsidiaries	52,039	50,615	62,791			
Current Liabilities and Provisions:—						
Bank overdrafts and loans	44,790	49,967	55,091			
Creditors and accrued charges	274,476	304,013	436,159			
Reserve for future taxation	55,626	48,675	80,479			
Other provisions	41,347	28,515	36,218			
	416,239	431,170	602,947			
	1,418,046	1,524,237	1,943,259			
Fixed Assets:—						
Land, property and plant	557,945	618,770	835,152			
Less depreciation	166,248	175,397	287,534			
	391,697	443,373	547,618			
Trade Investments	77,602	80,195	150,661			
Intangible Assets	124,844	126,082	141,497			
Current Assets:—						
Stocks	318,755	368,776	441,290			
Debtors	195,679	220,133	277,455			
Gilt-edged securities	72,733	55,513	70,510			
Other marketable investments	96,715	88,533	99,292			
Cash	140,024	141,632	215,296			
	823,903	874,587	1,103,643			
	1,418,046	1,524,237	1,943,259			

A situation in which stocks represent no less than 40 per cent of industry's current assets, and in which they absorbed no less than £236 million of new investment in the year to March last (this figure is based on company accounts which have been published in the past twelve months and the full tally could well be nearer £300 million) requires some thought. The pressure of inventories is rising. It has not risen so far that it is causing general embarrassment, but there is increasing evidence of strain in particular directions. Is the stock all "good," in the sense that it is moving steadily through the productive process into final consumption? How much of it is "sticking"? How much would still "stick" even if selling prices of some lines of finished products were reduced? These questions are not of immediate importance, for so long as the general level of prices and incomes continues to rise, so long will it be possible to dispose of stocks—or the great bulk of them—without any danger of significant monetary loss.

But these conditions will not last for ever, and they might not last much longer. It is a point of real substance in the discussion of economic policy and the need for a further measure of disinflation that in the coming year the growth of investment in stocks is likely to be severely checked. The figures in the accompanying panel show that industry as a whole cannot find finance out of its own resources to carry higher inventories and also to expand its plant and equipment. For the 522 companies which gave comparative figures last quarter, the net investment in fixed assets and stocks was roughly £50 million for each item. Their net current assets, excluding stocks, fell during the year from about £86 million to about £75 million. Their holdings of gilt-edged and other investments are considerably lower, and they are now financing an appreciably higher burden of trade debt as well as stocks. Meanwhile, bank loans continue to increase.

Clearly, there is not much by way of cash reserves to cushion a moderately stiff fall in prices or a fairly marked contraction in demand should it occur during the next year or so. It would be unfair to accuse British industry generally of overtrading, since the war; but undoubtedly it has come to depend to a greater extent than ever before

on the maintenance of demand at a high level, and a continued advance in prices. It has made its trading dispositions accordingly. It follows, therefore, that if these expectations should be belied, it would have to expect a fairly powerful bout of liquidation and financial stringency. If industry is not going to invest another £300 million or more in working capital this year, that fact alone will upset many calculations which have already been made by suppliers of raw materials and finished products.

Moreover, in one important respect, pressure on industry's financial resources will be heightened by the higher prices of many imported raw materials, both from dollar and sterling sources, as a result of devaluation. Some branches of industry will no doubt be able to pass on the full burden of higher replacement costs to their customers—thus following the perfectly reasonable example provided by the Ministry of Supply. But others may not find this so easy, particularly where the post-war peak of demand for their particular products has been passed. If, to add to these forces, the banks were to pursue a lending policy which looked more critically at the inner nature of the advance rather than the credit worthiness of the borrower—which is what the Chancellor of the Exchequer would like, though the banks would no doubt rather be spared such a difficult exercise of judgment—the possibility of some limited degree of actual liquidation of stocks could hardly be ruled out.

These possibilities lie almost entirely in the future. But it would be an act of commonsense to pay some attention to them now. There is, in the year to year movement of stocks, perhaps more scope for rapid and effective application of disinflationary (or inflationary) forces than in any other set of decisions for which individual entrepreneurs are responsible. Low interest rates and easy access to finance may disguise this truth, or give it confirmation by producing inflation. But sooner or later the rise in prices absorbs the pool of easy money, and when that happens the economic barometer can shift very rapidly towards "change." The anatomy of British industry, as revealed in its recent accounts, suggests that it is less able than it was to run quickly and undamaged through a spell of unsettled weather.

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* See *The Economist* and the *Records and Statistics Supplement* for January 22, 1949, March 12th, May 28th and August 13th.

Business Notes

Sir Stafford's Diagnosis

At a press conference on Thursday, the Chancellor claimed that "there is no economic or financial reason for any lack of confidence in sterling at the existing rate." He declared that "quite undue importance" is attached to transactions in sterling below the official rate; a discount was inevitable given a fixed rate for an inconvertible currency (which raises again the wisdom of fixing a rate) but it was not so wide as to encourage bulk trade at unofficial rates. He maintained that the cuts in government expenditure and capital investment were decided "upon the best and most careful assessment of the actual need," but there was no proof either of their sufficiency or insufficiency. If more needed to be done, there would be "an excellent opportunity at the time of the 'Economic Survey' and the Budget." All the factors he affirmed—increased exports in October, rising stocks of food and raw materials (mainly food, it would appear), rising production, the steadiness of retail prices, and restraint in the main items of popular expenditure—confirmed his estimate that inflationary pressure was being brought under control.

On the recovery in the gold and dollar reserves, Sir Stafford Cripps contented himself with "a safe statement of what people can expect." He declared that "there is no reason to anticipate for the period up to next June any fall in the reserves from their level at the end of the third quarter." This, one hopes, should indeed prove "a safe statement," but to encourage confidence in sterling something more positive was surely needed than so dismal a forecast for the next seven months. There is not so much justification for publishing the figures of reserves only at quarterly intervals as the Chancellor believes. But, even so, his failure to give any general indication of the movement in the reserves since September is disappointing.

As for home financial policy, the Chancellor (claiming to repeat an earlier statement) declared that he had no intention of raising the rate of interest charged by the Public Works Loans Board (to which reference is made in a later note). But it was on last week's official intervention in the gilt-edged market that the Chancellor threw in some intriguing observations. He would take every chance of squeezing the bears when opportunity served. But it was not "his intervention"; it was the Bank of England's. Was he not advised by the Bank? Indeed, no; the Bank was not his adviser, it was his creature; but creatures sometimes went their own way. "In the normal way," the Bank would finance its operations by using funds in the Issue Department. This statement might have been careful or inadvertent—careful in the sense that it preserved the fiction that no government money was ever used, or inadvertent in the disclosure of the thin end of the technical wedge which has been inserted in the market. In any event, the result had been to give gilt-edged stocks "a more true valuation." Without the Chancellor's prompting, the creature had turned waywardness to good account.

Intervention and Confidence

If a market was ever ripe for official support, the gilt-edged market was on Friday morning eight days ago. It was technically weak and oversold; the momentum of falling prices was sapping all confidence in its potentialities of unaided recovery; the breach of the 4 per cent line by 4 per cent Consols, which had closed at 98½ (including 1½ points of accrued interest) on the previous evening, had pushed out a salient which was being rapidly filled by other "single option" stocks moving towards a 4 per cent yield basis. Then, just before lunch on November 11th, the Government

broker appeared. It was enough, given the tender condition of the market, to let his intentions be known. Market report suggests that his positive support was not on a large scale. The bears rushed to cover, and trading became as narrow in the recovery as it had been during the sliding market a few days earlier. Prices immediately bounded by 3 points in the "longs."

The fact that the Government broker has inserted a peg in the market gives it a foundation that was previously lacking. Obviously, sustained and large-scale support would be needed to jack prices up very far, and a policy of that kind (of which admittedly there is little present sign) would call in question the whole basis of the Government's present attempt to resume a disinflationary course. Indeed, one of the factors which helped to bring such a spectacular result from such modest official intervention is the growing mood of belief that the "consequential measures" to make devaluation work are more adequate than was judged when they were announced. Part of this belief rests on hints that the

GROSS REDEMPTION YIELD (PER CENT)

Stock and Redemption Dates	Cheap Money Peak Nov. 14, 1946	Gold Reserve Crisis June 27, 1949	Eye of De-valuation Sept. 16, 1949	Post De-valuation "Lows" Nov. 10, 1949	Official Intervention Nov. 11, 1949	Latest Nov. 15, 1949
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
11% Exch. Bds., 1950	1 5 6	1 15 0	1 2 3	0 14 9	0 14 6	0 13 10
2½% Nat. W. Bds., 49-51	1 7 9*	1 17 0*	2 3 0*	1 17 3*	1 15 9*	1 14 11*
Middles						
3% Nat. Del., 54-58...	1 18 8	2 11 11	2 14 8	2 15 4	2 13 1	2 9 3
3% War Loan, 55-59...	1 19 7	2 12 7	2 15 6	2 16 9	2 14 0	2 11 10
Medium Longs						
3% Sav. Bds., 55-59...	2 5 11	3 1 4	3 0 10	3 9 1	3 6 7	3 5 2
4% Funding, 60-90...	2 18 5*	3 0 8*	3 3 1*	3 14 10*	3 11 2*	3 9 0*
Longs						
2½% Sav. Bds., 64-67...	2 3 8	2 17 9	3 1 9	3 6 3	3 3 3	3 2 2
3% Sav. Bds., 67-75...	2 5 11	3 2 4	3 7 6	3 13 11	3 11 4	3 10 1
3% Trans. Stk., 78-88...	...	3 4 1	3 8 7	3 16 0	3 13 6	3 11 2
3% Gas Stk., 90-95...	...	3 4 7	3 8 9	3 15 10	3 13 8	3 12 4
Undated						
4% Consols, from 1957	3 0 9*	3 2 6*	3 7 9*	4 1 10*	4 0 4*	3 19 4*
3½% Conv. Loan, 1961	2 5 8	3 9 2*	3 12 8*	3 19 3*	3 17 1*	3 16 1*
3½% W. Loan, Jan. '52	2 1 0	3 9 8*	3 13 10*	3 19 6*	3 17 1*	3 16 5*
2½% Consols, 1957-58	2 10 6*	3 6 10*	3 9 1*	3 15 9*	3 12 9*	3 11 3*
2½% Treas. Stk., Jan. '75	2 10 0*	3 7 5*	3 10 9*	3 17 3*	3 13 10*	3 12 3*

* To earliest date. † Middles to earliest date, others to latest date.
‡ To latest date. § Flat yield.

gold and dollar reserves are recovering satisfactorily. But part is also founded on the importance of higher interest rates in checking undue expansion in industrial investment. If financial pressure of this kind has some chance of becoming effective, the less justification, surely, could be advanced for large-scale official support in the gilt-edged market which would have precisely the opposite effect.

Market discussion has naturally turned to new loan possibilities. The South African operation, deferred after the dismaying fate of opening dealings in the New Zealand loan, now has a fairer wind. Premature expectations of an announcement about the refinancing of the £787 million of Exchequer Bonds, due on February 15th next year, have naturally come to nothing. But that impending operation suggests that official support, having made its belated appearance, will not hurriedly be withdrawn. The recovery has spread out widely over the market. The Rootes issue of £2,000,000 5 per cent preference capital at par, which will be offered next week, illustrates the effect of rising interest rates on the terms for new capital; but the issue could hardly have been contemplated at all in the market conditions of ten days ago. The compromise on the Steel Bill has helped the industrial market, and there are hints that the nationalisation programme on which the Government



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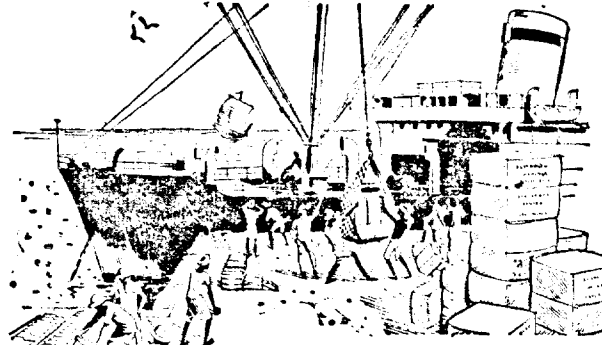
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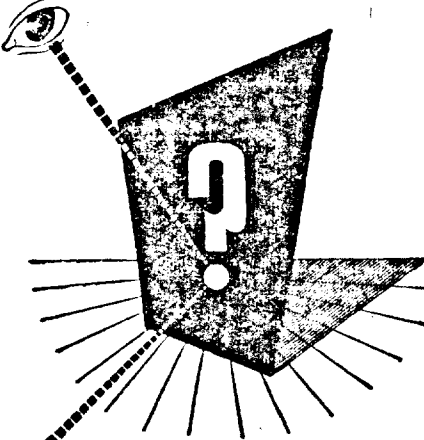
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will seek re-election will be curtailed. All this is indeed sunshine after storm. But is the economic climate really quite as settled as the market barometer suggests?

New Vesting Date for Steel

The iron and steel industry had already ceased to believe it possible that the transfer of assets under the Bill could in fact take place next year. As the Minister of Supply said in the Commons on Wednesday, the Government's timetable for taking over the industry was based on an assumption that the Bill would pass into law before the last summer recess. Since this did not happen, next May had become out of the question as transfer date, and the alternative was "such later date within 18 months of the Royal Assent as the Minister might decide." The new date is January 1st, 1951, or such date within the following twelve months as the Minister may determine. In the meantime the Bill will have passed into law, and the various provisions concerning the transfer of assets, the making of leases and agreements, and other transactions which fall to the lot of boards of directors will have legal effect.

This is, in the circumstances, to be welcomed. The provisions in question are in any case retroactive to a date in October, 1947, and therefore the sooner they become law the better. The iron and steel industry has to carry on its business, and cannot do so (particularly in a period of great physical expansion) without engaging in many transactions of a kind which might later be questioned by the Corporation under the terms of the Bill.

Once the Bill has reached the statute book the industry will know the statutory framework in which it has to conduct its affairs. The Bill, in the form which it has now reached, exempts from the retroactive provisions transactions in respect of which the company concerned has obtained the written approval of the Minister of Supply. It has already become customary to seek such approval; Mr Strauss said on Wednesday that the companies concerned have in the last twelve months "acted with a real sense of responsibility in putting their submissions to me," and gave an assurance that he would continue to treat these submissions expeditiously.

Finance and Investment

German Assets Share-out

In the second reading of the Distribution of German Enemy Property Bill on Tuesday, Mr Glenvil Hall went some way towards removing the accumulated confusion and uncertainty of four years. For the first time the two cardinal figures—the value of the assets and the expected claims against them—have been provided. The Financial Secretary put the claims at £100-£120 million and the value of German property in this country at not more than £15 million.

It seems important, however, that creditors should know how the figure of £100-£120 million is arrived at. Commercial claims, including the Standstill debts, certainly fall far short of this total. Presumably the anticipated claims include accrued arrears on the Dawes and Young Loans, Konversionskasse, and, possibly, German municipal and state loans. Any provision (apart from arrears of interest) for repaying part of the principal of these bonds out of the £15 million would seem misplaced. The British Government's intention to put in a claim of £3-£4 million to recoup its payments under the guarantee on the Austrian guaranteed loan (this loan became a German responsibility after the Anschluss in 1938) suggests that claims for arrears of interest on Germany's funded foreign debt will be allowed to rank for a share in the assets.

Mr Glenvil Hall again declined to publish a list giving full details of all German assets held by the Custodian of

Enemy Property, on the ground that this was impracticable. The United States Custodian was able to publish a list some time ago. As the Bill gives commercial creditors of German firms the alternative of awaiting their share in the pool or of exercising power of attachment against assets of their debtors located in this country, it seems incongruous that creditors should not be told in detail what the assets are. Moreover, a creditor who has decided to claim a specific asset will not be entitled to any share in the pool should the final dividend prove to exceed the value of the specific asset. In the United States, creditors in this position have had a share in the general pool.

This question of specific assets is important. British creditors who make specific claims thereby increase (under Article 6A of the Paris Reparations Conference) the British share in the international reparations pool. The British share of this pool is 28 per cent. Assets located in Britain, but not specifically claimed, count in the pool, whereas assets which are individually claimed are outside the pool settlement. Since the Government has conceded the importance of making full use of Article 6A, it should make that course possible by giving creditors all the information they need to do so.

Local Authority Borrowing

From the distribution of German property, Mr Glenvil Hall turned to local authority borrowing, by introducing the Public Works Loans Bill. The previous measure, passed some eighteen months ago, authorised the Public Works Loans Board to advance up to £500 million in cash to local authorities, and to keep within a limit of £680 million for cash advances plus commitments. The Financial Secretary disclosed that up to the beginning of this month, actual advances had reached £360 million, of which £285½ million was for housing. But future commitments now total £225 million; therefore, the board is within £95 million of the limit of its authority, and since it is making cash advances at the rate of £8 or £9 million a week, its resources would be exhausted by February or March next year.

The Bill, therefore, seeks a renewal of the provisions made in 1947—that is a limit of £500 million for further advances and of £680 million for advances and commitments. Loan sanctions under the existing Act and future cash advances will come out of the new provisions. The measure is, of course, only an enabling bill, and it does not determine the size or the charges for local authority borrowing in the next year or so.

It is important, now that borrowing by local authorities is canalised through the Public Works Loans Board, that the rate of interest charged upon the loans should reflect the conditions which they would have to satisfy by the test of the open market. This is manifestly not so at present, and in the debate on Tuesday Mr Osbert Peake added his comments to those which have appeared in recent issues of *The Economist* on the dangers of concealed subsidies in the form of lower rates charged to local authorities than the Government itself would have to pay in the open market. His observations failed to draw a reply, but they underlined the need—which has been apparent for many weeks—to adjust the interest rates charged by the Public Works Loans Board to a realistic level in conformity with what the Treasury itself might be expected to pay on its own borrowing. The Chancellor, however, will have none of this; on Thursday he declared that he will not raise the PWLB rates.

"Departments" and Gilt-Edged

The annual question to the Chancellor of the Exchequer about the extent of "Departmental" holdings of Government debt produced last week its usual deceptive answer. At March 31st last, Government departments held £406

million of floating debt and £3,347 million of "other" debt, making a total of £3,753 million, compared with £3,622 million twelve months earlier. The reply, though technically adequate, is deceptive for two reasons. The Government agencies to which it relates exclude the Bank of England and the Exchange Equalisation Account—and the Bank's Issue Department alone holds £1,288 million of Government securities apart from the special funded debt. Secondly, the securities embraced in the reply include only direct obligations of the Government: accordingly, they used to exclude Local Loans but now include the ill-fated successor stock (Daltons), and they exclude the important Government-guaranteed nationalisation stocks such as Transport and Electricity.

In the circumstances, it is impossible to draw any firm conclusions, market-wise, from the published figures. Because of the first exclusion, the distribution between floating and other debt—which otherwise would be a highly significant relationship—affords no clue to the extent of "support" afforded to the gilt-edged market. The published figures imply that the departments concerned have been "going long," because the whole of the disclosed increase in the total funds has been employed in "other" debt (holdings of which stood at £3,217 million in 1948, compared with £405 million of floating debt). The increase in these departments' holdings of marketable gilt-edged stocks, incidentally, has probably been larger than the change in "other" debt implies, because a large part of this debt comprises terminable annuities and other non-marketable securities, the volume of which has been declining under the pressure of savings withdrawals. But it does not follow, even so, that the authorities, in their aggregate operations, have been "going long": it is possible, perhaps probable, that other agencies have been operating in the reverse direction from that taken by the departments whose holdings are ostensibly disclosed. Finally, because of the exclusion of guaranteed

stocks, it is impossible to ascertain even the aggregate internal holdings or the extent of the accumulation of internal funds. All that can be said is that the *masse de manœuvre* is very much greater than the published figures suggest.

£8.2 Million for Persia

It was disclosed by question and answer in Parliament last week that Britain has made a final payment to Persia of £8.2 million—apparently bringing the total settlement to £19 million—for the wartime use of the Persian railway system. This settlement, resulting from protracted postwar negotiations, brings to light yet another of the many onerous financial agreements which Britain accepted during the war. The basic arrangements for all payments to Persia before 1947 provided that 60 per cent of any sums due should be paid in gold, the balance being covered by sterling which carried a revaluation guarantee. In the railways settlement arising from a pre-1947 obligation, apparently the only concession which the British negotiators managed to extract is an agreement by Persia not to insist on the 60 per cent payment in gold—but only provided that dollars "will be available in case of need." On the other hand, under the exchange guarantee the agreed final payment had to be raised from £5.7 million to £8.2 million. A substantial proportion of the £19 million was claimed by the Persians on the ground that during the war Britain paid for use of the railways at prewar freight rates which did not take account of increased operating costs. But prewar freight charges were based on a very low level of activity on the Persian railway system and when, after 1942, one train every ten minutes was dispatched to Russia, outgoings were met comfortably from the greatly increased revenue, despite the increase in operating costs. The arrangements now finally settled seem to have proved highly profitable to Persia.

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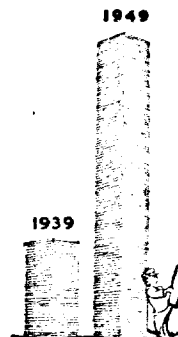
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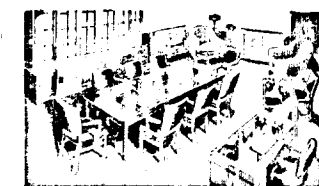
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Indeed, Persia is receiving very favourable treatment in other respects. Thus, under the 1947 agreement with the Bank Melli Iran—its text has never been published officially—Persia is allowed to retain all its dollar earnings and, in addition, to convert any sterling earned (principally from royalties on the operations of the Anglo-Iranian Company) into dollars for the import of goods from the United States when such goods “cannot be imported from the scheduled territories at comparable prices and delivery dates.” This flexible arrangement is apparently interpreted most liberally by the authorities in London; in practice, Persian merchants find no difficulty in obtaining exchange for almost any dollar import. (Persia obtains, for example, nearly half of its imports of cotton textiles from the United States, and buys only small quantities of cotton goods from Britain.) As more oil is exported from Persia, Persian sterling earnings will further increase, and there will be still more Persian sterling available for conversion into dollars.

* * *

New Target for National Savings

It is now unhappily evident that the brave display of bunting and rhetoric in “Savings Week” at the end of last month failed to induce the public to save “for Britain and a happy future.” Since the published figures are always a week in arrear, any new savings brought in by this special effort must have shown themselves either in the Savings return for the week ended November 5th (when receipts, at £13,652,000, were the lowest for four weeks, and net dis-saving, at £1,696,000, was the highest since August) or in the return for the week ending November 12th (when a smaller deficit of £148,000 was recorded). This result is not altogether surprising, for it was obvious from the start of the week’s drive that pomp was to be overlaid by adverse circumstance.

The value of the National Savings Movement to the community has, however, never really been indicated by the results of its special drives (the apparently glittering success of its wartime campaigns—as distinct from the unspectacular progress in the quiet seasons—often largely reflected a shuffling in of funds from other forms of savings). Its faithful retainers should, therefore, be more concerned now with the challenge offered to them by the threat to their proud record of always having shown a surplus of receipts over withdrawals (as officially defined) at the end of each financial year. The cumulative deficit for the thirty-one weeks of the financial year to date amounts to £44,760,000 (against a cumulative deficit of £6,124,000 at this time last year). If the usual seasonal pattern were followed, the cumulative deficit would decline from now to the end of November, would increase sharply—and to a new peak—over Christmas and would then come tumbling down in January as end-year bonuses were invested and as rights of deposit in the Post Office Savings Bank (for those who had reached the yearly £500 limit in 1949) were renewed. In 1948-49 the cumulative figures emerged from the red at the beginning of February. It will be a great achievement if they do so in this current fiscal year.

* * *

Gas Light and Coke Compensation

The terms agreed between the stockholders’ representative of Gas Light and Coke Company and the Minister of Fuel and Power for the compensation payment due to the company under the Gas Act 1948 have now been announced. The award has been delayed by the claim of the company to additional compensation under section 26 of the Act which allows for an increase in the value of securities of companies suffering loss of revenue from war causes. Payment for the prior charges will be on the basis of £95 per cent for the £2,600,000 3½ per cent maximum stock, £105 10s. per

cent for the £4,477,106 4 per cent consolidated preference and £104 5s. per cent for the 3½ per cent redeemable preference. The biggest total payment will be for the £19,101,877 ordinary stock at present outstanding. Each £1 of this issue will receive 26s. 6d., of which the additional compensation agreed under section 26 appears to be 3s. 2d. All compensation will be paid in the form of 3 per cent British Gas Guaranteed Stock 1990-95, allotted at par.

The award can truly be regarded as the “pay off” in this entirely unsatisfactory chapter of nationalisation. The point has been made before, but certainly bears repetition, that gas stockholders awaiting compensation awards have been left to the unmitigated mercy of fluctuations in the gilt-edged market. On the day when the Gas Light and Coke terms were announced, the price of Gas Stock touched 83, which represented a capital loss of 17 per cent on the nominal issue price of their compensation stock. Perhaps they will find some small comfort in the fact that the price has rallied to 87½ in the past few days. Perhaps they will take the Chancellor’s advice, and wait until the stock reaches par.

* * *

Profits Tax Bill

The Profits Tax Bill providing for an increase in the rate of profits tax on distributed profit from 25 per cent to 30 per cent was passed in all its stages by the end of last week. In the second reading it was made abundantly clear that Mr Douglas Jay, the chief Government spokesman, was by no means happy with his brief. His arguments that the measure would restrain spending and check inflation were muddled to say the least of it. He made his case depend largely on whether dividends would be cut as a result of the higher tax. It can be remarked at once that at least preference dividends cannot be cut. Again, particularly in view of dividend limitation, it is unlikely that, other things being equal, most companies would reduce ordinary dividends in the new circumstances. It is much more likely, therefore, that the additional payments to the Treasury will be found by drawing on reserves. Only if these fresh drafts on reserves entail a reduction in capital expenditure might a reduction in overall spending be expected.

Yet Mr Jay stuck fast to his argument that by widening the gap between the tax on distributed and undistributed profit the Bill would increase the incentive of companies to increase the proportion of profits set aside for reserves. And in support he could quote from a speech made by Mr David Eccles last year. When this proposition was hotly challenged by the Opposition, he stated that the Bill must be considered “alongside” the increase in initial allowances in the last Budget. It is apparent that the Government still regards this earlier measure as a “large concession to the financing of industrial re-equipment.” Clearly, the Treasury Bench has much to learn about the nature and uses of industrial profits. Whatever else can be said in favour of the increase in profits tax—and there is very little—it cannot be regarded as an incentive to industry to increase its reserves.

Industry

Minister and Board

When the report of the National Coal Board for 1948 was debated in the Commons last week, the Minister of Fuel and Power had something to say on the constitutional degree of responsibility for the operations of the board which rests on him—and the extent to which, therefore, Parliament can supervise the board’s affairs. It is not to be supposed that his elucidation was final; these are matters as much of practice as of statutory definition, and much of the practice has yet to be established. The debate itself set a precedent.

The Coal Industry Nationalisation Act lays on the

Minister certain specific responsibilities—for the health and safety of workers and for policy on capital investment, research, training and education. The Minister has to approve the form of the board’s accounts, appoint its auditors, and direct its payments of interest and repayments of capital. There remains the power to give the board—after consultation with it—

directions of a general character as to the exercise and performance by the Board of their functions in relation to matters appearing to the Minister to affect the national interest.

This, as Mr Gaitskell explained it, amounts to “responsibility for what I should describe as the general success or failure of the enterprise.” It also falls on him in another way, as the man who appoints the board.

The appearance of simplicity in this explanation began to fade when Mr Gaitskell explained his degree of responsibility for the price policy of the Coal Board. Under the Act, the arbiter of prices is the board itself. But when the board came into existence it continued a voluntary agreement which had been made between its predecessors (the mineowners) and the Minister of Fuel and Power, not to increase prices without the Minister’s agreement (Mr. Gaitskell called it “permission”). This arrangement is not in the Act, but it might still become a constitutional practice. It still holds for inland prices, and the report for 1948 records an instance of its working. When the board adjusted home prices in July, 1948, with the idea of widening the differential between qualities, it was at the Minister’s request that no change was made in the prices of house coals.

But the agreement was waived so far as export and bunker prices were concerned in December, 1947, when exports were resumed; and the board then added 25s. a ton to its export and bunker prices. The recent new increases in the prices of some export grades caused questions to be asked last week. The Minister’s reply was that the board is now free to fix its prices for the export market “on commercial considerations, in the same way as any other exporter”; and the matter is no longer a Government affair. Critics might argue that, since the National Coal Board is under a statutory obligation to pay its way, and since it cannot raise its prices to the home market without the Minister’s approval, then the attempt to recoup on export sales the losses incurred at home flows inevitably from Government policy.

* * *

Film Industry Finance

The President of the Board of Trade said only what was expected last week when he indicated, in reply to a Parliamentary question, that the present quota of 40 per cent must continue until September 30th next year. When the Cinematograph Films Act, 1948, was brought in, the Government attached importance to giving plenty of notice of changes in the quota, so that producers could make their plans with the firm assurance of a market. Now that Mr J. Arthur Rank has indicated that the production plans of the largest organisation in the industry are being severely cut, the Act leaves no flexibility to meet such a situation even if the President wished to do so; though it must be said that he gave no indication of recognising the necessity of any change. The Board of Trade fixes the quota by order, and may amend its orders. But—the Act provides—

no such amending order shall have effect in relation to any quota period beginning earlier than six months from the date on which it is made.

It is left to the procedures of exemption and relief, and to the retrospective procedure by which the Board can certify that failure to meet the quota was caused by circumstances outside the exhibitor’s control, to make the quota workable until next October.

Mr Wilson this week added one more to the list of

inquiries into the affairs of the film industry. He has asked the Standing Consultative Committee on the administration of the Companies Act to report on the variations of practice in valuing films for balance sheets. This matter arose on the accounts of the Odeon group, and was discussed in *The Economist* last week. The President, who will be in the United States this week-end on other business, has arranged to meet Mr Eric Johnston, president of the Motion Picture Association of America, for what is apparently to be a series of discussions beginning on Sunday. No agenda has been published. It has been customary to exclude the quota (as a purely British concern) from discussions of this kind, but this convention has not had happy results and its abandonment would be no great loss. American complaints, apart from the quota itself, are likely to refer to the level of releases under the Anglo-American Films Agreement (which is due for review next year); they may also include the renter representation on the Films Council. Mr Wilson, for his part, might be expected to raise questions about the poor marketing facilities accorded to British films—even when they are good—in the United States, and the meagre scale of investment of American “frozen” sterling in film production in Britain.

Of the two reports expected on the film industry’s affairs, the report of the Gater working party on production costs is now in the hands of the Board of Trade. The report of the committee on film distribution and exhibition, which started work a year ago under the chairmanship of the late Lord Portal, and is concluding its task with Sir Arnold Plant as chairman, is not yet ready; but it is expected to be finished this month. The Films Council, when it meets on November 30th, is expected to discuss the future of the British film industry in general terms. An attempt is being made by the British Film Producers’ Association to work out a common policy with the exhibitors for the occasion; this would be a welcome novelty.

* * *

Warning on Commercial Vehicles

The Ministry of Supply has sent a stiffly worded letter to manufacturers pointing out that far too many commercial vehicles are being sold on the home market and that if the rate of delivery has not been reduced by about 40,000 vehicles a year by next summer, sanctions will be applied. The *Economic Survey for 1948* allowed for the sale of 50,000 vehicles on the home market, but in fact 85,000 were delivered. The *Economic Survey for 1949* repeated the 1948 estimate, but deliveries have in fact been at an annual rate of nearly 115,000. Only 17,000 of these are heavy vehicles; the rest are lighter types, and 55,000 of them are delivery vans. The new figure laid down by the Ministry is 73,000. Production is now about 230,000 vehicles a year, and the industry has been given the alternatives of exporting more or reducing its output. Exports are at present about half of the total of vehicles being built, and sales are made in the face of considerable difficulties. Can the industry find foreign buyers for an extra 40,000 vehicles a year? The possibility of switching production from commercial vehicles to passenger cars (the export market for which is still far from saturation) would appear to be ruled out by the shortage of steel sheet for bodies.

While many firms are fully booked with orders the industry doubts whether the export markets are capable of great expansion. The dollar countries are ruled out by the arrangements between hauliers and the big American manufacturers. Other countries are building up—and therefore protecting—domestic industries. British manufacturers sell almost entirely to countries not able to build their own vehicles, and to many of them can only sell chassis to be fitted out by body-builders in the country of destination. Such sales account for well over half the value of exports of

commercial vehicles in the first nine months of this year. Other markets are for specialised vehicles such as the long-distance buses used in South America, which are built almost without exception by British firms. The industry feels that, before complaining of the number of vehicles sold, the Ministry might have taken into account the export target announced for the year. This was fixed in terms of monthly

PRODUCTION OF COMMERCIAL VEHICLES* IN GREAT BRITAIN				
	Production		Exports (Complete Vehicles)	
	Number	£'000	Number	£'000
1948:—				
1st.....	49,678	25,594	19,324	8,834
2nd.....	41,551	27,601	19,413	10,531
3rd.....	42,695	25,365	22,645	10,592
4th.....	44,563	50,232	23,411	11,350
1949:—				
1st.....	51,703	31,255	26,158	11,245
2nd.....	52,314	31,414	23,737	10,991
3rd.....	50,994	19,149	25,784	6,483
		(2 months)		(2 months)

* Including chassis delivered as such by motor manufacturers.

exports at £3,600,000, to be reached by the end of the year. It is a figure which has already been reached in three particular months, and judged by this target alone, the industry has done what was required of it.

If home deliveries are not reduced by the required proportion by the middle of next year, the Ministry proposes to control sales by some form of licence. But the official direction of sales of passenger cars has not proved easy, and past experience suggests that commercial vehicles present a still more difficult field for exercises of this kind.

* * *

Rise in Unemployment

Preliminary figures published by the Ministry of Labour show that unemployment rose during September. On September 12th 267,900 workers were registered as unemployed in Great Britain; by October 10th there were 300,300. This is an increase of from 1.3 to 1.5 of the insured population. Only 13,965, or less than 16 per cent, of those unemployed were of school-leaving age. There is a seasonal increase in unemployment at this time of year, largely among hotel and catering workers, who move to other work in the winter. A large proportion of the decrease of 9,000 in employment in "professional, financial and miscellaneous services" during the month represents this class. Nevertheless, the rise is steeper than it was in 1948, when in the same month unemployment rose from 294,300 to 314,500. To some extent the statistical movements are likely to be greater because of the larger number of workers covered by national insurance. But the number of workers who have been unemployed for more than eight weeks has risen from 106,821 to 121,582. This suggests that at least part of the increase is due to non-seasonal factors.

The working population rose by 25,000 during the month, primarily because of school leavers. The textile industries gained 6,000 workers; the metal and engineering trades, and the building and contracting industry, 7,000 each and the clothing and chemical industries, 3,000 each. There was very little change in employment in the distributive trades or in the basic industries. Although 4,200 men less were on the colliery books at the end of the four-week period, the loss was partly offset by small increases in other basic industries, and the decrease in employment in the "basic industries" group was only 2,000.

Trade and Prices

Exports after Devaluation

Exports last month showed an encouraging rise. The total value reached £156 million, some £14 million more

than in September and only £3,900,000 less than the record achieved last March. At first sight, the figures suggest that devaluation is bearing fruit. The daily rate of exports in October compared with September increased by 10 per cent; October showed a 7 per cent increase over September. Thus in 1948, after allowance for the seasonal rise in exports after the holidays, the increase this year has been sharper.

Exports to both the United States and Canada showed a substantial rise over the September level. Shipments to the United States were valued at £5,600,000, against £4,100,000 a month earlier—an increase of nearly 37 per cent. Compared with October, 1948, however, the value of exports to the United States increased last month by only 2 per cent. Exports to Canada totalled £6,400,000, an increase of 21 per cent on September and of 3 per cent on October, 1948. Clearly, no hard and fast conclusions can be reached from the trade returns for a single month. No indication is yet available of the movement in the volume of exports, as distinct from their value. The increased value in sterling may be due in part to the fact that some exporters have been able to quote higher sterling prices. That does not mean that they have obtained the same dollar price per unit (unless, of course, they have increased their sterling prices by the full 44 per cent to correspond with the devaluation); nor does it mean that exports to the United States and Canada are yet bringing in as many dollars as they would have brought in at the old rate of \$4.03 to the £. Britain's dollar-earning capacity, so far as the evidence goes, did not worsen last month—or, if it did, only by a very little—compared with September, but it was appreciably lower than twelve months ago.

The visible trade balance showed no improvement. Imports exceeded exports by £36.8 million; thus the gap was £1,300,000 larger than in September, though still £5,400,000 lower than the monthly average for the September quarter. Imports totalled £198 million in October, some £17 million more than in September, and the third highest total since the war. Again, it is not known to what extent the rise in the import bill can be attributed to devaluation. But obviously devaluation will have an increasing influence on import costs.

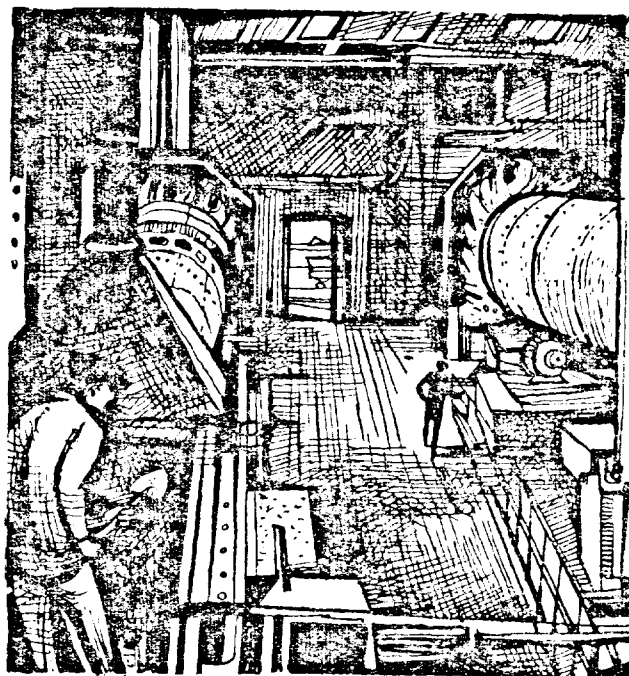
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First Dealings in Tin

Tuesday saw the first dealings in tin in the London Metal Exchange since 1941. The market got off to a slow start, understandable enough since the Ministry of Supply is the only large holder of tin for immediate delivery. The total turnover on the first day amounted to 225 tons, but trade declined on both Wednesday and Thursday. The first sale was made by the Government broker at £715 a ton, compared with the Ministry's fixed selling price last week of £750 a ton, which is now no longer operative. Closing prices for the day were given as £720 a ton for cash sales and £652 10s. a ton for three months' delivery. By Thursday the closing price had dropped to £695 a ton for cash sales and to £619 for three months' delivery. The spot price is still higher than the City's forecast, which was generally put at £650 a ton. But the wide backwardation between spot and future quotations suggests that the market expects that the cash prices are likely to fall in the next few months.

In fact, the prospect is not easy to assess. Stocks of tin in this country amounted to 15,872 tons at the end of September (the latest figures available) and, of this quantity, only 1,520 tons was in consumers' hands. At the current rate of consumption, consumers' stocks then represented less than a month's supply, whereas the Ministry of Supply held over eight months' stock apart from tin concentrates. It is unlikely that consumers' stocks have been built up to any great extent since August, as the re-opening of the London tin market was expected to herald a fall in prices. In fact

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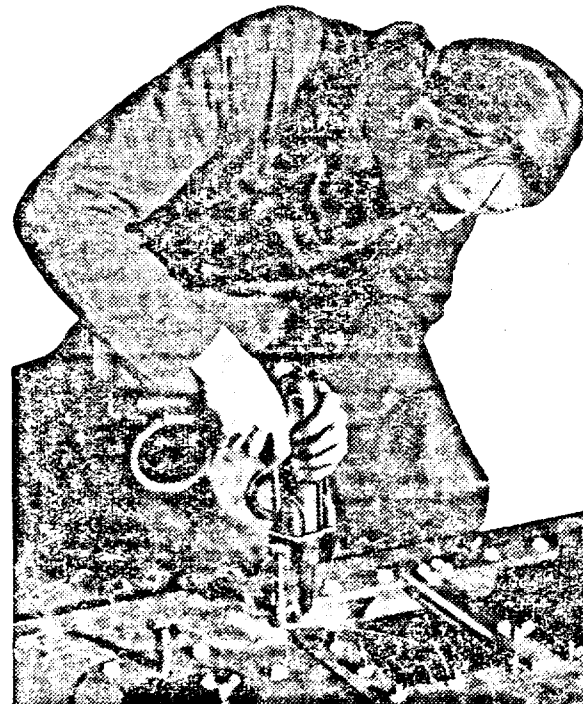
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because the price was expected to fall sharply, tin producers rushed to sell their stocks to the Ministry almost at the last minute rather than risk sale on the open market. The course of the market depends very largely on more adequate supplies being made available. Both Belgium and the Netherlands are believed to have little tin for immediate delivery; hence the market is virtually at the mercy of the Government broker.

In New York, the price of tin has fallen to 92½ cents a lb. (equivalent to £740 a ton) although the Reconstruction Finance Corporation, which sells the output of the Texas smelter, is still quoting 95 cents a lb. Unless the RFC soon alters its price, it might pay American consumers to buy in the London market. But, despite all the uncertainties of the immediate future, a lower price seems inevitable, though it may take time for the market to settle down.

Tin and Exchange Control

To reopen a free commodity market and at the same time to preserve effective exchange control is not easy. The arrangements made for tin have, of course, been made in the light of the exchange control arrangements when the rubber market was re-opened.

The general principle which has again been followed is to apply *post facto* control and to restrict the market to "persons and firms recommended by the Committee of the Metal Exchange." These authorised participants will be free to purchase tin in any part of the world and the Board of Trade will give them an open licence to import tin freely into the United Kingdom.

All payments and receipts for tin must be segregated by each participant in one banking account to be known as "Metals Scheme account." Monthly statements of these accounts must be submitted to the Bank of England. Participants in the market will also have to make confidential monthly returns to the Bank of England showing their transactions and positions. Freedom to deal in tin extends to operations in metal which will never physically touch the United Kingdom. The freedom of the market is, therefore, complete, but it is reserved for authorised firms whose operations are subject to *post facto* control.

This form of control has called for a new system of sanctions and discipline by the Metal Exchange executive. The sanctions will be put into effect if the Bank of England decides in any case that "an excessive position or unwarrantable speculation or any other undesirable situation or practice is developing." In that event the Bank of England may pass to the executive of the Exchange the name of the suspect participant who in turn will then be compelled to give the executive a copy of his return.

This compromise between freedom and control has all

the objectionable features of a mixture of that kind—the closed shop principle, the scrutiny of confidential documents, the grant of power to punish to a trade association. All this can be justified only on the ground that it marks a step forward towards the freeing of a hitherto closed market. But as long as such trammels exist—that is as long as exchange control persists in its present form—it would be too much to expect the great commodity markets in this country to recover their former glory.

* * *

Jump in Wholesale Prices

The effect of devaluation on British wholesale prices finds some reflection in the Board of Trade index for October. This showed a rise of almost 3 per cent on the month—a rise which is likely to reflect more accurately and more promptly the effect of devaluation on British costs. The index for food and tobacco was 5 per cent higher than

TREND IN WHOLESALE PRICES
(Board of Trade Index, 1930=100)

	1948	1949					Per cent Change Oct., 1949, on	
	Oct.	June	July	Aug.	Sept.	Oct.	Sept., 1949	Oct., 1948
Cereals	175.2	193.2	193.5	196.0	202.8	227.3	+ 12.1	+ 29.8
Meat, fish, eggs	137.9	160.6	162.1	166.7	166.7	166.7	±	+ 20.9
Other food and tobacco	221.4	245.3	243.0	234.8	224.4	232.5	+ 3.6	+ 5.0
Total food and tobacco	179.8	201.9	201.8	201.3	199.6	209.4	+ 4.9	+ 16.5
Coal	301.7	305.3	305.3	305.3	305.3	305.3	±	+ 1.2
Iron and steel	236.8	258.9	258.3	257.7	257.7	257.9	+ 0.1	+ 8.9
Non-ferrous metals	259.8	234.4	220.2	218.9	239.9	276.2	+ 15.1	+ 6.3
Cotton	297.1	313.4	310.5	311.2	322.1	342.8	+ 6.4	+ 15.4
Wool	271.8	291.1	289.6	291.4	294.5	317.2	+ 7.7	+ 16.7
Other textiles	169.1	167.3	163.9	163.1	163.7	173.6	+ 4.8	+ 2.7
Chemicals and oils	192.8	187.9	187.0	187.5	188.3	191.5	+ 1.7	+ 0.7
Miscellaneous	266.8	261.8	249.1	248.8	250.8	242.5	- 3.3	- 9.0
Total industrial goods	243.3	248.6	243.7	243.6	246.6	250.7	+ 1.7	+ 3.0
Total INDEX	219.8	231.9	228.8	228.6	229.7	236.1	+ 2.8	+ 7.4
Industrial Materials								
Basic materials*	299.4	296.3	277.0	276.6	285.4	290.7	+ 1.8	+ 2.9
Intermediate products	250.5	257.9	256.9	257.2	259.6	266.0	+ 2.5	+ 6.2
Manufactures	213.6	223.5	222.3	222.1	223.2	225.3	+ 1.0	+ 5.5

* Excluding fuel. † No appreciable change.

in September—cereals alone increased by 12 per cent. Not all of this rise could be attributed to devaluation; part of it, though probably only a small part, is explained by the seasonal rise in prices of fresh fruit and vegetables.

Prices of industrial materials and manufactures rose by 1.7 per cent during the month. Basic materials increased by 1.8 per cent, intermediate products by 2.5 per cent, and manufactured goods by 1 per cent. The main rise

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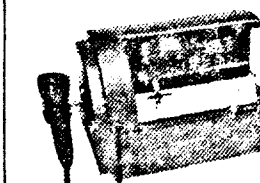
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occurred in non-ferrous metals (15 per cent.), which were of course promptly raised to the new sterling equivalent of their dollar prices. The next largest rise was in wool (7.7 per cent), followed by cotton (6.4 per cent) and other textiles (4.8 per cent). The wholesale price of coal was unchanged. These group changes, of course, mask the rises and falls in individual commodities. In the miscellaneous group, for example, four types of chemical wood pulp fell on average by 17 per cent, and mechanical wood pulp by 18 per cent. On the other hand, the price of rubber rose by 11 per cent. Yet the miscellaneous group index fell by more than 3 per cent during the month—the only group to decline.

The total index stood at 236 (base, 1930=100) in October, and exceeded the previous peak reached last June by 2 per cent. A rise of 3 per cent in one month may not sound very alarming, but it is only the beginning. The rise has occurred primarily in basic materials (including foodstuffs) and intermediate products, and in due course it will be reflected in the price of manufactured goods.

* * *

Meat From Uruguay

A new long-term contract for beef is expected to be signed with Uruguay next Tuesday. The period is for five years from last July so that the contract will run concurrently with the Argentine contract. The quantity is said to be a minimum of 40,000 tons each year and the price, which is to be reviewed annually, is reported as £96 a ton for the first year. Under the Argentine contract the price agreed upon was £97 10s. a ton. Discussions are continuing with the Argentine Government about a possible revision following the devaluation of sterling. Meanwhile imports of Argentine meat into Britain are being paid for at the original sterling price.

The new contract with Uruguay will not afford much immediate relief to the British consumer. The annual quantity represents barely 10 days' consumption at the present ration. But it may encourage the development of Uruguay as a source of supply—the 40,000 tons is a guaranteed minimum. Last year Britain imported only 22,000 tons of meat (mainly beef) from Uruguay, whereas before the war the annual import exceeded 55,000 tons.

* * *

Active Retail Trade

Retail trade in September increased with a rapidity which may not be entirely due to seasonal factors. The exceptionally fine weather and the postponement of the 1s. in the £ reduction in utility prices until the end of the month might have been expected to lead to some delay of autumn buying. Early in the month several large retailers were complaining about the slackness of trade caused by the fine weather. Nevertheless, the Board of Trade index of weekly sales (1947=100) which is based on the large retailers' returns, showed a rise of five points between August and September, from 115 to 120. In 1948 the corresponding figures were 110 to 113.

Sales of apparel rose from 110 to 131. The increase is larger than in 1948, when clothes were still rationed, but in 1948 the decline in August had been smaller; the index for September was the same in both years. Sales of household goods rose from 105 to 121, again a greater increase than in 1948, when the index rose by 11 points to 107. Sales of food in both years showed an increase of only one point, to 112 in September, 1948, and 120 in September this year. Sales of "non-food merchandise" rose from 110 to 118 this year and from 109 to 114 last year. Returns from the small retailers confirm these increases, although the increases in their turnover, especially in clothing and footwear, were not so large as in the main index.

These figures suggest that towards the end of the month there may have been a good deal of buying which was inspired by a fear that devaluation would raise prices. One or two stores held sales in September, but these could not account for the big increases which took place. As the announcement of devaluation was made in the second half of the month, it may be possible to test this theory more accurately from the October sales.

Shorter Notes

The remarkable recovery in Commonwealth trade since the war is shown in a report prepared by the Commonwealth Economic Committee entitled "Review of Commonwealth" and published this week. Last year, Commonwealth countries accounted for over 28 per cent of world exports compared with 25½ per cent in 1938, and 30½ per cent of world imports against 32½ per cent prewar. But perhaps the most significant feature has been the rise of Canada to the position of the third largest trading nation in the world, while the Colonies and India were not far behind. The report also discusses in detail production trends in the various Commonwealth countries, development plans and changes in population.

*

In a motion on the adjournment on Monday night Mr Glenvil Hall denied the suggestion made by Mr D. Houghton in the House on an earlier occasion that income tax evasion could be put at £100 million a year. In reply to a suggestion by the same speaker that it was surprising to find income tax recovered from fraud or evasion—£4,000,000 in 1947-48—hardly higher than in prewar years when tax was 5s. 6d. in the £, Mr Hall stated that by 1951 the number of tax inspectors would be 1,630, against 1,430 at present, which would permit of more thorough investigation.

*

The figures in a table on page 1084 of last week's issue giving trade with Sweden were transposed. Exports to Sweden in the first eight months of 1948 were £39.2 million, against £30.5 million in 1949. Imports in the same period rose from £31.9 million to £39.1 million.

*

The jute market in Pakistan is reviving. The general quality of jute being offered is low and there appears to be a serious shortage of all finer grades. Daisee—2/3, good marks, is now quoted at £122 a ton against a nominal price of £116 some ten days ago and £100 prior to devaluation. Earlier in the year, when Pakistan was expected to have a large crop, the price fell to as low as £85 a ton. Since then, flooding has damaged the crop considerably and the Pakistan rupee has been kept at par with the dollar. Exports of raw jute from Calcutta are still prohibited by the Indian Government except to fulfil existing contracts.

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

RECORD VOLUME OF SALES

NATIONALISATION THREAT

CHANGE OF GOVERNMENT POLICY VITAL

SIR WALTER BENTON JONES'S VIEWS

The annual general meeting of The United Steel Companies Limited was held on November 16th at the Iron and Steel Institute, 4, Grosvenor Gardens, London, S.W.

Sir Walter Benton Jones, Bt., the chairman, said: Gentlemen, the death of Sir Herbert Walker on September 29th was recorded in the directors' report. Sir Herbert was elected a director in 1937. His special knowledge and experience were gained in the administration of railways and transport, in which he was an outstanding figure and a pioneer. But he was not only a specialist, he was a man of the world and had wide interests. The company has lost a wise counsellor and a staunch friend.

If we may take the report and accounts as read, I beg to move: "That the report of the directors produced together with the annexed statement of the company's accounts at June 30, 1949, duly audited, be received, approved and adopted."

An account of the year's working operations and the progress made in modernisation and extension schemes was appended to the report of the directors. I hope this change in procedure meets with your approval. I should add that the schemes are part of a comprehensive plan and although very good progress has been made, capital expenditure will continue at a high rate for three or four years.

HIGHEST OUTPUT EVER ATTAINED

The directors told you in their report that the output of two million tons of steel was believed to be the highest ever obtained by any company in the United Kingdom, which means also that it is the highest reached by any company in the Commonwealth. This high rate of production was due to some extent to improvements and extensions to plant, but perhaps more to careful organisation, adequate and regular supplies of materials, co-operation between management and employees, pride in their work, good attendance, good temper and persistent and regular concentration by everybody on the job they had to do.

It is sometimes said that Britain is not working seriously. It is true there are unofficial strikes, that great interest is taken in football and in all forms of sports and recreation, but because men enjoy relaxation it does not follow that they do not take work seriously nor apply themselves to their daily task. It may be that some of the less responsible are deceived by apparent prosperity and they may not understand that thousands of men and women in North America and in the Dominions are working solely to supply us with food and raw materials. They do not realise and perhaps they do not know that this charity will end in 1952, nor do they realise that we have to repay large debts contracted in foreign countries and the Dominions during the war and since. But if some are callous they are a small part of the whole.

EMPLOYEES' FULL CONTRIBUTION

In our own case we believe that the employees of our company are making a full contribution to the country's production. And to illustrate that interest in the works where they are employed and in the job each one

has to do has not declined and that the efforts made to overcome emergencies when they occur are as great as they have been in the past, let me give a recent example from our Appleby-Frodingham works. In the course of our modernisation programme it has been necessary to make major transformation in large operating units. In such cases it is of great importance that interruptions in production should be as short as possible.

During the summer holiday a three-stand roughing and finishing mill in which 4,250 tons are rolled each week with its electric motor of 5,000 H.P. was picked up from its foundations, re-erected on new foundations and re-equipped with many additional and very modern manipulating devices, in fourteen days. Not a single working day was lost. Great ingenuity was displayed in planning the work and large numbers of employees of all grades worked enthusiastically to complete it stage by stage according to a set timetable. I could give examples of the same kind at other branches, particularly at Workington where an equally important change over at the rail mill was carried out. The same spirit and the same application prevails in daily production.

It will be your wish I feel sure to convey from this meeting to all employees our appreciation and sincere thanks for all they have done in the past year.

SALES

The volume of sales recorded in the report at over £50,000,000 is a record. In recent months the change from a sellers' to a buyers' market has become a factor which causes widespread questioning, if not anxiety. It must be remembered that for more than ten years there has been a famine in all kinds of goods. In times of scarcity buyers order more than they need; when supplies become more plentiful, first they try to accumulate larger stocks, and then as they begin to feel more secure they go into reverse, so to speak, cut or cancel orders and let down their stocks. But these manoeuvres do not necessarily mean a fall in need. In the things we sell we do not find any general decline. Moreover, we have an advantage in that we do not depend on specialities, that is to say we supply steel in many forms, and although we do not make sheets we have a large interest in John Summers and Sons Limited, who are equipped with modern continuous strip mills and are one of the largest sheetmakers in the country.

NATIONALISATION

We are all greatly concerned about the proposal to nationalise iron and steel both because the proposal is part of a national policy of unlimited nationalisation of industries, which we think is a wrong and harmful policy, and because it involves the confiscation of private property. Your directors are unalterably opposed to the nationalisation of our industry.

When we met a year ago the Bill to nationalise iron and steel had just been introduced, stockholders no doubt have followed the course of the Bill through Parliament and will be aware that in order to

force it through without the approval of the Second Chamber, the Constitution is to be altered by limiting the power of the House of Lords.

It is now possible for the Iron and Steel Bill to become law by January, 1950. If and when this happens the proposed Iron and Steel Corporation can be set up and the securities of the companies named in the Bill, including our company, may be taken over by May, 1950, or at the discretion of the Minister of Supply, at some date not more than eighteen months later. We know therefore that unless Parliament is dissolved in the meantime, or the Bill is dropped or amended, our securities may be taken from us in May, 1950, or within eighteen months thereafter.

Since I wrote this address it has been announced that the Bill is to be amended and that it will not come into operation until after the General Election, the Iron and Steel Corporation is not to be set up before October 1, 1950, and the date for taking over our securities will not be before January 1, 1951. But the price of such an amendment is the placing on the Statute Book of an Act to nationalise the so-called Iron and Steel Industry with all its implications. It will remain on the Statute Book unless the next Parliament removes it.

OPPOSITION GROWING

The Bill has aroused great opposition both in Parliament and in the country generally and this opposition becomes progressively greater as time goes on. Year by year and month by month the industry has produced record outputs, no strikes have interrupted its progress, its approved development schemes have progressed as fast as possible in present conditions, and it has continued to observe the requirements of the Government in the matters of distribution and price as heretofore. In other words, the proposed nationalisation of the iron and steel industry will not serve the country better than it is served under private enterprise.

The Iron and Steel Bill and the Acts which have nationalised other activities illustrate the enormous power which is given by electors to Parliament in a single life. It is said that unless electors change their views about the way the country's affairs should be conducted, the next Parliament will continue to confiscate more and more of the properties which private individuals have built up and which it may be said without question have served the country well. For this and many other reasons the next election will be critical.

CHALLENGE TO FREEDOM

To make these comments is not to enter into party political controversies. It does not matter what we call ourselves, what matters is what we do. The election of Parliament determines the country's policy for a number of years ahead. If this policy were only a matter of ethics it might not concern industry. But we are not a self-contained, self-supporting country. We live by trading with other countries and their confidence in us is vital. It is therefore not out of place for those engaged in industrial administration to express a view about the national policy which Britain has been pursuing and which it may continue to pursue unless the views of the electors change from what they were in 1945.

For years the world has been engaged in abolishing slavery, but in recent years some countries have adopted policies which inevitably lead to slavery. The challenge to freedom is real and grave.

Those who believe in slavery or in a policy which will inevitably take us back to slavery, we call Left, and those who believe that freedom alone can save civilisation we call Right.

So long as our very existence depends upon successful trade with every country

in the world, as it does, our national policy must not only have regard to our domestic affairs, it must inspire and maintain the confidence of all our customers.

LOSS OF WORLD CONFIDENCE

When in 1945 Britain adopted a Socialist policy, however mildly we may have intended to turn towards the Left, the rest of the world which had regarded us as the pillar of freedom interpreted our action as revolutionary and conversion to the kind of totalitarianism which had had such disastrous effects in Europe.

The Right hold the view that the reaction to this change of policy retarded the recovery of the world from the effects of the war. Some countries menaced by the Left gave up the struggle and in every country the Left was encouraged.

Since 1945 in pursuit of the policy then adopted we have not conducted our domestic affairs very well. Individually we have not had restored to us the many liberties we surrendered during the war. The nationalisation of our industries has not improved our earning capacity. We have allowed the gifts we have received from abroad to obscure the need to pay our way and we are not paying our way. The world, our customer, has lost much of the confidence it had learned to place in us and it doubts if we can pull ourselves together unless we change our national policy, and it fears the reaction of our failure in other countries.

THREAT TO WESTERN EUROPE

In the opinion of the Right, and many who do not see very clearly the full implications of Right and Left, but rely mainly on intuition, unless Britain returns to a policy of self help and freedom not only Britain, but Western Europe, will be overcome.

From these fears grow lack of confidence in Britain without which we cannot trade to the full and without which we cannot again become self supporting.

The future policy therefore which this country is to pursue is not confined to the subject in which this meeting is immediately interested, viz.: the nationalisation of our own and other industries, nor is it a question of personalities or parties, it is a national question and if it sounds rhetorical to talk of freedom or slavery or life or death, no thinking person can doubt that the stake is our standard of living. Is it to rise or is it to tumble down?

The report and accounts were unanimously adopted.

TRINIDAD LEASEHOLDS LIMITED

Mr SIMON J. VOS' REVIEW

The thirty-sixth annual general meeting of Trinidad Leaseholds Limited will be held on December 6th.

The following is an extract from the chairman's statement circulated with the report and accounts for the year ended June 30, 1949:—

The year under review has been one of steady progress for the company. The refinery throughput has increased. Regent Oil Company, Limited, continues to make extremely satisfactory progress. The latter half of the period under review was marked by a severe drop in fuel oil prices, which is largely responsible for the reduction in the profits of your company to below last year's level.

Although these prices have recovered somewhat they are still considerably below those ruling a year ago. We should therefore expect even further reduced profits in the current year, but this may be offset, to some extent, by price changes resulting from the devaluation of the pound.

The company's net income from operations in Trinidad, from shipping, marketing

activities and investments was £548,134 as against £633,510 last year, in each case after allowing for depreciation, taxation and transfers to contingencies. A final dividend of 6d. per 5s. stock unit, free of tax, is proposed, making the total dividend of 8.4d. for the year, the same as the preceding year.

A record refinery throughput was realised. Agreement was reached with the Trinidad Government to exempt from duty, subject to reasonable conditions, oil imported for 25 years. The board has sanctioned large capital expenditure for modernising its refinery.

CARRIER ENGINEERING COMPANY, LIMITED

BONUS ISSUE APPROVED

MR S. L. GROOM'S STATEMENT

The ordinary general meeting of Carrier Engineering Company, Limited, was held at Caxton Hall, Caxton Street, London, S.W., on November 17th, Mr S. L. Groom (chairman and managing director) presiding.

The Chairman, in the course of his speech, said: During the year covered by the accounts before you your company has considerably enlarged the scope of its business, resulting in a satisfactory increase of turnover and profit.

The primary object of our endeavour during the post-war years has been to develop and provide industrial equipment to give increased production with the available labour and, at the same time, produce a better product at a lower cost and coincidentally create improved working conditions conducive to increased manual effort and alertness.

Your company, among its many activities of this nature, has developed a continuous mechanical process for the cleaning, rust-proofing and painting of vehicle bodies. These systems are named "Rotodip" and "Rotospray," and have been installed with outstanding success in the works of several automobile manufacturers. Although these installations account for a very small proportion of our total turnover for the year under review, we have in hand further important orders for this equipment, and I make special mention of this section of our business because doubtless you have already learned of this particular activity through the daily and technical Press.

We have made licence arrangements for the manufacture and sale of similar equipment by others in America and Canada under which we shall receive a percentage on sales, and these arrangements should result in a valuable contribution to our earnings. This will represent net dollar income to our country having been earned by the sale of technical "know-how."

SATISFACTORY ORDER BOOK

Orders in hand are sufficient to provide a satisfactory turnover for the current financial year, beyond which you would not expect me to prophesy. I would, however, suggest the company's past record justifies the confident assumption that our organisation can yet again successfully adapt itself to meet any drastic change in commercial or industrial conditions.

The total profits for the year, subject to taxation, amount to £323,554 earned on a considerably increased turnover.

In these accounts we have made provision for income-tax as well as profits tax payable on the profits of the year under review, and the total deduction for taxation is £212,921.

Provision has been made for dividends on the preference and ordinary shares totalling £33,034 leaving a balance of £31,279, which is considerably more than our issued capital.

You will note that goodwill and patents, and also factory fixtures and fittings, stand at £1: cash at bank, holdings of tax reserve certificates and Government securities amount to £468,000, which is more than two and a-half times our current liabilities, including the dividends which are recommended.

CAPITAL RESERVE ACCOUNT

Of the capital reserve account to which reference has already been made £51,272 in cash which shareholders have actually subscribed by way of premium and no part of this reserve has anything whatever to do with trading profits. In our opinion this fact calls for special treatment and we are proposing that £50,000 of this balance should be distributed in the form of five per cent. irredeemable second preference shares. The remainder of the capital reserve—£4,795—plus £76,455 to be taken from undistributed profits, making £81,250 in all, will be distributed in ordinary shares. If these proposals are approved at the extraordinary general meeting which is to follow, the total issued capital will become £350,000, the balance to be carried forward to next year will be £254,824—which is practically the same figure as that brought in from the previous year—and our assets will, of course, remain unchanged at £948,653.

Your board wishes me to state that the suggested issue of ordinary shares does not necessarily mean that any increase will be made in the total dividend on the ordinary shares.

In conclusion I welcome this opportunity of expressing my gratitude and appreciation to my colleagues for their able and energetic co-operation in the day-to-day management of the company's affairs and I am sure you will also wish me to express our appreciation of the splendid services rendered throughout the past year by all our employees.

The directors' report and accounts were adopted and the dividends approved.

At a subsequent extraordinary general meeting resolutions amending the Articles of Association were approved.

EASTWOODS LIMITED

CEMENT NATIONALISATION

The twenty-ninth annual general meeting of Eastwoods Limited was held in London on November 17th.

Mr G. W. A. Miller, F.C.I.S., chairman and managing director, who presided, in the course of his speech said:—

There was improvement in the group trading profit from £274,491 to £281,971, which is reflected in an increase of the Eastwoods' net profit from £70,417 to £80,391. The results for the first half-year of the current period to September 30th show further improvement. Whatever political circumstances may intervene, therefore, the substantial fund of undistributed profit, will act as a very valuable cushion against any possible recession in the building programme.

The programme of the Socialist Party as outlined in "Labour Believes in Britain" suggests that cement is included in the further short list of industries upon which the blight of nationalisation may fall. As is very well known, the cement industry has played a most vigorous and successful part in furthering the national interest before, during and since the war: the facts are incontrovertible and plain for all to see.

For many years our selling prices and profit margins have been controlled by the Ministry of Works, the export tonnage is exceeding all previous records, several government committees have pronounced that there is no monopoly or undue profit taking, while the Minister himself has expressed his entire satisfaction with the work of the industry, and we may, I think, conclude that the interference contemplated at this time of all times cannot be justified by any argument of logic or national expediency. The Socialist case falls completely unless it can be shown that under nationalisation more and better cement could be made, and made more cheaply. Does anyone of us seriously imagine that it would?

ISOLATION OF CEMENT BUSINESS

Unlike many of our other friends in the industry, it is only part of our activities which are threatened even in the doubtful event of the proposals for cement nationalisation going forward, and there is no suggestion (except to that limited extent) that Eastwoods itself could be involved. It happens that we have no cement assets whatever outside the United Kingdom which require to be dealt with, but we have nevertheless taken the precaution to "hive off" our cement businesses and to isolate those assets for transfer to a wholly owned subsidiary of Eastwoods known as Eastwoods Cement, Limited. We cannot anticipate the future working of warped minds. In the opinion of the directors, however, this scheme does represent the minimum requirements necessary for securing the company's interests. It is my innate conviction that no further irrevocable step should be taken, nor, indeed, is any necessary at this time of complete political uncertainty.

For three years in succession we have provided entirely from our internal funds more than £200,000 per annum to finance

NOTICES

URWICK, ORR AND PARTNERS seek additional staff for the Control Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:

1. Professional qualifications in Accountancy.
2. Some years' executive experience in responsible industrial appointments, with particular reference to costing.
3. Sound general education and wide interest in contemporary affairs.

Applications should be addressed in WRITING to the Company's Offices at 7 Park Lane, London, W.1, quoting reference C.1027.

GRADUATE, 29, B.A. (Cantab.) Economics, ex-Naval officer, seeks opening in shipping or international commerce for work of an interesting nature. Previous experience in export administration. Fluent French, slight knowledge of Spanish.—Box 267

expansion without borrowing or mortgages or pleas for State aid. Nevertheless, any constructive scheme now takes twice as long to complete at three times the expense. Against this we get only the threat of nationalisation, increased taxation, the setting up of the Monopoly Commission, further attacks on the profit motive and piteous appeals to work still harder and re-man the pumps to save the sinking ship: not our ship, but the one they navigate so dangerously and so near the rocks with so very little sense either of courage or adventure.

The report was adopted.

HORLICKS LIMITED

EXPANSION OF SALES

The annual general meeting of Horlicks Limited was held on November 11th at Slough, Bucks, Lt.-Col. J. N. Horlick, O.B.E., M.C. (chairman of the company), presiding.

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

The group profit for the year to March 31, 1949, after providing for interest payable, depreciation, directors' fees and other emoluments and audit charges, amounted to £379,233 compared with £345,222 for the previous year. Expansion of sales at home accounts very largely for the increase of £63,451 in the parent company's profit, while the decline of £29,440 in the profit earned by the subsidiaries indicates to some extent the difficult conditions that have been encountered by the overseas companies, particularly the American subsidiary.

In common with all other companies in this country, we face an inevitable increase in costs. Export advantages gained by our factories in England, Australia and New Zealand are counterbalanced by the more difficult trading conditions in those export markets supplied from our American factory. It is, in my opinion, quite impossible to take anything but a pessimistic view of the future until changes are made in the economic and financial policy which the present Government has pursued for the past four years, and unless the crushing burden of taxation which bears down so heavily upon industry is lifted from our shoulders.

TAXATION AND PROFITS

The Chancellor of the Exchequer recently told the House of Commons that taxation of profits does not enter into the costs of production. There is a technical sense, of course, in which he is right, but from the broader viewpoint of the welfare of British industry, it would seem to me he is wrong. While no one would deny that profits are legitimate targets for the tax-collector, it is in fact impossible to tax them beyond a certain point without materially influencing the cost of production.

One of the most clearly marked and, I think, most pernicious developments of recent years, has been the tendency to evolve what are known as utility articles at the expense

of quality goods. We all know by now that one of the main planks of our economic recovery rests upon the expansion of our export trade. But the great advantage that we have had in the past in the export market has lain in our superior workmanship, in our ability to produce goods of a quality just a little higher than others have been able to achieve.

In prewar years branded goods won the respect and confidence that were the very foundations of progressive merchandising in overseas markets. To attempt to suppress quality production in this country and continue the wartime processes of so-called standard values, is gratuitously to throw away what is one of our great assets.

Unless we can reverse the tendencies which have been apparent in Government policy in the last four years, these consequences will be felt, with increasing harshness and severity, by all of us. Public extravagance, the penalising of past prudence, the attempt to put industry into a strait-jacket, the crushing down of all initiative and all sense of responsibility, these are things which, if we do not check them, will bring us all down, workers, management and stockholders alike.

The report was adopted.

JOHN I. THORNYCROFT AND COMPANY, LIMITED

INCREASED OUTPUT

The forty-eighth annual general meeting of John I. Thornycroft and Company, Limited, was held on November 16th in London.

Sir John E. Thornycroft, K.B.E. (governing director and chairman) said that on August 1, 1949, the company's Reading works and all the United Kingdom sales and service depots and the vehicle and marine home sales organisation had been transferred to Transport Equipment (Thornycroft) Limited, thus completing the division of the Southampton shipbuilding and ship-repairing organisation from the commercial vehicle and marine and industrial engine businesses.

During the year an order was obtained for the construction of the hull of a 5,000 tons gross passenger cargo vessel for Akers Mek. Verksted, Norway. Work had been proceeding slowly on H.M.S. "Duchess." A number of tugs (steam and diesel engine) and other small craft had been delivered during the year. Work had been proceeding satisfactorily on the rebuilding of the "New Australia" (ex "Monarch of Bermuda"), and the conversion of the "Empire Orwell" from troopship service. That work, with the running repair work on "Queen Elizabeth" and "Queen Mary" and other repair work had kept the Southampton organisation working to capacity within the limits of the labour available.

With regard to commercial vehicle business, output for the year had been in excess of the previous year due to the material supply position improving. Thirty-five per cent. of the output in value had been exported, making 37 per cent. since January 1, 1946.

The report was adopted.

CHARTERED ACCOUNTANT, preferably under 30, required by leading firm of Stockbrokers for Company analysis and statistical work in their New Issue and Statistical Department. Only those suitable for dealing with sound investment business without any speculative element will be considered. Good salary and prospects to right man having ideas and initiative in addition to knowledge of present day Company and taxation legislation.—Write Box E.568 at 191, Gresham House, E.C.2.

MAY we send you a copy of our Christmas Wine and Spirit List, which contains details of over seventeen original drinks?—The Cotswold Cider Co., Newent, Gloucestershire.

WINTER SPORTS: If you would like a good Winter Sports holiday at reasonable cost—in Switzerland, France or Austria—either with other university and professional people or independently please contact: Erna Low, 9, Reece Mews, London, S.W.7. KENSINGTON 0911.

Investment Statistics

Company Notes

Marston, Thompson and Evershed.—Consolidated trading profit and rents receivable declined from £616,886 to £510,838 in the year to March 31, 1949. Net profit amounted to £109,887 (£170,711). Net current assets at the year-end were £847,896 (£845,153).

Crabtree Electrical Industries.—Group trading profit increased from £280,932 to £346,624 in the year to July 31, 1949. Net profit declined from £136,875 to £122,310. A total dividend of 17½ per cent is recommended for the year. Net current assets amounted to £713,860 (£622,797) at the year-end.

Great Universal Stores.—Consolidated trading profit increased from £2,928,448 to £4,576,290 and net profit from £829,659 to £1,440,869 in the year to March 31, 1949. Subsidiaries have written £439,166 off goodwill compared with £49,816 written off in 1947-8. Fixed assets less depreciation have been increased from £6,522,537 to £7,439,111 and net current assets are up from £8,453,578 to £11,284,351. Revenue reserves are higher at £3,740,890 against £2,880,244. The dividend rate of 40 per cent has been maintained on the increased capital.

Wall Paper Manufacturers.—Fixed assets less depreciation were expanded from £3,697,019 to £3,933,735 in the year to June 30, 1949. Net current assets rose from £7,501,084 to £8,002,353 and reserves from £3,188,644 to £3,580,785. Goodwill has now been wholly written off with the latest appropriation of £300,000 from group profit for the year.

South Durham Steel and Iron.—Profit increased from £567,922 to £880,998 in the year to September 30, 1949. Taxation absorbs £322,000 (£115,000) and depreciation £120,000 as in 1947-8. A dividend of 4 per cent is recommended on the "B" ordinary shares (same).

Montague Burton.—Consolidated trading profit, including the new subsidiary Peter Robinson, amounted to £2,172,989 in the year to March 31, 1949. Group net profit was

£899,646 (£451,031). General reserve is allocated £400,000 (£200,000). Net current assets amounted to £5,381,678 (£1,714,124); stocks have jumped from £2,357,654 to £5,197,726 and cash from £459,600 to £1,638,694. Capital reserves have increased from £766,030 to £2,282,367 on the year.

Benskin's Watford Brewery.—Net profit amounted to £277,778 (£294,640) in the year to September 30, 1949. Recommended dividend is 20 per cent for the year (20 per cent plus 5 per cent jubilee bonus for 1947-8).

Nchanga.—A note in last week's issue implied that Rhokana received a return from its interest in Nchanga for the year to June 30, 1949. Nchanga had paid no dividend up to that date.

Joseph Lucas.—Consolidated net surplus from operations amounted to £825,732 in the year to July 31, 1949. The comparative profit for 1947-8 was £807,526 from which a special non-recurring tax provision of £299,977 was deducted. After including non-trading income and deducting profit retained by subsidiaries net profit of the parent company showed an increase from £398,416 to £642,379. The dividend of 17½ per cent for the year is unchanged.

Prices Tailors.—Group profit amounted to £811,239 (£724,792) in the year to June 30, 1949. Net profit was £297,531 (£247,007). Net current assets at the year end were £1,374,727 (£1,349,659).

Joshua Hoyle.—Group net profit increased from £474,820 to £637,564 in the year to September 30, 1949. The dividend of 15 per cent for the year is repeated.

Capital Issues

Rootes Securities (now Rootes Motors).—In replacement of the group's loan capital, an offer for the sale of £2,000,000 preference capital is being underwritten. The issue will take the form of 5 per cent cumulative redeemable £1 preference shares, the shares to be offered at par.

Argus Press Holdings.—Ordinary shareholders registered on November 3rd are offered 160,000 5s. ordinary shares at par

in the proportion of one new share for every five shares held. Directors and employees are offered 40,000 5s. shares at par.

David Whitehead (spinners and weavers).—A private placing has been made of £100,000 4½ per cent unsecured loan stock repayable at par in 1960 with an option to repay £50,000 in 1955 at a premium of £1 per cent.

British Wagon Company.—A bonus issue to be made to shareholders in the proportion of one new £1 share for each £1 share held will capitalise £520,000 of reserves. A further free distribution of £86,666 13s. 4d. is to be applied to paying up the £20 shares, (£3 paid) to £5 paid up, and the £20 shares, (£1 paid) to £1 13s. 4d. paid up. After the issue, £631,336 will remain in reserves.

Ruston and Hornsby.—Shareholders have approved the 100 per cent bonus issue capitalising £2,050,000 of reserves.

Donaldson Line.—Shareholders are to receive a bonus distribution of four new 4s. shares for each 4s. share held. The issue amounts to 2,227,420 shares and will capitalise £445,484 of reserves.

New Issue Prices

Issue	Issue Price (a)	Price, Nov. 15, 1949
Aerow, 5½% Pref. (20-2 paid).....	50.0	20.3-20.4
Automatic Tel. (20-2 paid).....	21.0*	22.0-22.9
Beecham Food, Pref.	21.0*	19.6-20.5
Clark (F), 2½% Pref.	21.0*	3.0-3.5
Constructors, 5½% Pref.	21.0*	20.10-21.4
Crowther (Holdings), Pref.	22.0	22.3-22.9
Derby & Mid. Mills,	11/6	Nil-6d. p.a.
East African Power, Pref. (10-2 paid).....	20.0	1.11-10.14 d.
Do. Ord. (20-2 paid).....	30.0	2.74-2.10 p.a.
General Mining,	51	71-73 p.a.
Harland Eng., 9% Pref.	20.6	18.9-19.5
Do. Pref. 10-6 (6 paid) ..	11/6	6.0-7.0
Langish, 5% Pref. (5-5 paid) ..	20.0	3.6-4.6
New Zealand, 3½% (25 paid) ..	98	61-1.6 p.a.
Perry (Holdings), A.	37/6	7.0-7.6
Smith, W. H. (Holdings), A.	40.0	38.9-39.9
Do. B.	8.0	7.9-8.3
Do. 4½% Pref.	20.0	21.6-22.0
Do. 7% Pref.	...	29.3-30.3
Vereniging Est. (Nl)	80.0	18.0-19.0 p.a.
Western Holdings,	50.0	15.9-16.9
Wholesale,	30.0	3.9-4.6 p.a.

* Placing.

Statistical Summary

FYCHEQUER RETURNS

the week ended November 12, 1949, total revenue was £54,177,000, against the weekly average of £54,640,000 and issues of £590,000. Thus, including the allocations of £10,587,000 the week ended since April 1st is £19,852,000 compared with £288,682,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 13, 1948	April 1 to Nov. 12, 1949	Week ended Nov. 13, 1948	Week ended Nov. 12, 1949
ORDINARY REVENUE	149,000	461,471	457,763	5,138	6,733
Income Tax	105,000	28,550	28,550	400	900
Stamp Duties	176,000	107,400	117,700	2,500	3,700
Excise, etc., Duties	48,500	34,313	31,100	800	800
Income Tax	240,000	101,431	167,160	7,249	5,600
Income Tax	1,000	64,400	27,200	200	1,300
Income Tax	25,000	105	80	1,250	300
Income Tax	208,500	818,570	856,603	17,537	19,333
Income Tax	829,650	510,416	499,655	18,921	22,053
Income Tax	665,600	476,800	454,800	10,300	12,100
Income Tax	149,325	987,216	954,455	29,221	34,153
Income Tax	44,000	12,053	12,336	169	208
Income Tax	44,000	70,138	64,906	2	169
Income Tax	18,000	826	14,045	...	...
Income Tax	12,000	5,360	5,940	...	...
Income Tax	1,000	590	420	...	...
Income Tax	20,000	10,596	11,697	273	...
Income Tax	30,000	94,008	47,054	926	314
Income Tax	377,750	1,999,356	1,967,435	48,128	54,177
Income Tax	159,630	93,830	98,200	4,150	4,500
Income Tax	5,700	4,950	7,367	221	546
Income Tax	394,380	2,098,136	2,073,000	52,499	59,223

Issues out of the Exchequer to meet payments (£ thousand)

Expenditure	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 13, 1948	April 1 to Nov. 12, 1949	Week ended Nov. 13, 1948	Week ended Nov. 12, 1949
EXPENDITURE	485,000	304,141	300,114	403	640
Income Tax	30,000	13,991	21,621	...	...
Income Tax	12,000	3,798	6,076	...	...
Income Tax	527,000	321,929	327,812	403	640
Income Tax	280,170	137,172	160,918	31,150	34,000
Income Tax	332,970	170,011	195,696	31,553	34,640
Income Tax	...	10,573	40,587	60	590
Income Tax	349,540	170,011	195,696	31,553	34,640
Income Tax	159,630	93,830	98,200	4,150	4,500
Income Tax	5,700	4,950	7,367	221	546
Income Tax	349,540	170,011	195,696	31,553	34,640

On November 11th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 74 per cent of the amount applied for at £99 17s. 4d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 5d. and above in full. (£230 million (maximum) of Treasury Bills are being offered for November 16th. For the week ended November 19th the banks will be asked for Treasury deposits to a maximum of £75 million, £35 million at 5 months and £40 million at 6 months.

NATIONAL SAVINGS

Savings Certificates	Week Ended		Total, Apr. 1 to Nov. 5, 1949
	Nov. 6, 1948	Nov. 5, 1949	
Receipts	2,100	1,900	64,400
Repayments	2,800	2,450	75,550
Net Savings	Dr 700	Dr 550	Dr 11,550
Debt Securities	840	480	17,435
Receipts	967	866	24,138
Repayments	1,127	1,346	Dr 6,703
Net Savings	Dr 127	Dr 346	Dr 6,703
P.O. and Trustee Savings Banks	13,062	13,201	376,254
Receipts	10,168	12,413	403,161
Repayments	2,894	788	Dr 20,907
Net Savings	2,067	Dr 148	Dr 44,760
Interest on certificates repaid	504	500	15,059
Interest accrued on savings remaining invested	2,332	2,366	75,730

BANK OF ENGLAND RETURNS

NOVEMBER 16, 1949

ISSUE DEPARTMENT

Notes Issued	In Circulation	In Bank Department	Govt. Debt	Other Govt. Securities	Other Securities	Coin	Total
1259,961,286	1259,961,286	40,455,537	11,015,100	1288,279,119	694,373	11,408	1300,356,823
1300,356,823	1300,356,823						

BANKING DEPARTMENT

Capital	Reserves	Public Deposits	Public Accounts	H.M. Treas. Special Acc.	Govt. Secs.	Other Govt. Securities	Discounts and Advances	Securities	Notes	Coin
14,553,000	3,358,677	66,058,242	13,320,701	54,737,541	420,358,941	38,350,921	12,122,575	26,267,346	40,455,537	5,616,925
504,802,324	504,802,324									

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

COMPARATIVE ANALYSIS

(£ million)

Issue Dept.	Nov. 18, 1948	Nov. 2, 1948	Nov. 9, 1948	Nov. 16, 1949
Notes in circulation	1234.0	1260.0	1260.4	1259.6
Notes in banking department	66.3	40.3	40.0	40.5
Government debt and securities	1299.2	1299.2	1299.3	1299.3
Other securities	0.8	0.8	0.7	0.7
Gold	0.2	0.4	0.4	0.4
Valued at s. per fine oz.	172.3	248.0	248.0	248.0
Banking Dept.	15.3	10.0	8.9	13.3
Deposits	12.8	54.7	54.7	54.7
Public Accounts	313.4	293.1	299.7	308.3
Bankers	92.4	114.8	115.1	112.5
Others	433.9	472.6	478.4	486.8
Securities	331.0	394.1	406.5	420.3
Government	26.8	21.5	15.9	12.1
Discounts, etc.	24.6	28.9	28.2	28.3
Other	382.5	444.5	450.6	448.7
Banking dept. res.	69.3	46.0	45.7	46.1
"Proportion"	15.9	9.7	9.5	9.4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on September 28, 1949.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 5d. to 248s. 6d. per fine ounce on September 19th and the selling price to authorized dealers from 172s. 6d. to 248s. 6d. per fine ounce. Spot cash prices during last week were as follows:—

1949	SILVER		GOLD	
	London	New York	Bombay	Bombay
Nov. 10..	64	731	165	8
" 11..	64	731	165	8
" 12..	64	731	165	8
" 13..	64	731	165	8
" 14..	64	731	165	8
" 15..	64	731	165	8
" 16..	64	731	165	8

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Great Universal Stores; Montague Burton; The Wallpaper Manufacturers.

Prices, Year 1949		Name of Security	Price, Nov. 9, 1949	Price, Nov. 16, 1949	Yield, Nov. 1, 1949	Gross Yield, Nov. 16, 1949	Prices, Year 1949		Last Two Dividends	Name of Security	Price, Nov. 9, 1949	Price, Nov. 16, 1949	Yield, Nov. 1, 1949
Jan. 1 to Nov. 15	High						Low	High					
BRITISH FUNDS													
101 1/2	100 1/4	War Bonds 2 1/2% Aug. 1, 1949-51	101	101 1/2	6 1/8	8 1/2	2 1/4	14 1/2	%	%	96 1/2	96 1/2	6 1/8
100 1/2	99 1/2	Exch. Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0	13	10	11 1/2	(d)	(d)	98 1/2	95 1/2	3 1/2
102 1/2	99 1/2	War Bonds 2 1/2% Mar. 1, 1951-53	100 1/2	101 1/2	0 17	6 1/2	2 1/4	14 1/2	(d)	(d)	98 1/2	95 1/2	3 1/2
103 1/2	99 1/2	War Bonds 2 1/2% Mar. 1, 1952-54	100 1/4	101 1/2	1 0	8 1/2	2 1/4	14 1/2	50	50	6	6	4 1/2
104 1/2	87 1/4	War Loan 3 1/2% (after Dec. 1, 1952)	88 1/2	91 1/2	2 0	3 1/6	5 1/2	9 1/2	5 1/2	5 1/2	6	6	4 1/2
105 1/2	98 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	99 1/2	101 1/2	1 3	9 1/2	2 1/2	10 1/2	10 1/2	10 1/2	70 1/2	70 1/2	4 1/2
104 1/2	99 1/2	Fundmng 2 1/2% June 15, 1952-57	100 1/2	101 1/2	1 6	6	2 1/2	10 1/2	7 1/2	7 1/2	72 1/2	75 1/2	5 1/2
105 1/2	99 1/2	Nat. Def. 3 1/2% July 15, 1954-58	102	103 1/2	1 1	11	2 1/4	10 1/2	40	40	28 1/2	27 1/2	5 1/2
106 1/2	98 1/2	War Loan 3 1/2% Oct. 15, 1955-59	99 1/2	101 1/2	1 6	6	2 1/2	10 1/2	7 1/2	7 1/2	65 1/2	66 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 17	3 1/5	5 1/2	2 1/2	15	15	130 1/2	130 1/2	3 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
102 1/2	94 1/4	Sav. Bonds 3 1/2% Aug. 15, 1955-65	95 1/2	99 1/2	1 11	7 1/2	2 1/4	7 1/2	12 1/2	12 1/2	32 1/2	34 1/2	4 1/2
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THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1924 of the Colony.
CAPITAL ISSUED AND FULLY PAID UP £20,000,000
RESERVE FUNDS STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS £20,000,000

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HIS MAJESTY'S COLONIAL SERVICE, GOLD COAST

Vacancies exist for two ASSISTANT CONTROLLERS OF COMMERCE AND INDUSTRY in the Department of Commerce and Industry, Gold Coast. The officers will be required to undertake responsible duties in regard to the issue of import and export licences and correspondence in connection therewith. Candidates with previous knowledge of customs procedure and commercial experience and any war experience in connection with supplies will be preferred.

The appointments will be on three years' probation for permanent and pensionable employment. The salary scale, including pensionable expatriation pay, is £600-£1,200, with a promotion step at £850. A temporary local non-pensionable cost-of-living allowance is payable on salaries (plus expatriation pay) up to £1,140 a year (inclusive). War service, qualifications and experience will determine the point of entry into the salary scale. Partly furnished Government quarters are normally provided, and a sum of between £90 and £100 is deducted for rent. Free passages are provided for the officer and his wife on first appointment and on leave. Income tax is at local rates, which are very much lower than those in the United Kingdom. An allowance of £60 is payable on a salary of less than £750 (inclusive of expatriation pay). The tour of service is 18 to 24 months, and leave on full salary is granted at the rate of seven days for each completed month of resident service.

Candidates must be under 40 years of age. Forms of application can be obtained from the Director of Recruitment (Colonial Service), Colonial Office, Sanatorium Buildings, Great Smith Street, S.W.1. The closing date for the receipt of completed application forms is December 31, 1949.

CITY OF BLOEMFONTEIN

FOUR PER CENT INSCRIBED STOCK, 1951.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK, 1953-58.

CITY OF PRETORIA

THREE AND A HALF PER CENT INSCRIBED STOCK, 1953-58.

NOTICE IS HEREBY GIVEN that in order to prepare the warrants for interest due January 2, 1950, the Balances of the several Accounts in the above-mentioned Stocks will be struck on the night of December 1 next, and that on and after December 2 the Stocks will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),

Circus Place, ROBERT WHYTE, Manager,
London Wall, E.C.2. November 9, 1949.

CITY OF BLOEMFONTEIN

FIVE PER CENT INSCRIBED STOCK, 1960.

NOTICE IS HEREBY GIVEN that in order to prepare the warrants for interest due December 31, 1949, the Balances of the several Accounts in the above-mentioned Stock will be struck on the night of November 30th, and that on and after December 1st the stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),

Circus Place, ROBERT WHYTE, Manager,
London Wall, E.C.2. November 9, 1949.

OXFORD GRADUATE (26), 1st class hon., Modern Greats, ex-Army Captain, seeks opening commerce/industry.—Box 251.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable December 15, 1949, to shareholders of record at the close of business November 23, 1949.

Toronto, By Order of the Board,
November 14, 1949. J. R. BRADFIELD, Secretary.

B. W. BLYDENSTEIN & CO.

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REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1
ANNUAL INCOME EXCEEDS £18,000,000
ASSETS EXCEED £107,000,000
CLAIMS PAID EXCEED £198,000,000
(1948 Accounts)

CIVIL SERVICE COMMISSION

An Open Competition will be held in 1950 for recruitment by Methods I and II to the Special Departmental Classes (see H.M. Inspector of Taxes; Departmental Class (Cadet Grade); Ministry of Labour and National Service; Probationary Assistant Postal Controllers; Research Assistants; Ministry of Defence. Age limits 20-25 on August 1, 1950, with extension for regular service in H.M. Forces, but certain candidates born on or after August 2, 1923, may be admitted at the Commissioners' discretion, and candidates at least 25 and under 30 on August 1, 1950, may compete under Method II if they have experience in employment in industry or social work particularly fitting them for posts in the Ministry of Labour and National Service. The number of vacancies will be about 60, the majority in the Inland Revenue Department.

Regulations and particulars are obtainable on application (preferably by postcard) to the Secretary, Civil Service Commission, Burlington Gardens, London, W.1. quoting No. 2701. The 1 date for the receipt of completed Application Forms is November 31, 1949 (for Method II), or January 31, 1950 (for Method I).

BRITISH BROADCASTING CORPORATION

The Civil Service Commissioners announced that there are vacancies on the administrative staff of the Corporation may be filled from among eligible candidates for either Method in the Competition of 1950 for the Administrative Class of the Home Civil Service, who express an interest in service with the B.B.C. Age limits 20-25 on August 1, 1950. Minimum starting salary £1. Full particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1. quoting 2700 B.B.C. Closing dates for the receipt of completed application forms November 30, 1949 (Method II), January 31, 1950 (Method I).

CIVIL SERVICE COMMISSION

An Open Competition will be held in 1950 for the Administrative Class of the Home Civil Service and the Administrative Class of the Northern Ireland Civil Service (Methods I and II), and for the Senior Branch of the Foreign Service (arrangements as for Method II). Age limits 20-25 on August 1, 1950, with extension for regular service in H.M. Forces, but certain candidates born on or after August 2, 1923, may be admitted at the Commissioners' discretion.

Regulations and particulars are obtainable on application (preferably by postcard) to the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1. quoting No. 2700. The 1 date for the receipt of completed Application Forms is November 31, 1949 (for Administrative Class Method II and for Foreign Service) or January 31, 1950 (for Administrative Class Method I).

AN EXECUTIVE AND CHIEF RESEARCH OFFICER is required to organise and conduct a survey of the economics of the cotton-producing areas of Nigeria. Funds have been made available by the Nigeria Cocoa Marketing Board for a comprehensive and scientific survey and for adequate payment of staff stipends and expatriation allowances. Full particulars from Survey Committee, Agricultural Economics Research Institute, Parks Road, Oxford.

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DUDLEY, WORCESTERSHIRE: DUDLEY 5164

OTHER NOTICES APPEAR ON PAGE 1157

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, November 19, 1949.



The Economist

Established 1843

November 26, 1949

One Shilling

LEADING ARTICLES

- An Army for Germany? - - - 1161
- Honour and Office - - - 1163
- Delhi and the Future - - - 1165
- Dilemma or Challenge? - - - 1166

NOTES OF THE WEEK - - - 1168

New Front on Insurance; TUC Takes the Plunge; Turbulence in the Air; The Petersberg Agreements; Next Stage in Dismantling; Red Danube; Scapegoats; Groundnuts' Past and Future; Abuse and the Press; The Shah in the States; Mr Nehru and Kashmir; Pakistan Flirts with Moscow; Labour's First Shot; New Teeth for Planning; Businessmen and Dollars; Work for the Arab Refugees; Towards a Point-Four Programme; Communists Make Capital in Italy; Doctors' Pay.

LETTERS TO THE EDITOR - 1176

BOOKS AND PUBLICATIONS 1178

AMERICAN SURVEY

- Sharing the Surpluses - - - 1181
- More Men, More Years - - - 1182

After the Marshall Plan; Trouble on the Waterfronts; Blowing Up the Budget; Nine Lives for the Poll Tax; Filipinas Vote for America; Shorter Notes.

THE WORLD OVERSEAS

- Soviet Uranium Sources - 1186
- France, Germany—and Britain?; Double-Pricing in Europe; New Zealand Elections.

THE BUSINESS WORLD

- Sterling Since Devaluation - 1192
- Commonwealth Trade - - - 1194

BUSINESS NOTES - - - 1197

South African Flop; Influencing the Use of Labour; The Reyrolle Investigation; Tax Free Covenants; British Transport's Predicament; Green Light for Weaving Redeployment; Rootes Preference Issue Success; Scottish Banks' Experience; Pattern of Petroleum Consumption; Imposing a Development Council; Thoughts on Locomotive Policy; Shocks for the Wheat Agreement; Trends in Exports; Talks with Belgium; Intra-European Payments; Larger Trade with Japan; Break-down in Polish Talks; Weakness in Base Metals; Shorter Notes.

- COMPANY MEETINGS - - - 1209
- INVESTMENT STATISTICS - - 1213
- STATISTICAL SUMMARY - - - 1214

Vol. CLVII No. 5544

THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

An Army for Germany?

THE problem of the part that Germany should play in its own defence has suddenly sprung to the surface of thought and discussion. President Truman and Mr Acheson gave the initial impetus by refusing to commit themselves to a permanent ban on the creation of a German army, and for a few days it looked almost as if Washington had such a plan in mind. This caused understandable alarm in western Europe; both in Britain and France official statements were issued denying that there is any intention to restore a German army. It is now announced that official American opinion regards a German army as "impracticable and undesirable" and to round off the sudden spate of discussion, the agreement concluded between the western Powers and western Germany contains a pledge on the part of the German Government to prevent the creation of armed forces of any sort in Germany.

It is natural that this speedy reaction of dissent should have followed the first public discussion of the issue. There is no doubt that most of the world would regard a restoration of German armed might as repugnant and disastrous.

In this century, when the Germans have had large armed forces, they have used them first of all to provide backing for diplomatic bullying and then for armed aggression. When they have been permitted to have only small forces, they have exercised their intelligence and duplicity in finding devices by which a small army could be used as the nucleus of a large army to come and in preparing for the day of rearmament. After the experience of 1914, of the interwar years and of 1939, can there be salvation in any other course save that of seeing the Germans have no army at all, large or small? It is almost inconceivable to propose within four years of victory that the engine of destruction which ravaged and occupied the Continent should now be permitted to revive, even if it claims to do so under entirely new management.

In Germany, too, a return to military preoccupations would have unfortunate results. It is not only outside western Germany that voices are raised against the pressure of the nationalists and the militarists. The Christian Democrats repudiate the idea of rearmament and Dr. Adenauer has said categorically: "We do not want a German army." It is these forces of peace and reason that should surely be supported by the Allies.

The revival of a German army would also raise an issue of more than European importance. Many of those in the United States who advocate the revival of German military might do so in the unexpressed belief that by such a move America's commitments in Europe could be reduced and finally liquidated. But if one thing is more certain than any other, it is that, in face of Russia's immense military preponderance, a strategic balance in western Europe can be maintained only if the United States is a permanent partner in European defence. If the United States were to stop putting real strength and determination

into its membership of the Atlantic Pact, in the mistaken belief that Europe, now reinforced by its former conqueror and gaoler, could stand alone, either of two results—both disastrous—would follow: the actual gain in military strength offered by a German army would be insufficient to offset the immeasurable psychological effect of an American withdrawal, in which case the Russians might be tempted to aggression; or the German contribution would be so overwhelmingly strong that the Germans would become, in effect, the military masters of Europe and might then attempt to lead the European coalition into a war to remove the Oder-Neisse line, Europe's permanent festering *casus belli*.

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The arguments against the revival of a German army are thus irresistibly strong. But policy cannot be based simply upon arguments, however strong, of what is desirable. It must be rooted in the realities of the European situation. Germany is not a second Sweden or Switzerland, a sheltered area, preserved by remoteness or high mountain ranges from the direct threat of invasion. On the contrary, it lies directly along the fault line in international affairs, it is the inevitable area of any possible dispute between east and west. It is quite impossible to think of "neutralising" Germany or to believe that it can be left as a species of strategic vacuum.

Germany must therefore be defended. Indeed, it is in Germany that the defence of the west must begin, and that it might fatally end. This being so, it is impossible indefinitely to postpone the crucial question of who is to do the defending of Germany. It is inconceivable that the present western occupying powers should accept in perpetuity the burden of providing the whole defence themselves, even if they had united German good will and support in the attempt. But they will face, on the contrary, Germany's constant and increasing claims—as of right—to contribute to its own defence. At the moment, the memories of defeat and devastation are strong. They offset to some extent the sensitive nationalism which will sooner or later demand a measure of equality with other nations in western Europe. They even offset the fear of facing, unarmed and helpless, the risk of Russian aggression. But these conditions cannot last. The more Germany becomes a partner in western Europe, the more inequality will be found irksome. As the implications of western defence become clearer, such vital questions as the exact line in Europe to be defended—the line of the Elbe or the line of the Ruhr—will remind Germans of their intense vulnerability on the marches of Europe. From the resulting combination of pressures—Allied pressure to reduce the burden of defence, German pressure to take it on—only one result is conceivable, an Allied agreement to restore a German army and to entrust it with German defence.

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This then is the dilemma. The restoration of an autonomous German army would be on every score politically disastrous. Events, on the other hand, if they continue to follow their present course, make it practically certain that the pressure to revive a Germany army will at some

point prove irresistible. The desirable and the practicable, as so often in politics, obstinately refuse to march in step. Fortunately, there is a way out of the dilemma. The danger of a revived German army lies primarily in its autonomy, in the freedom to shape events which undivided control over a military machine would place in the hands of some future, and possibly less well-intentioned, German government. If, however, the German contribution to defence took the form, not of a separate national army, but of the inclusion of German manpower in a European defence system in which the determination of policy were no longer in the hands of individual states but in a Council of European Defence, and if, in turn, this European force were working in closest alliance with the United States, the safeguard against the revival of German militarism should be sufficient to quieten Europe's legitimate fears.

Such a solution demands, it is true, a sufficient pooling of sovereignty in western Europe to make the new defence system a genuinely international body and the new army a really integrated force. Germany will not in the long run tolerate more "internationalisation" than its neighbours are prepared to accept for themselves and anything less than an international framework would restore a dangerous freedom of action to German arms. But the progress achieved under the Western Union Pact and the Atlantic Pact, although it falls far short of a genuine pooling of sovereignty and of an integration of forces on a completely international basis, nevertheless represents a greater advance along the road of union than has been achieved anywhere else. If the other countries of western Europe keep their national armies then it is quite inevitable that Germany will some day—and probably before long—have a national army of its own again. The way to prevent the creation of a new German army is not just to say that it is unthinkable, but to press on with the only possible alternative.

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But perhaps the creation of an international army in western Europe is another instance where the desirable and the practicable conflict? Possibly; the task would certainly not be easy. But there are three solid grounds for hopefulness. The first is that it is precisely the defence aspect of Western Union for which there is the strongest support in the public opinions of western Europe. The second is that there is quite a body of practical experience in the pooling of armed forces, and in the creation of a supreme instance of political and strategic decision, to build on. The third is that the process of genuine integration is not likely to be hampered in the military sphere, as it would be in every other, by a great variety of entrenched economic and social interests which, by their very worthiness, would put up a stronger opposition the further the proposals went. If integration can be achieved anywhere, it is in the field of defence. To propose that there should be a German contribution to a general scheme of European defence does not, therefore, run counter to every trend in present policy. Nor does it presuppose conditions impossible of achievement. On the contrary, the need to solve the problem of German defence may prove the momentum necessary to make European defence a reality

Honour and Office

ON Monday last Mr Strachey, the Minister responsible for the Overseas Food Corporation, was subjected to a sustained and reasoned demand in the House of Commons for an inquiry into the conduct of the East African groundnut scheme. Mr Strachey steadfastly defended the actions of the Corporation, refused to accept any stricture on the conduct of its chairman, Sir Leslie Plummer, and declined point blank to consider the possibility of an independent inquiry. The past and future of the groundnut scheme have been discussed in these columns many times; and it is not proposed to argue the matter again here (although the questions arising out of the debate are dealt with in Notes of the Week on page 1170). What is worth considering is the propriety of Mr Strachey's personal behaviour.

The Minister of Food clearly considers himself to be a very ill-used man. He has convinced himself that since he is the originator of the groundnut scheme, he is also the only man who has the true interests of colonial development at heart. He has made it clear that he regards any criticism as inspired by partisan political motives or the malice of a capitalist press, and to be disregarded by a courageous minister. Is this political courage or political megalomania?

This can be settled by the facts, and the facts are not with Mr Strachey. During the past years there has been a mounting feeling of anxiety among informed people that the groundnut scheme was encountering unforeseen difficulties which would greatly reduce its value and prospects. On every occasion when these doubts have been expressed in Parliament they have been rebutted in the most scathing language by Mr Strachey. On November 2nd, the first report of the corporation revealed that anxiety about the scheme had been grounded on fact, that the commercial prospects for its future were, to say the least of it, dubious, and that in addition the internal accounting arrangements had been neglected. In fact the British public now has to resign itself to having expended a large amount of capital on a project which, if it ever succeeds at all, will certainly never succeed on the scale on which it was planned.

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Mr Strachey, in fact, staked his reputation upon a gamble—a quite legitimate gamble—which has failed. He would have done a service both to the groundnut scheme and to his own reputation if he had resigned on the day the corporation's report was published. So far as concerns the scheme, Parliament and public would then have heard him with the respect that is always accorded to the man who will make a sacrifice for what he believes to be right. He could, before long, have returned with honour to an office requiring somewhat different qualities, or at least have retired to private life with a clear conscience. Many of the most eminent political careers have been assisted by the honest admission of failure or the courageous acceptance of ill fortune. Instead, the effect of rising public anxiety has merely been to stiffen Mr Strachey's determination to cling to office at all costs. Three days before last Monday's

debate, he dismissed from the corporation two of the directors, one of whom appears to have committed no other crime than that of being somewhat critical of the course of action pursued by the Minister and the corporation's chairman. On Monday he offered Parliament, together with much unabated optimism for the future, neither explanation nor apology for the past, ending in a blank wall of defiance. Mr Strachey permits the independent observer to draw only one conclusion, namely that he would rather cling to office even if it means performing every doubtful mental antic that a highly educated intellectual can devise, and stooping to the ignoble policy of shuffling blame on to subordinates.

The real thing to do (he said in Monday's debate) when you strike difficulties as we have struck them in this enterprise, is to examine your board and to see whether you have absolute confidence that it is the best instrument to do the job which faces it.

For a minister under attack, this is astonishing arrogance. It invites the retort that the first thing for a minister to do (or for his Prime Minister to do for him) is to examine himself, and in this instance particularly, to decide whether he possesses the necessary qualities for office.

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Mr Strachey's position is of special importance since, like a growing number of his colleagues, he is responsible not only for a government department, but for a public corporation. It has become increasingly clear, as a result of the repeated efforts of Parliament to get at the truth about the groundnut scheme, that one man alone—the responsible Minister—has the means to probe at the right time into the efficiency of a nationalised board or public corporation. The House of Commons is too blunt an instrument for this purpose, and its Public Accounts Committee can take action only in the vanishing wake of events. The Minister is the only effective Inspector-General of a public enterprise and if he forgets his loyalty to Parliament and his duty to the nation, not only does he devalue his own reputation, but he destroys public confidence in the enterprise itself. If Ministers are to behave like this, they should reflect that the final

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result may be a limiting of their independence by hanging a millstone round their necks, in the shape of a constitutional device akin to the American congressional inquiry. There is everything to be said against such a process, but the freedom of action that a British minister at present enjoys can be maintained only if ministers remember to whom their loyalty is owed—that is neither to their colleagues nor to their party but to the public.

But the questions which are raised by the events of last weekend have a wider implication. One of the oddest features discernible in the present Government is its attitude to public office. When a man becomes a minister or a junior minister he becomes a very special kind of individual with great power and certain privileges but subject to the full glare of publicity. It is open to him to resume at will the status of a private member of Parliament or even of a private individual, and for a century it has been accepted that he should do so if one of three things happened: if he found himself in disagreement with his colleagues on a major matter; if by cupidity or folly—or even, sometimes, by misfortune—it could be held that there was the slightest tarnish on his personal honour; or if any public undertaking for which he held personal responsibility had manifestly failed. It could be held that it was one of the Prime Minister's main duties to safeguard the honour of his government and to enforce resignation where the conscience of a particular minister was sluggish.

Yet the curious paradox exists, that Mr Attlee, one of the most high-principled men ever to be Prime Minister, presides over a government in which these tenets have come to mean little or nothing. On issues of



In the early days, the Sun Fire Office used to provide each policy-holder with a special plaque or 'mark' bearing the number of his policy. This was affixed to the insured premises and in the event of fire, the Company's fire-fighters were authorised to extinguish the blaze only after the premises had been identified as being 'Sun Insured.'

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policy, there has been only one resignation—and that of a very junior minister—during the whole four and a half years. This does not mean that there has been a heavenly harmony among ministers. There are and have been open disagreements upon issues of principle and policy which some ministers are only too ready to air. But no minister has felt impelled to forgo the charms of office for the sake of his personal integrity. This can only mean either that ministers feel more strongly about being Ministers of the Crown than about being thought honest, or that they are terrified of presenting a disunited front to the opposition—a curious state of affairs in a government with a large majority and a well-filled reservoir of unused talent among its younger men. This attitude to resignation has had the effect of reducing the Cabinet at each crisis to the status of a coalition, working only to a common factor of agreement that satisfies a number of powerful but dissentient men—and thereby producing only the shadow of a policy.

On the issue of personal integrity, the Government seems to have joined in a conspiracy to pretend that personal morality is irrelevant to politics. Only the junior minister directly implicated by the Lynskey tribunal felt impelled to quit public life, although it uncovered a remarkably low standard of behaviour on the part of other ministers. Last week a junior minister was fined in connection with some piece of minor company malpractice and in greater and lesser degree there have been other examples. It is true that Mr Dalton resigned immediately upon committing a budget indiscretion—in conformity with a tradition evolved in sterner times which still has force because the previous instance had occurred only a decade earlier. Yet Mr Dalton has been back in office for over a year.

If the Labour Party is beaten at the polls, they must reflect that the electorate's judgment will be pronounced as much upon their performance as men as upon the correctness of Socialist theory.

By way of antithesis, it is instructive to look at two examples of what may be called the Victorian standard of conduct. In 1845 Mr Gladstone had just achieved office as the President of the Board of Trade. He resigned from Peel's Cabinet on the question of giving a small grant to the Catholic College at Maynooth, not because he believed it wrong—indeed, he supported it—but because he had, as a private individual, written against such grants some years earlier, and was unwilling that anyone should believe him capable of changing his mind simply in order to stay in office. Forty-one years later and on the opposite side of politics, Mr W. H. Smith, builder of the great business, was made Chief Secretary for Ireland on January 23, 1886. He immediately caused his company to sell outright their business in Ireland. On January 26th the Government fell, a fact which he knew to be almost certain on the 24th. It may be said that those are examples of conscientious scruple, absurd by any standard in any century. But the fact remains that one of the greatest services of the Victorians, apart from cleaning up the Civil Service, was to rescue politics from the corruption which had previously haunted it, and set British political standards upon a level which has done as much as any display of economic strength to maintain Britain's strength and prestige.

Delhi and the Future

IT has been given to few men to undergo the tremendous reception which greeted Pandit Nehru in the United States. And certainly no Asian statesman ever went to Washington in the unique circumstances which surrounded this recent visit of India's Prime Minister. During this tour Mr Nehru lived up to the part in which he had cast himself—the modest, charming and, indeed, saintly intellectual which is one side of his character. But he also impressed Americans as the forward looking statesman who knows that, if his country is to prosper, it needs foreign economic assistance. They, for their part, also appreciate, from experience gained with the Marshall plan in Europe, that the conditions attached to any foreign aid must not be such as would undermine a country's own government.

The United States is the only source from which aid and investment can come on a sufficient scale to do any good in Asia. It is, therefore, peculiarly fortunate for India that a feature of the last few months has been the growing American interest in providing just that economic help which is required—in order to fight the creeping paralysis of Communism. It is true that the American idea is to assist several countries of Asia at once; but India is both the largest and the most important country that could be affected. Indeed, it is probably the key to the whole position. The chances of success of the main operation, therefore, depend on the results it is likely to achieve in the Indian economy, and the steps which Delhi itself may take to pull that economy out of its present serious difficulties. Sardar Patel, the Deputy Prime Minister, broadcasting on Pandit Nehru's sixtieth birthday, recently recognised these difficulties. He virtually declared a state of economic emergency and appealed to Indians to save more, to spend less and to invest in their country's future—or risk a further lowering of living standards.

Broadly, the dilemma that faces Mr Nehru and his colleagues in Delhi is that India's importing capacity is limited to what can be paid for by exports, borrowed, or drawn out of the sterling balances. One pressure is to use more and more of this limited capacity to bring in foodstuffs, to ward off the risk that a remorselessly rising population may lower the existing low standard of living. But the standard of living must be raised if the present Government and the possibility of moderate non-Communist government in India are to survive. The only permanent way of achieving this is through capital development, which sets up a contrary pressure to import capital goods. Quite a lot of Indian thought is obscured by the belief, based on Soviet achievements, that there is some way in which a poor country can dodge this dilemma and raise itself by its own bootstraps. But the Soviets obtained their capital by starving their people, which is unthinkable in India. For India, the conclusion is inexorable. The only way to avoid the cruel choice between grain and generators—the one essential for the standard of living today, the other no less imperative for the same standard in the future—is to borrow large sums abroad. Nor, indeed, can outside aid, however generous, achieve all that it might if the

country's internal economy continues to grind along at its present pace.

By far the biggest single factor throttling the Indian economy, and one moreover which it lies within Delhi's power to loosen, is the excessive cost of government. Inordinate official spending has lifted taxation to the point where it absorbs, perhaps, something like a fifth of the national income, which is very high for a country with India's relatively low standard of living. In the Provinces particularly, expenditure has been allowed to increase when revenue was decreasing, with the result that innumerable additional indirect taxes have recently been imposed on essential commodities. In the field of central expenditure, defence costs in particular have soared—largely because of the war atmosphere engendered by the Kashmir deadlock—until the military outlay now amounts to the fantastic figure of nearly half the budget. In India, as in Britain or anywhere else, heavy taxation is inflationary because it increases costs; if Indian production is to recover, this process will need to stop.

There are two possible lines on which India might immediately attack current expenditure. The first would be to reorganise and reduce the milling crowd of bureaucrats, who have multiplied profusely since the transfer of power; it would probably pay Delhi to cut them by a third. The second is to slash defence expenditure, if only to a level proportionate to that of European budgets for which, of course, a settlement of the Kashmir dispute is imperative. The fifty per cent of the Indian budget that is to be spent on defence next year compares with some 34 per cent of the American and 23 per cent of the British. There is no call whatever for such expenditure unless Delhi means to use its forces against Pakistan—which Mr Nehru has flatly denied; in any case the Indian army will remain largely dependent on foreign arms until a more varied home industry has been built up.

A great number of India's capital projects are designed to raise agricultural production, by irrigation, by the use of better equipment and by other means. But here Delhi's basic dilemma—a perpetual struggle between current and future needs—comes in again. The need to prevent the people starving must be set against the Government's understandable desire, on purely political as well as other grounds, to build up some promise of future improvement through capital development. And it is in the scope of such investment that the Government of India must unfortunately make its other great economy. Dr Matthai, the Finance Minister, is to be congratulated on measures which he has taken both before and since devaluation to see that new capital projects are reviewed again and again. It has, indeed, been no mean achievement to reduce capital expenditure by Rs 40 crores (£30 million) in this year's central budget, as he has just undertaken to do. But many of these cuts are only in theoretical future spending, and both in Delhi and the Provinces, the national economy is already burdened with a vast miscellany of projects, some of them already started, some of them just about to start, which far outrun any genuine resources likely to be available in India for many years to come. This problem arose from the mass of unco-

ordinated and often irresponsible planning, which took place on the morrow of independence. What is needed, now that the honeymoon is over, is a pause to give the Government time to reconsider the whole network of development schemes, to compile a detailed and comprehensive statement, listing the varieties, volumes and costs of all the raw materials required, both imported and home produced. In any case, nothing less will satisfy the Americans if they decide to help with India's capital development.

Reduction of the cost of government, the stepping up of food production, and limitation of capital spending to the resources available are all essential preliminaries. But it is also necessary to raise the output of Indian industry. Delhi, like London, is out of breath from exhorting business men and workers to go to it—without any apparent success. Some facts about the decline in the performance of Indian industry have been provided by the Tata Iron and Steel Works at Jamshedpur. It has been reckoned that a Tata employee was earning in 1949 twice what he got in 1939, but was producing one third less: to enable him to do this the consumer had to pay three times more for his steel. Gloomy statistics such as these emphasise both the lack of incentive to the workman—his doubled wage buys 30 per cent less than in 1939—and the boost being given to inflation. But there is also the business man's viewpoint, and it is here that Delhi could really strike at the problem.

The capital market in India has been dead for months. Its state is the direct result of the widespread lack of confidence which still exists in the Government's intentions. This goes back to the Socialist-Radical attitude adopted by Congress in the months following independence, when every sort of nationalisation cry went up. And although, ever since Mr Nehru's calming speech at Lucknow early this year, confidence has begun to return, it is still very frightened of the dark. India, however, cannot afford

these doubts, any more than it can afford excessive cost of government. It would seem to be in Delhi's political as well as economic interest to put them to rest by finally recanting its early unsettling pronouncements on industrial control, profit sharing and so on.

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At present, the future of India's balance of payments is in suspense, as a result of the jute war with Pakistan. But the moment this is settled—as settled it must be—a considered plan should be drawn up to cover the proportions of food, capital and consumer goods to be imported over a definite period. No man can predict exactly what India's foreign earnings will be; but, once a coherent plan for internal capital development is established, it should be possible to determine the proportion at least of each type of import. The need for this is all the greater in that the margin of earnings has grown smaller as the terms of trade have been turning against India. In 1939, one ton of imported food was paid for by exporting a quarter of a ton of jute or 100 lb. of tea; today a third of a ton of jute or 300 lb. of tea are required.

India's own resources are at present insufficient both to feed its people and to improve their standard of living at a satisfactory rate. Yet if it is not raised, India will be incapable of exercising to the full that leading role in South East Asia to which its population and prestige entitle it. Equally, the aid which may yet become available from the New World will either not be granted as freely as it might or else will be partly wasted. Any giver is bound to look closely at the efforts made by the person he is going to help. Mr Nehru's visit to Washington has enlivened hopes not only for India, but for all South East Asia. It is up to India's own economists and politicians to see that they, at least, do all they can to increase the potential value of any aid which their own country may receive.

Dilemma or Challenge?

(By a Correspondent)

IT has become almost impossible these days to discuss the method and technique of colonial development without referring to the colonial dilemma. Indeed, even development itself is sometimes queried as posing a dilemma: here, on the one hand, are Britain's need for non-dollar foodstuffs and raw materials, and large untapped sources of supply in the colonies; here, on the other, are colonial peoples who cannot be forced to change their way of life in the interests of development, but must be persuaded and educated to do so, a process that will take far longer than Britain's balance of payments crisis will allow.

But does the dilemma really exist? It is a defeatist word, implying that there is no shade of grey between black and white and that policy has to be based on one extreme or another. One so-called dilemma, for instance, is that policy must be guided either by the technician or by the administrator and that neither is wholly suited to the task. Now, what those who plead this dilemma in the interests of the administrator really mean is that social questions cannot be ignored when any course of action is decided upon. If we ride roughshod over traditional ways, if we neglect local values and local methods, we

come right up against a wall of resistance. The people may be sullen and passive, or they may riot, or they may indulge in unhealthy ritual or religious fanaticism. But it does not follow that, because this will happen, the administrator should be favoured rather than the technician. Indeed, if such symptoms are treated as simply political, as being appropriately dealt with by elections, local legislatures and, in the last resort, by police action, the result may be far more harmful than if they are neglected by technicians and economists. It is not, therefore, a dilemma of administrator versus technician. It is a question of how far sociologists and anthropologists can give advice on the social consequences of a technical reform and suggest ways of building up modern methods of production that are based on local, not European, values.

Consideration of this problem leads to a second dilemma. On the one hand, local opinion appears to be irremovably resistant; on the other the need for change appears to be infinitely pressing. Here, again, the real problem is to decide how much change is practicable and desirable and how it can be brought about more quickly. Too often, native inhabitants are expected to adjust

themselves to western-conceived groundnut schemes. Not often enough are western plans adapted to fit the human resources which are both the justification of the schemes and their primary raw material. The real factors which enter into competition tend to be forgotten; for instance, that the competitive uses of labour are not solely alternative industries run on western capital, but village production in village surroundings. Money, in the colonies as elsewhere, is not the only thing that counts. Feasting, home life, the calm tempo of gossip—all these are important and must be used, not ignored.

Indeed, the speed of change depends more than anything else upon the ability to adapt ideas and plans to use these real incentives. Sometimes, the dilemma is put in the form that either we must destroy native culture and progress on a new, individualistic basis, or else we must retain native culture and be content not to develop. Again the dilemma is unreal. In no case is it possible to destroy native culture completely—unless all its adherents are killed off or turned into maniacs; while they live, they retain a memory of the past, and their habits cannot entirely be broken. Even education has its limits—for the state is never the sole educator.

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If more concrete matters are considered, we are still haunted by this habit of creating dilemmas. One of the most heatedly discussed, in the colonies, is that local officials are unable to discharge all their new tasks without overseas help, but that if the provision of external aid brings with it more control by the Colonial Office, it results in mistakes due to ignorance of local conditions or to the crushing weight of bureaucracy. Once again the way out is shown by defining the problem more exactly. How can the maximum expert aid be obtained with the minimum outside interference, the maximum local knowledge with the minimum local inertia?

One possibility is the building up of a special band of highly trained research workers for service in many colonies, who would stay on particular problems in particular colonies for a minimum tour of a year or more. Such a scheme, of mobile shock-workers if you like, might obviate the present tendency for workers in the colonies to lose contact with stimulus from outside, yet give them sufficient time in those colonies to avoid the evils of rushed six-week commissions of inquiry. The research workers at present employed under the Colonial Research Council represent a nucleus; but their appointments will have to be made more permanent if recruitment is to be encouraged.

Another possibility worth investigating is that of cutting down to the minimum the number of reports and despatches submitted by colonial governments to the Secretary of State and replacing them by consultations with the Secretary of State's representative sent to the colony for the purpose. There are already signs, in the frequent movement of Ministers to the colonies, that such a scheme is accepted in practice. But what the colonies often need is something more than consultation with Governors. They often need jolly along; and a modification of the French system of colonial inspectors, to find out what is being done by all ranks of the hierarchy including the lowest, would have much to recommend it.

Another so-called dilemma is that immediate large-scale production from the colonies is needed, yet this is

opposed to the natives' permanent interests, which lie in small-scale peasant production. This dilemma depends on the truth of the statement that a large-scale organisation cannot make use of small-scale units. Nothing could be further from the truth. Production may be in peasant units; but large-scale operations can take place by peasant co-operation, for instance in ploughing. Smallholders may be provided on a large scale with inspection and services, marketing, capital, and the like, by corporations as huge and imaginative, or unimaginative, as you like to make them. The sugar industry of Fiji provides one example; it has been said that a major fault of Malayan policy has been the failure to incorporate the peasant in a wider framework of technical and marketing assistance; and the Maori of New Zealand has shown that tribal lands can either be split into peasant holdings or can be worked as estates with the individual as co-operating shareholder. There are infinite gradations between groundnut scheme and shifting cultivator; and the most certain way to failure is to organise development whether privately, co-operatively, or nationally, along preconceived western lines.

The need for the imaginative use of local knowledge, of the views of the man on the spot, rather than preconceived western ideas, is clearly illustrated in colonial trade. Material benefits are not the only incentive that should find a place in colonial development, but they are always important. The trouble is that Britain has never seriously tried to find out what these incentives should be. Does Britain really know what the colonies want to buy? And even if it knew could it sell cheaply enough? If its prices are too high for the United States, how can it sell in the colonies?

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There are three major kinds of colonial market. The first is the market for industrial capital equipment. Here in its chosen field Britain can hold its own. But this market depends upon the availability of resources, and particularly labour, to operate the equipment. Before long, the native demand for new avenues of employment will be satisfied, at least until new incentives and methods of organisation are devised. It is a gamble building hydro-electric power stations if it is not known whether natives will engage in secondary industry. This first market depends in the long run, at least in part, upon the production of the right kind of incentive goods; in the end, of course, it may contribute towards that production—at the expense of British sales.

The second kind of market is for European consumption goods. This is reasonably well supplied in the colonies, though even here there are defects. Networks of colonial agencies often raise the price of goods, and it is cheaper to import the article individually from England; but some firms refuse to allow this in order to protect their agents. Some articles are quite unobtainable. Where, for instance, can a portable non-electric refrigerator be found? Or the water-proof map-case? Or the cheap movie camera? "Britain can make it" runs the slogan—but too often Britain does no such thing.

The third kind of market is by far the most important and most difficult to meet. Native incentive goods must be cheap, impossibly cheap to the present-day English manufacturer. From this point of view the alternative possibilities of inter-colonial trade have not yet been

examined properly. Trade between the West Indies and West Africa; between East Africa and Indonesia; between Malta and Malaya—are these fantastic suggestions? Or might there be possibilities here both of encouraging new colonial industries and of meeting colonial demands?

There is no doubt that there is a pressing need for bold, and perhaps costly, experiment in colonial trade. We read of the enterprise of the British jewellery trade in conducting its flying survey of the possibilities of adapting designs to meet the demand of backward areas. It is to be hoped that the survey will be followed by more intensive studies of particular areas. For jewellery has a chequered history as an introduced commodity; used by natives to a considerable extent in ceremonial barter, it depreciates very rapidly if the supply is inflated, especially if it is regarded as a cheap substitute for the indigenous "genuine" thing. This was the case with the mass introduction of dogs' teeth as ornaments in certain parts of Oceania.

NOTES OF THE WEEK

New Front on Insurance

The decision of the National Executive Committee of the Labour Party to drop their plans for nationalising industrial assurance in favour of an ill-defined scheme for mutual ownership by policy-holders is undoubtedly based largely on electoral necessity. It is a sign that, for once, the leaders of the Labour Party have realised the greater importance of not offending the middle-of-the-road voter rather than of whipping up the enthusiasm of their devoted followers.

The division of opinion among the Labour leaders on this issue was not the usual split between Mr Bevan's left wing and the more moderate elements, but rather between Mr James Griffiths, the Minister of National Insurance, who wanted to take over industrial assurance to round off the full recommendations of the Beveridge report and those, like Mr Herbert Morrison, who were acutely aware of the political dangers involved. Their nightmare was of the armies of insurance collectors being transformed over night into anti-Labour canvassers. This view was reinforced by the Co-operatives, who wanted to retain control of their own insurance business, and at the last moment by Sir Stafford Cripps, who is reported to have expressed alarm about the effect that nationalisation might have on foreign confidence in British insurance and therefore on its earnings abroad, particularly in the dollar area.

Just how the new formula would be translated into action is not clear. The Labour Party statement defined the new policy as one in which "the proprietary companies in the field of industrial assurance will be owned by the policy-holders themselves instead of by private shareholders." This would leave the structure of the Co-operative Insurance Society virtually unaltered, but it would presumably mean divorcing the industrial assurance business of the big companies from their other activities, a step unlikely to produce economies of staff or greater efficiency. It is doubtful whether it would give policy-holders any greater control over the companies than the shareholders ever possessed, and it is also unlikely to mean greater financial benefits for them since the bulk of life assurance profits are already returned to the policy-holders. The mutual society is well adapted to the business of life assurance, where the customers naturally provide the capital of the business. But there are very few, if any, other industries where it can be expected to work well.

There is also some talk of a Government board to exercise surveillance of the huge investment side of insurance business. This idea should be choked at birth, for it would

It is to be hoped, too, that other trades will consider their opportunities. Cheap radios, children's toys, and books in the vernacular are difficult but possibly remunerative lines of development, and there are many others. The fundamental principle to be observed is to avoid swamping the market with one or two limited lines, however cheap, and instead to increase the variety and range of products. The so-called unresponsiveness of the native to incentive goods, his so-called idleness, is often no more than a reflection of the unimaginativeness of sellers who forget that anyone, of whatever race, will soon tire of working if he has more than attained his rewards of scent and tobacco and cotton singlets—after all, there are limits to the consumption of these.

The difficulties of colonial development are a challenge to anyone with imagination, who is willing to cast aside old limited methods and prepared to define new ideas with native values as their basis. Who will take it up?

involve nothing less than the divorce of those who make decisions from those who must bear responsibility for them.

TUC Takes the Plunge

The TUC, which has laboured so long and so painfully, has at last adopted a sensible and courageous attitude in the report of its Economic Committee, which was this week endorsed by the full General Council, with only two dissentients. It calls on all unions to adopt a voluntary wages standstill until January 1, 1951, and to waive sliding scale wage arrangements in the unions where these exist. It is, of course, a conditional policy—conditional upon the Government's control of the cost of living. The standstill agreement, it is proposed, should be abandoned if the retail price index moves up or down six points from its present level of 112. There is also a proviso that exceptions may have to be made for the lower-paid workers. This is, perhaps, the weakest part of the document, since many unions may seek to justify wage claims on the ground that they have a large proportion of underpaid workers. No attempt is made to define "lower-paid workers" for the reason that it could be construed as advocacy of a national minimum wage. The council is also emphatic that there shall be no interference with the freedom of collective bargaining.

The report also theoretically admits the need to relate earnings to output, by giving its official blessing to systems of payment by result and by proposing special incentive schemes to help the lower-paid workers. But past history has shown that it is inclined to underestimate incentives as a means of securing greater output or attracting workers to export industries. Moreover, it gives no hint of how it intends to reconcile the abandonment of mobility in wages with the need to increase the mobility of labour.

It is, however, right to recognise that the General Council has moved a long way and conceded a great many points in its attempt to conform to the needs of the economic situation. The policy accepts the fact that devaluation inevitably involves a fall in real wages as in the living standards of the rest of the community. Many critics on the left will no doubt accuse Mr Tewson and his colleagues of abandoning the sacred rights of trade unionism—the freedom to negotiate the best possible wages and conditions for their members regardless of all other considerations. But the TUC will have the support of the rest of the nation.

The General Council emphasises that it cannot dictate policy to its affiliated unions, but can only guide and advise. Here, of course, is the rub, the fundamental obstacle to any fully planned wages or industrial policy. Some unions, notably in the iron and steel and boot and shoe industries, have already anticipated the General Council for forgoing their claims. The Confederation of Shipbuilding and Engineering Trade Unions, however, is still determined to press for its £1 a week. The building operatives, while they have agreed to drop their demands for shorter hours and higher pay, are, understandably enough, unwilling to drop their sliding scale arrangement. The railwaymen are about to start pressing again for more wages for their lower-paid men. The proposed meeting with unions which have sliding scale arrangements and the conference of trade union executives in January will show how far in fact the unions are prepared to accept the advice of their leaders.

Turbulence in the Air

When a KLM airliner crashed at Prestwick in October, 1948, the Minister of Civil Aviation appointed a court of inquiry under an eminent lawyer, Mr T. P. McDonald, K.C., to produce a report and presumably to apportion responsibility for the disaster. The ensuing report was published on Tuesday. Simultaneously Mr McDonald released to the press a letter to him from the Minister, Lord Pakenham, which expressed concern at the implication in the report "that members of the air traffic control staff or meteorological services indirectly bore some measure of responsibility for the accident." It went on to say that he and the Secretary for Air had concluded that the pilot's mistake could not have been influenced by their staffs, and that he proposed to publish what was tantamount to a dissenting opinion to the report, in the interests of protecting the staffs involved. Mr McDonald replied with unassailable logic that if the two Ministers had some evidence to support their view why in thunder had they not produced it before his court of inquiry.

As neither you nor the Secretary of State for Air were present in the aircraft at the time of the pilot's decision, there can be no other relevant basis in fact for such an attitude which, if I may respectfully say so, renders the whole procedure of impartial public inquiry nugatory, if not indeed indecently farcical. It is plain to me that the purpose of this statement is to impute, without evidence, sole responsibility to a dead man, a pilot of unblemished record and unrivalled experience.

Further questioning of Lord Pakenham's Parliamentary Secretary in the House of Commons revealed what was implicit in the correspondence—that Lord Pakenham for some reason or other found the findings of the court extremely unwelcome. It is not yet known what inspired this distaste, whether it arose from a human impulse that civil servants should not be publicly blamed when they could not publicly defend themselves, or perhaps with a less altruistic eye to possible future legal proceedings.

Whatever the reason, Lord Pakenham's actions—like Mr Strachey's in another connection—have shown what happens when a Minister's loyalty to his department outweighs his loyalty to the legislature and the public. No quasi-judicial body such as this court will command any respect (and for commercial reasons it is of the utmost importance that accident inquiries should be respected) if its findings are not as binding upon the Ministry and the Minister who set it up as upon the other interests concerned. It may be that such inquiries will have to be given a fully judicial character—being organised for instance from a separate department under the Lord Chancellor.

The Petersberg Agreements

The agreements reached at Petersberg between the three Allied High Commissioners and the German Chancellor

mark an important step forward in the task, accepted as a "primary objective" by the three occupying powers, of incorporating "the Federal Republic as a peaceful member of the European community." For the first time, in the long negotiations between Germany and its occupiers, the Germans have spoken with a voice of real responsibility and have been treated virtually as an equal by the other powers. This enhancement of Germany's status is explicitly recognised in the communiqué issued as a result of the discussions.

The Germans are to be granted commercial and consular representation abroad; the three powers will promote Germany's "participation in all those international organisations through which German experience and support can contribute to the general welfare." In particular, they recommend that Germany should be "promptly admitted" to the Council of Europe. The question of the continuing state of war between Germany and the western powers was also considered, but is referred back for further study. The Allies regard its ending as "consistent with the spirit" of the new agreements, but many nations are involved in the problem—including the whole British Commonwealth—and further negotiations are necessary.

In return for these political concessions the German Chancellor has associated his government with the need to create a general sense of security in Europe. He has offered to apply for full membership of the Ruhr Authority—hitherto Germany has been represented by an observer only. Moreover, he has promised his government's full collaboration with the Military Security Board in order to check the remilitarisation of Germany. It is true that this important pledge has been to some extent weakened by the concurrent reports of support in certain American circles for a revived German Army, but the German Chancellor went so far as to undertake that his government would "endeavour by all means in its power to prevent the re-creation of armed forces of any kind."

All in all, the political provisions of the new agreements undoubtedly confirm Germany's new status and amply justify Mr Bevin's initiative in calling a special conference to reconsider allied policy towards it.

Next Stage in Dismantling

The economic clauses of the Petersberg agreements lack the precision of the political decisions. Permission has been given to the Germans to build ocean going ships up to the present level of size, and in 1950 six ships even beyond this limit are to be permitted. But restrictions remain on the building of ships both for home use and for export. The main economic issue was, naturally, that of dismantling and here, too, the picture remains confused. Eleven synthetic oil and rubber plants have been reprieved and seven steel plants, including the hotly contested August Thyssen Hütte at Hamborn. Dismantling is also to cease in Berlin and in the I.G. Farben works at Ludwigshafen. Some compensation will be offered to the western powers represented in the Inter-Allied Reparations Agency. But the concessions add up to the virtual ending of dismantlement and the year's battle has now been decided—in Germany's favour.

The savour has, however, been largely removed from the victory—and the Allied gesture thus deprived of much of its effectiveness—by the fact that the provisions governing the level of German industry are apparently to remain as they are. The decision to leave Germany with more steel capacity has not been accompanied by any permission to let it produce more steel. On the contrary, the present limit on the German production of steel—11.1 million tons a year—is specifically reaffirmed. The Germans cannot fail to feel that this contradiction considerably reduces the value of the concession that has been made. The chance to pursue a

courageous policy—for instance, to scrap this last remnant of the Potsdam approach and to transfer the whole question of European steel output either to the arbitration of competition or to agreement within the Organisation for European Economic Co-operation—has been allowed to slip. The battle against dismantlement will now in all probability be followed by the fight against the limit on steel production. The psychological gain will be lost, even though the concession of a higher level must be now only a matter of time.

* * *

Red Danube

Last week, at Galatz, the Russians set their seal on their domination of the Danube, and completed the turning upside down of the inter-war regime in which they had no part or lot. By reannexing Bessarabia during the war they once more gained a foothold on the banks of the Danube; and fifteen months ago at the Belgrade conference the western powers were forced to retreat before the blasts of Mr Vyshinsky's eloquence. Wielding the automatic majority of subservient satellites, he was able to set up a new Danube commission composed entirely of riparian states. The western powers can now only fulminate from afar, and place on record both their indignant refusal to recognise the new regime and their pious hope that sometime there will be a new convention which "effectively promotes non-discriminatory, constructive utilisation of the Danube."

The elimination of all the non-riparian states formerly interested in a freely navigable river has left only the Yugoslavs to oppose Soviet views on the exploitation of the Danube. Since over half its middle course flows through Yugoslavia, even the ingenuity of the Russians cannot hit on a formula which excludes the Yugoslavs but includes both themselves and the Ukrainians. But at this first meeting of the new commission they have succeeded in stripping Yugoslav participation of everything except its nuisance value. Not only was the Yugoslav delegate excluded from all official positions, but the Soviet delegate—at his own suggestion—was given complete control over the management of the commission, including the right to appoint, organise, and direct the members of the secretariat. The Yugoslav opposition to all this, although stubborn, was just as ineffective as had been the western opposition at Belgrade.

Soviet domination of the river was, of course, already firmly established. Under the Austrian peace treaty the Russians will retain the assets of the Danube Shipping Company, which they have already seized; and they have secured control over the Danubian fleets and port facilities of Rumania and Hungary through joint companies in which they have a controlling voice. (The similar Soviet-Yugoslav company was terminated last August.) So long as the quarrel with Tito continues to rage they will continue to use their grip on the Danube to tighten the economic blockade against him. This has already reduced traffic on the river to a mere trickle, although the avowed purpose of the Belgrade convention was to increase it.

* * *

Scapegoats

The wider principle involved in Mr Strachey's attitude towards the East African groundnuts scheme is discussed in a leading article on page 1163. Here it need only be said that, whatever the merits or demerits of Mr Wakefield and Mr Rosa as members of the board of the Overseas Food Corporation, Mr Strachey's dismissal of them on the eve of this week's debate can only be regarded as an attempt to find scapegoats to hide his own and Sir Leslie Plummer's responsibility for the sorry state in which the groundnuts scheme now finds itself. Mr Rosa was the director in charge of

finance; he had, therefore, a special responsibility for the auditor's reservations on the accounts. But the signature of Sir Leslie Plummer, the chairman, appears on the balance sheet above his own—here, surely, responsibility should have been joint. As Mr Wilson Harris said, in a short but telling speech in the debate, the "national sense of fair play has been very gravely affronted" by Sir Leslie's remaining in office.

It may be that the appointment of Sir Donald Perrott of the Ministry of Food and of Sir Eric Coates, financial adviser in Germany, in the place of the dismissed directors, will strengthen the board of the corporation—though it means that the number of men with expert knowledge of the colonies is now reduced to one full-time and one part-time member. But nothing that they can do will restore confidence in the board on the part of its employees in East Africa—to whom tribute was again justly paid in the debate—and of the public as a whole so long as Sir Leslie Plummer remains on it. It was, however, a tactical blunder for the Opposition to have concentrated their attack on him instead of on Mr Strachey, whose ultimate responsibility is greater. For by so doing they provoked another advocate in his defence in the Colonial Secretary Mr Creech Jones, who was thereby placed in the unhappy position of having to side against Mr Wakefield and Mr Rosa, previously two of his servants. Sir Leslie Plummer is now able to say that two Ministers have publicly declared their confidence in him. Why, therefore, should he resign? To which the reply is that the value of the testimonial depends upon its source.

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Groundnuts' Past and Future

Personal issues played such a large part in the debate that many questions went unanswered, and others unasked. Mr Strachey made a lengthy defence of the validity of the original conception—which was not in question and never has been. But he did not explain such astonishing revelations in the corporation's report as that more money has been spent on office furniture and equipment in East Africa than on the total cost of developing the corporation's successful scheme in Queensland.

Again, Mr Strachey indignantly declared that so far from there being nothing to show for the £23 million spent to the end of last March, there were "railways, ports, roads, towns, villages, water supplies, hospitals, training colleges and tractor fleets" as well as 100,000 acres of cleared land to show for it. The colonial development by-products of the corporation are indeed impressive, though nothing like so grandiose as Mr Strachey made out—as witness the fact that the amount recoverable from the East African Railways and Harbours for the new harbour and railway lines which they are to take over is estimated in the balance sheet at less than £1,000,000. The point is that most of these assets will be worthless if there is no profitable production to maintain them.

Whether this can be achieved is still far from certain. Mr Strachey gave details of the programme of development up to 1954, the first programme, it is worth pointing out, to have been evolved by the management on the spot in Tanganyika. This will give a total clearance of 600,000 acres by 1954 and is obviously much more realistic than anything yet put forward (again one asks why Mr Strachey last March gave an acreage of 2,000,000 as being possible and did not withdraw it in the debate at the end of July?). He did, however admit that a capital reconstruction will be necessary—in other words that the corporation will default on its advances. Before this happens there should be a writing down of the huge administrative machine to a scale more in keeping with the reduced agricultural programme.

Abuse and the Press

When a Minister of the Crown is heard condemning the British press in the sweeping and vituperative terms recently used by Mr Bevan and Dr Dalton, one wonders what all the public relations officers in Whitehall are for. If inaccurate statements are made about a department or a nationalised industry in a newspaper or periodical the public relations officer has both the duty and the opportunity to reply on behalf of his Minister or board. If the editor concerned refuses to publish the reply, the Minister or board can issue the reply for general use and information; it can certainly be made to reach the public through one channel or another. The balance of power between Whitehall and Fleet Street is in fact not nearly so unequal as some Ministers and Members of Parliament pretend, more particularly since the public can check Fleet Street's presentation of the news against the BBC's. Indeed, the most obvious present difficulty is for the press to secure redress or apology for statements by politicians which vilify indiscriminately all organs of opinion and news. Even the direct pressure of the Royal Commission on the Press was insufficient to procure from Mr Bevan any justification of his taunt that the British press is the most prostituted in the world.

It is surely time that the daily press at least gave some thought to the representation of its interest and good name before the public. It did not come out of the Royal Commission's inquiry as scot-free as some newspapers have claimed. If the accusations that led to that inquiry had been framed with more moderation and accuracy, some of the evidence printed in the appendices of the Royal Commission's report would have seemed—to a less expectant public—quite disturbing and ludicrous enough. There have been several cases since then in which reporters or editors appear to have offended by sensationalism or inaccuracy; and it is quite intolerable that each case should start a public altercation in which abusive generalisation on both sides leaves the customers of the press bewildered and no one satisfied. The Commission's proposal of a Press Council should either be accepted by the press, or convincing reasons given against it, before the press has torn from it during the election campaign any more of the reputation which was patched up by the Royal Commission.

It is a sign of the times that the Speaker of the House of Commons should have found it necessary on Tuesday—at the prompting of Lord Winterton—to remind Members that there is no Minister responsible for the press. He has had to rule that the press must not be indirectly attacked by Members who ask a question about allegations made in a newspaper and then follow it up by suggesting a ministerial inquiry into the newspaper's grounds for making the allegations. Members, he said, "cannot quote what a newspaper says. They must take the responsibility themselves."

* * *

The Shah in the States

The Shah of Persia is having no difficulty in winning hearts in America. He is a handsome young man with one of the most romantic titles in the world. To these advantages he has now added a series of heart-warming speeches. Persia, he says, needs United States military and economic aid in order to preserve its security and to make its "contribution to a peaceful world order." These statements are being widely interpreted as proof that Persia is now as steadfastly determined as Turkey to line up with the western Powers. Is this so?

Certainly the Shah wants it. So does the able and forceful head of his National Bank, Mr Ebtehaj. So do many of his present cabinet, and the army is personally loyal to the Shah. So did Mr Hazhir, his minister of court or permanent cabinet representative, who was murdered while at prayer three weeks ago. But there exists among educated Persians a considerable body of opinion which, without being

pro-Russian to the extent of following the Moscow party line, argues that America is far away, that Russia is an immediate and powerful neighbour with whom trade is useful and whom it would be imprudent to flout, and that to plump ostentatiously for one side in the cold war is a course that had best be avoided. The voice of this group is seldom heard in politics except when the clever veteran Qarwames Saltaneh is in power. But its reasoning is logical enough to carry weight and that weight offsets the Shah's.

It has, too, to be remembered that the Shah is not everywhere popular. A wave of emotion rallied patriots to his support after the attempt upon his life in February, but since then he has lost in popularity. He has lost ground on account of efforts—some of them laudable—to shake the Majlis into action and to increase his personal power. Court interference in the current elections is one of the accusations levelled against him; another is the sad lack of administrative ability that accompanies his desire for authoritarian rule.

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It is plain that Persia is for the moment set upon the American tack. The five-volume report of Overseas Consultants Inc.—the American combine which has been hired to produce a blue print for Persia's seven-year plan—is now published. Loans are being sought in America for the foreign part of the investment that it entails. The total cost—which is assessed at the immense sum of 21,000 million rials or \$650 million—is to be met largely out of oil royalties, but partly out of private investment and partly out of loans of 4,500 million rials and \$250 million to be sought from the Iranian National Bank and the International Bank in Washington, respectively. An American contribution of \$9 million towards Iranian armaments has been accepted, though it is thought too small. But it is both premature and

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injudicious to proclaim too loudly that these events and intentions are firm evidence of Persia's incorporation into the western bloc.

* * *

Mr Nehru and Kashmir

Among the danger-points threatening the peace of the world Kashmir remains one of the most serious. It is not less so because no fighting is actually going on there; but troops face each other as if war were on, and the fact that news from the front is censored does not mean that nothing dangerous ever happens.

The attitude of the Indian Prime Minister in his statement to the Press on his recent visit to London unfortunately gave little ground for hope of an early settlement. He indicated that India will continue to refuse to agree to a Uno-supervised plebiscite as long as any area is held by Azad forces—that is to say, until Kashmir state troops and police have regained exclusive control of the whole country. In relation to this stand his insistence that the dispute must be settled without war loses much of its value, for if the military *status quo* remains undisturbed, with India in possession of the real bone of contention—the Vale of Kashmir—and if the plebiscite is indefinitely postponed, there can be no settlement, but only a perpetual challenge to Pakistan to undo the accomplished fact.

Pakistan, which knows that India resolved its dispute with Hyderabad by force, can hardly be impressed by Mr Nehru's devotion to peace when faced with the possibility of renewed violence in Kashmir. There is evidence that the exasperation in Pakistan at the delaying tactics of Delhi is increasing to a point at which some reckless action may not be unlikely, and one effect of the situation—with Commonwealth countries trying to avoid taking sides in the dispute—is to strengthen the tendency to seek some kind of diplomatic alignment with Russia. The recent arrival in Pakistan of several Chinese Nationalist generals and other refugees, who rode across the passes from Kashgar to Gilgit after the defection of the Sinkiang provincial army to the Communists, is a reminder that the affairs of India and Pakistan are not entirely insulated from the march of events in Asia to the north and east.

There is no valid reason why a Uno-supervised plebiscite should not be held in Kashmir next spring at the latest. If India recognises the Uno supervision as adequate, then it does not matter which areas are controlled by Indian-Kashmiri or Azad forces. If, on the other hand, India contends that Uno supervision would be insufficient to prevent rigging of the plebiscite by the *de facto* local authorities, then the balance of advantage in such a situation would be plainly in favour of India, which controls the most populous areas, including the Vale of Kashmir. On neither assumption has India valid ground for refusing a plebiscite. If, nevertheless, India still insists that all Azad forces must be eliminated before there can be a plebiscite, then the possibility of using an international force for supervision of the plebiscite, as has been previously suggested in *The Economist*, should be seriously considered. Mr Nehru has a golden opportunity to practise in Asia what he preached in America.

* * *

Pakistan Flirts with Moscow

People on the spot consider the Americans are making a serious mistake in Asia. It may have results which no one can yet foresee. Pakistan is deeply affronted by what appears to be American favouritism for India. No one who knows the facts doubts that the appearance is worse than the reality; but this is not how it looks to the ordinary Moslem. He hears about the great welcome given to secular

India's Hindu Prime Minister, Pandit Nehru, and he feels that this is one more proof that Pakistan's status and interests are not taken seriously by the rest of the world. If Mr Nehru went to Washington—followed by the Shah of Persia—why should not Liaquat Ali Khan also be invited to Washington?

It is easy to see how these misunderstandings arise. India is bigger, it has inherited the name of the whole sub-continent, and Mr Nehru has long been something of a world figure. Yet it is not only the Americans who have appeared to ignore Pakistan's 75 million people. Britain's apparently casual attitude at the last Commonwealth Conference in April, and its rejoicing in the compromise constitutional formula which enabled the Republic of India to stay in the Commonwealth, were the dominant factors in securing an invitation for Liaquat Ali Khan to visit Moscow. This invitation was issued, through Teheran, immediately after the conference, and its acceptance was the most popular thing that Liaquat Ali Khan had done since he succeeded the late Mr Jinnah.

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Pakistan's Prime Minister has not yet left to see Marshal Stalin; indeed the date of the visit, already once postponed till this month, is still uncertain. But diplomatic contact with Moscow has just been established by Karachi for the first time, and a Soviet trade mission is conducting long drawn out negotiations. It is true that these trade talks are not progressing well, that an exchange of diplomats is a normal procedure, and that Karachi is being most cautious in all its dealings with the great Communist power so near its northern frontiers. It is true, also, that Pakistan has few economic interests in common with the Soviet Union; none of its available exports, like jute, grain, and cotton, are of great concern to Moscow, nor does it want the very similar types of goods normally offered by the Russians in return. Even machinery from the Soviet Union, if specially offered, would be a doubtful asset, since it might lead to an unwanted inflow of Russian maintenance staff—and in any case far better material is to be had from the West.

All this cat and mouse atmosphere is the result of western failure to take full account of the volatile mood of Pakistan opinion. It is surely not too late to begin now, and to make to Liaquat Ali Khan the gesture that was made to Pandit Nehru—now, while tempers are hot, and before it is too late to do real good.

* * *

Labour's First Shot

It would be rash to draw any conclusion about the date of the election from the appearance of the Labour Party's "Speaker's Handbook" for 1949-50. There are disadvantages in being first on the hustings—it gives the adversary time to wheel his heavy artillery into position (if he has any) and moreover offers him the opportunity to produce more up-to-date weapons; but against these must be set the advantages of seizing the initiative. It is, therefore, profitable to look for the issues on which it appears likely to Transport House that the election will be fought. Obviously it will be fought at least as much on Labour's record as on Labour's programme, and the greater part of the handbook's 470 pages is duly devoted to proving that Britain is a much better country to live in than before the war and that all those features wherein it shows improvement are to be attributed exclusively to the Labour Government. The existence of a full employment policy, of a national health service, and of the Education Act, it seems, has nothing to do with agreed policy—nor has that of such minor improvements to the machinery of advancement as the Council of Industrial Design or the National Research Development Corporation. All those features of prewar or

postwar Britain which are to be deplored are similarly debited to "Toryism," whether they concern the prewar unemployment with which Labour grappled no more successfully than anyone else, the generally inadequate standards of living for which higher productivity, then as now, was the only remedy, or the obsolescence of British industrial equipment under a regime of penal taxation. This is, of course, good electioneering form. But it may seem a little more than ordinarily comic to display such remedies as industrial redeployment as Labour specifics—with examples drawn entirely from private enterprise—and a little more than ordinarily ingenuous to boast on page 126 about the safeguards afforded to the consumer by maximum prices, and on page 230 about the admirable results achieved by abolishing them. But the standard of ingenuousness is, as hustings literature goes, not really remarkable, nor is the proportion of sheer claptrap and classwar catch phrases higher than one would have supposed.

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What matters more is the manner in which the handbook reflects the Labour Government's chief and quite unconscious intellectual weakness; the lack of any effective contact between their understanding of Britain's economic position in the world, and their home policy. Certain early chapters put with really admirable clarity the essential facts concerning the former; others—notably those on the social services and the standard of living—display a total and enthusiastic indifference to those facts. The effect, as of Sir Stafford Cripps and Dr Dalton in antiphonal harmony, is odd—and depressing.

The reasons for the handbook's silence on insurance are now obvious. There is, indeed, less emphasis on nationalisation (apart from defence of existing schemes) than on the cost of living and on full employment. The consolidators, one might cautiously infer, have for the moment the upper hand of the forward marchers. But to consolidate one must have a tenable position to begin with. Nor until Labour displays an ability, here manifestly absent, to assess the terribility of the line they hold, will they deserve the nation's full confidence.

* * *

New Teeth for Planning

The debate last week in the Lords on the administration of the Town and Country Planning Act of 1947 produced many instances of the unsatisfactory working of the system of development charges. The Central Land Board has a monopoly of selling the right to develop land; but there are too many instances of the Board varying its charge under pressure for there to be confidence in the impartiality of this procedure. This is not necessarily the fault of the Board, but of the principles which guide its work—principles which are theoretically precise but highly nebulous in practice. There is also evidence that development charges in their present form are hurtful to enterprise, and that they deter the very sort of skillful improvisation with the aid of a small outlay which ought to be encouraged. In this connection there are again far too many stories like the one (apocryphal or not) of the man charged £1 development charge for keeping bees.

On one point the critics have not made out their case. It has not been shown—yet—that the levying of development charges is seriously holding up development. The Board is prepared to acquire compulsorily land needed for development if the owner refuses to sell, but it has found it expedient to exercise this power in only eleven cases. However, the reason for this is instructive. Building licences are so hard to get and so precious when obtained that the cost of the site becomes a secondary consideration. This, no doubt, is one reason why the Board is able to report that development charges have been agreed in over 95 per cent of cases. Many

firms pay whatever is asked in order to get on with building. The Government spokesman in the Lords may be right in maintaining that some of the difficulties are "teething" problems. But not all of them. It looks as if a whole new set of dentures may be necessary.

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Businessmen and Dollars

It has been clear ever since the end of the war that businessmen in general are less inclined to fling themselves into the battle for dollars than the Chancellor would like to see them. The difficulties of the North American market and the attractions of soft currency markets have been obvious for a long time. This was made even clearer at the annual conference organised by the British Institute of Management last week. At one meeting in which the advantages of group selling organisations for promoting sales in the United States were under discussion, the main speaker, Mr. S. C. Turner, received strong support for the view that it would be wholly wrong to concentrate on dollar markets to the neglect of other parts of the world whose trade is equally vital to Britain in the long run. So strongly was this view held that all mention of the American market as a special problem was deleted from a resolution on group selling, thus giving it the curious inference that group selling was desirable in all overseas markets.

An interest in the world—as opposed to a specifically dollar-market—is, of course, the correct long-term view. The businessman is interested in the long view, since the protection and perpetuation of his markets and, therefore, of his firm is his particular task and *raison d'être*. But simply wishing for a return to a period when the world market can be regarded as a whole and a refusal to be stampeded into neglecting non-dollar for the sake of dollar customers will not bring multilateral trade any nearer. Nor will the Government's attempt to expand dollar exports by exhortations. The harmonising of private and public interest—the incentive to expand all trade but dollar trade most of all—remains largely a matter of words, and until it is translated into policy British businessmen will continue to be more interested in their traditional customers than in breaking new ground.

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Work for the Arab Refugees

The United Nation's Economic Survey Group on the Arab refugee problem has handed its report to the Assembly. Mr Gordon Clapp, its chairman, and his British, French and Turkish colleagues are to be congratulated on producing a document in which realism is the chief feature. To quote but two of the many sentences which debunk popular illusions: "Political stalemate precludes early repatriation or large scale resettlement"; and "Less congested lands (than the fringes of Palestine in which the refugees are now clustered) are not available for the settlement of additional population until much money has been spent."

Their plan, therefore, is for the time being to employ the refugees in the areas where they lie, and their formula is: "More work and less relief" on a progressive scale. They hope to convert all able bodied breadwinners into wage earners within twelve months from January 1, 1950, and will employ them at international expense until eighteen months from that date. They estimate the cost of doing this at \$53.5 million, of which one quarter—or \$13.3 million—would be the cost of tools and could be found locally, leaving \$47 million to be found internationally. The rate proposed—\$2,700,000 per month—is the same as that now being spent upon mere relief.

The public works they plan are all operations in which labour accounts for the bulk of the cost: terracing to con-

serve the soil, reforestation for the same purpose as well as to provide fuel, road building, and water conservation works "on a moderate scale." They recommend that the scheme be administered through a new agency which will simultaneously take over from existing charitable bodies and "counsel" with the local governments about financing and managing the works to be done. The scheme, as its authors frankly admit, is devised principally to gain time while political wounds heal, and to root out pauperisation and idleness.

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The jobs ahead of the Uno Assembly are, first, to find a director for the new agency who will get on with the local governments, and secondly to find \$47 million. It seems that the only means of doing this last is to do as Count Bernadotte did—send round the hat among governments of good will. Assembly funds can scarcely be used because there are states members who do not hold these refugees to be Uno's responsibility. Given the man and the money, it seems likely that Jordan, Syria and Lebanon will all be glad of productive works executed at small expense to themselves. Iraq and Israel say they "do not need assistance." The hard core of the problem lies in the Gaza strip where more than a quarter of these 750,000 displaced persons are huddled in a small and poor area where there is no hope that work can be found for all.

Housing Standards

But at the same time we must not be led away by a desire for the elevation of the working class, to apply to their dwellings and habits a standard of comfort applicable to a very different class. We yield to none in anxiety for improving the moral, mental, and physical condition of the labouring classes, especially of the rural labourer, but we do not expect such improvement to be produced by creating an exaggerated notion of what the dwelling place of the farming man ought to be. We look to increased employment, and its consequence, better wages, as the main element of that improvement, and the effect will be, first, a desire for better food and clothing, and, next, for a more commodious cottage. Much has been said of the want of cleanliness amongst the labouring population, and it has been somewhat hastily assumed that such defect is attributable to the absence of convenience and opportunity for ablution from the crowding of their dwellings. We fear, however, that personal cleanliness is not among the indigenous virtues of our people; it is the result of education. Even among the middle classes, there is much deficiency in this particular. In farm houses, the arrangements for washing are usually of the most scanty sort, and the habits of no inconsiderable numbers of the farmers are not far before the labourers in this respect. Nor is this surprising when the nature of their avocations is regarded. The farming man rises at four or five in the morning, goes immediately to his work, and pursues his toilsome labour throughout the day; he works in the open air, and in all weather, returning to his cottage at night thoroughly wearied. Does any one who knows what rural labour is expect such a man to undertake very elaborate ablution? Practically what he might do, would be to wash well on the Saturday night or Sunday morning, and to a certain extent he does so. For this, however, no great space is wanted; it is the inclination, a knowledge of the true value and enjoyment of a clean skin, which is absent. This can only be corrected by training the young to improved habits, and it ought to form an essential part of the discipline of rural schools.

The Economist

November 24, 1949

Towards a Point-Four Programme

On November 16th the United Nations General Assembly adopted unanimously and without abstentions—a rare occurrence—a number of resolutions launching two programmes of technical assistance to backward areas. The first is one internal to the United Nations, to be financed out of its own budget to the tune of \$700,000 a year; the second is to be financed by the governments and may run at an annual level of between \$15 and \$20 millions.

Now that the Assembly's imprimatur is on the plans, the real effort can begin. The chief administrative obstacle in the way of effective functioning is undoubtedly the amount of overlapping between agencies which seems certain to arise. The co-ordination between the United Nations and the specialised agencies—the World Bank, the Food and Agriculture Organisation and the rest—is rather tenuous; indeed, it is reported that the World Bank is not to take part in the scheme, preferring its own methods of action and enjoying its own sources of funds. There is only a limited supply of specialists and technicians available for international work and an overlapping of effort would be an unfortunate waste. It is not yet clear how it is to be avoided.

The governmental programme still faces two uncertainties. Congress has not yet appropriated the \$35 million which President Truman called for under his Fourth Point programme. Yet this sum is to provide probably 70 per cent of the international programme. The Administration hope to see the appropriation through Congress in January, but a longer delay is all too likely. Only then will it be possible to settle decisively the second uncertainty—the scale of governmental assistance from other than United States sources. The powers have not shown any great alacrity in responding to President Truman's lead. The reaction was almost negligible compared with the leap into action that followed General Marshall's much vaguer Harvard speech. It is still uncertain how much other governments are prepared to commit themselves to an international scheme; yet if one thing is more certain than any other, it is that any marked lack of enthusiasm on their part will be very quickly communicated to Congress.

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Communists Make Capital in Italy

The visit of Signor de Gasperi, the Italian Prime Minister, to the Sila plateau in Calabria, where land was recently seized by the peasants, was an unprecedented event. On the one hand, it is reported that no Italian Prime Minister, during his term of office, has ever been seen before in some of the places he visited. On the other—what is equally significant, but possibly more important—it is certain that Signor de Gasperi's journey, in company with his Minister of Agriculture, Signor Segni, reflected the grave concern felt in Rome at the course events have taken. It is, in fact, fair to suppose that they may have three direct or indirect consequences.

First, of course, the Government will do far more not only to speed up land reform, particularly in Calabria and Sicily where the troubles have occurred, but also to direct the flow of Marshall Aid money to those areas. Already, in his speeches while on tour, the premier was able to tell his listeners that \$750,000 had been made available for the construction of roads and other improvements in the Sila district. And Mr McClelland, the ECA agricultural representative in Italy, has stated that 25 out of about 100 land projects financed out of Marshall funds worth \$100 million have begun. All this will have some effect, though a modest one, in improving the lot of the landless southerners.

Secondly, there may be a general shaking up of the political situation before next spring, when there is to be a large series of municipal elections, and also by stages the

first elections for the newly created regional administrative bodies. The fortunes of the leading political parties are therefore likely to be put to the test at an early date, and in an atmosphere of heightened political feeling. In particular, the Christian Democrats, who dominate the Government, will come in for a good deal of criticism for having only toyed with land reform. If conditions at the time of these elections are turbulent, it is expected that the tendency will be for voters to concentrate on the major parties. But apart from the Christian Democrats and the Communists, it remains quite uncertain who will be the residual legatee for all those who reject either.

Thirdly, the Communists are likely to exploit the complaints of the peasants to the full. Already they claim to have forced the Government's hand by their support of the demands for land, and it may well be that this will help to restore some of their prestige among the industrial working classes further north. There has been a tendency of recent months for workers to abandon the Communist-led CGIL, in favour of either the Catholic or Socialist trade union organisations. Of the two, it has been the Catholic LCGIL which has been by far the greater alternative attraction. But now, if the Christian Democrats lose ground and the Socialists fail to gain it in the trade union world, there will be every prospect of at least a minor Communist comeback.

★ ★ ★

Doctors' Pay

The Minister of Health has refused the British Medical Association's request for higher remuneration for general practitioners on the ground, first, that the facts of the case do not justify an increase and, second, that the general economic situation precludes any unjustified raising of

remuneration anywhere. The association was well aware that it had chosen an unpropitious time for its claim to be considered, although the claim had been advanced in principle long before devaluation imposed a ban on increases in wages and salaries. But it might well have been prepared to agree if Mr Bevan had accepted its claim in principle, but postponed implementing it till the economic situation justified it.

The claim has, however, been turned down flat. The Ministry argues that general practitioners are receiving as a group an amount fully equal to the recommendations of the Spens Committee, which may well be true if the betterment factor allowed for converting the committee's recommendations from 1938 values to postwar values is accepted—20 per cent for net incomes and 55 per cent for practice expenses. The British Medical Association has never accepted it and proposed a betterment factor of 70 per cent on gross incomes. It also asked that sources of income outside the central pool from which capitation fees are calculated, such as mileage money, maternity services and so on, should be ignored in calculations of what the total remuneration of general practitioners should be, a request which the Ministry has also turned down.

The association's reaction to the rejection of its claim has still to be made known. One thing does, however, stand out. In comparing doctors' pay today with the Spens Committee's recommendations, the Ministry has made no allowance for the increase in work which the introduction of the health service has brought about. Nor has it regarded the cost of the general practitioner service in the light of the cost of the other items of the health service. General practitioners, all things considered, come off worse than other practitioners. This does not justify higher pay for them now, but it might have induced the Ministry to hold out some hope of their claim being reconsidered at a later date.

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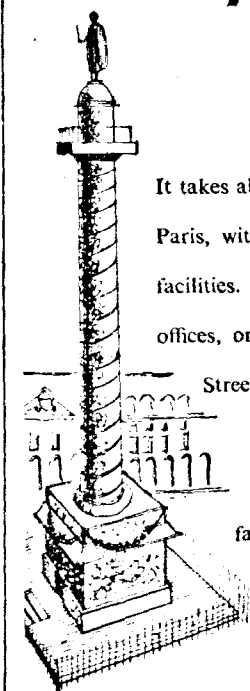
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Letters to the Editor

The Extreme Centre

SIR,—When the Greek lady gave me the definition of the extreme centre, which you quoted last week, I, too, was enchanted, but on reflection it did not seem to fit British politics. We do not want to learn how to liquidate oppositions, but we do want to keep our opponents out of office. This requires the strength of a national party operating a national machine. Of these there are only two, so that if a central policy is to prevail you must capture either Transport or Abbey House.

There is this to be said about the choice. The Socialists would have to go through the divorce court. The Conservatives are free to marry, and have already made similar proposals to your own. For although your unrivalled skill in presenting the case for the central policy may make it appear new, almost the whole of it has been advanced from the Tory benches.

Conservative economics of 1949 are much nearer your economics than Socialist economics. But you cannot come down to us off your high fence because you remember days that are gone. For example, you write as though none of us had learned anything about employment policy since 1931, as though the White Paper had never been produced, and Sir David Maxwell Fyfe had done no work on monopolies.

Then you dislike us because we are "still the party of the rich." By and large the rich are the successful, and your economics are essentially success-economics. Even if you have your Rignano death duties (and I prefer Mr John G. Walker's suggestion) you will still have a society of unequal wealth. But surely it is not wealth that is dangerous but the abuse of the power that accompanies it, and if you will concede that political and bureaucratic power is now as great a temptation as money, then it is the Socialists who are the richest, most covetous and illiberal party in the country.

But leaving party politics on one side, my main criticism of your articles is that they raise economics too high in human affairs. The question "Why should I produce more?" has to be answered before the question "How can I produce more?" There are commonly said to be three motives for work—money, fear of the sack, and some cause outside selfish interests. You accept the desire for money, but in our times it is weakened by a preference for leisure, the extension of social security and the burden of taxation. The carrot is on the ration. You allow something for fear because you rightly say that over-full employment is fatal to efficiency. But you would agree that unemployment must be a limited, temporary and we hope diminishing concession to human sluggishness. The stick has become a twig.

What then about motives beyond the carrot and the stick? You would agree that it is right to tell the truth. Is it also right to work hard? Or is honesty in work something different from honesty in words? Or, to shift the ground a little, do you think the British people still care about peace? Ought we to try to make peace, and can we contribute effectively to peace-making unless we work hard? I wonder if productive efficiency is not getting more like happiness—unattainable if pursued for its own sake; and I wonder, too, whether the economists should not take the lead in demanding the return of politics and morals to restore life to their calculations.—Yours faithfully,
DAVID ECCLES
House of Commons

Promise and Fulfilment

SIR,—Your reviewer puts me before the awkward dilemma either to appear as a self-righteous pedant or to accept to be regarded as a dispenser of "palpable untruths." To avoid technical details I enclose some of the documentary material

on which the contested statements in my book were based and shall confine myself to the essence of the argument.

Your reviewer does not deny that Britain supplied the officers, the money and equipment of Jordan's army. It is only logical that once you supply an army with tanks you will also see to it that it gets the petrol to run them. Yet it is on this minor point that your reviewer picked his quarrel and obscured the issue with a smokescreen of technicalities. He now admits that the British-owned Haifa refinery was closed down though it had plentiful stocks of crude oil; that British tankers carried off crude oil from Haifa to Tripoli; that about the time when the Iraq Petroleum Company stopped pumping oil to Israel it started pumping petrol to Jordan. (It is amusing to note, in passing, that your reviewer justifies cutting off Israel from fuel by the "force majeure of war" and the simultaneous supply of fuel to Jordan as a "response to a natural trade demand . . . for the maintenance of civilian as well as military life"—sauce for the gander is poison for the goose.) But while he thus confirms the substance of my argument, he fights a rearguard action on split hairs: there was no "diversion" of oil supplies, he says, because the oil which went to Israel was crude, while to Jordan it went refined—a chicanery based on a literal interpretation of the word "diversion." He further solemnly points out that "the Iraq Petroleum Company is not Great Britain." Cross my heart, I never thought it was; I said in my book that Britain "saw to it" that the oil was delivered to Jordan; and that she did of course most efficiently. The technical means by which this was done are set out in detail in the enclosed documents. There remain two minor points: (a) your reviewer says "it is not true that any refined oil went to Beirut." It did go; for details see the enclosed Israeli Foreign Office Communiqué of June 16, 1948. (b) Your reviewer says that the Israeli Government "borrowed" the machinery of the British-owned Haifa refinery. This is again untrue; see the enclosed Press Release of July 23, 1948.—Yours faithfully,
ARTHUR KOESTLER
c/o Macmillans, St. Martin's Street, W.C.2

[The documentary material referred to in Mr Koestler's letter consists of two press releases issued by the Foreign Press Office of the Israeli Government in June and July, 1948. They are *ex parte* statements made by a belligerent government in the middle of the fighting, and in support of its cause. Moreover, some of the statements made in them are at variance with evidence from other sources in the possession of *The Economist*. We are therefore unable to accept these documents as proving the accuracy of Mr Koestler's version of certain of the events in question, or as establishing that it was the deliberate policy of the British Government to starve the Israelis of oil, while supplying it in unusual quantities to the Arabs. According to our information, he is in error on a number of material points, including some of the statements and inferences in the above letter.

The documents, however, in our opinion confirm (if it was ever in doubt) that Mr Koestler wrote in good faith. It may be that the phrase "palpable exaggerations and untruths" used in our original review might be thought to carry an imputation of deliberate prevarication. We are satisfied that there was no intention of making any such imputation, and the reviewer joins us in apologising to Mr Koestler for the use of words that might be thought to suggest it.—EDITOR.]

Nigerians for Moscow?

SIR,—At page 1054 of your issue of November 12th, you published a short commentary entitled "Nigerians for Moscow?" Permit me to state that it is a hodgepodge of half-truths, untruths, and distortion of truths in six particulars:

- (1) My first name is not "Nando" but *Nnamdi*.
- (2) My organisation is not National Council for Nigeria and the Cameroons, but *of*.

(3) The implication that we were invited by Soviet Russia or any of its satellites is untrue. The truth is that a British organisation (National Council for Civil Liberties) extended an invitation to us, in Nigeria, to attend the International Conference on Human Rights, to be held in Prague, which we accepted, last August.

(4) The statement that we were to attend the "International Conference on Human Relations" is completely false.

(5) The statement that "an extreme splinter group broke away from the Nigerian National Federation of Labour" is completely false. The truth is that a splinter group broke away from the Nigerian Trades Union Congress and formed the NNFL.

(6) The statement that the railway strike was politically inspired is completely false. The truth is that it was for purely economic reasons that the railway workers struck, following their rejection of the awards of the Ian MacDonald Arbitration Tribunal of which I was a member.

If it is the editorial policy of *The Economist* to encourage the disintegration of the British Commonwealth by the publication of tendentious matter which is unfounded and highly provocative, as should be expected in the irresponsible and "yellow" press of Britain, then the Nigerian nationalists should thank their stars because such publications are bound to engender bitterness and hatred of Britons and British rule in Nigeria.

The leaders of India, Ceylon and Burma were described in the British press as "naked fakirs," "jail birds," "irresponsible agitators," etc. Today, they are being enfeebled by British royalty. Now, Malayan nationalists are being described as "bandits" and Nigerian nationalists are labelled "extremists" and "Communists." We should not be expected to anticipate any friendly and sympathetic attitude towards our nationalist aspirations from the British press. Do not make the mistake of thinking that African leaders, like Nehru, will forget these

bitter humiliations. The African elephant never forgets.—Yours faithfully,

NNAMDI AZIKIWE,
Member of the Legislative Council of Nigeria

Financial Talks With Sweden

SIR,—Referring to your article on the financial talks with Sweden in your publication of November 12th, the writer feels that it is not the fault of the British exporter that inessential British goods have failed to establish themselves in the Swedish market. British manufacturers of goods, which are sometimes classified as semi-luxury articles, have been, and are, only too ready to supply Sweden with large quantities of their first-class products.

A very large number of Swedish importers would be only too happy to be permitted to import such goods and offer them to their customers. It does give the Swedish importer and retail distributor a great deal of prestige when offering famous high-class British products.

It would appear that the Swedish licensing authorities have been over-careful in granting licences, and very definitely have turned down applications for some British goods which we could only in this country classify as essential merchandise.

A very important point is not the value of import licences agreed to in the Treaty, but the value of the applications for import licences refused to the importer by the Swedish Board of Trade, which may have used an invisible and unmentioned price ceiling control. These rather rigid import controls have been used to give support to Swedish competitive domestic industry, which is now to some extent producing more goods than the home market is likely to be able to consume.—Yours faithfully,
JAMES BENNETT
76, Grosvenor Street, London, W.1

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Books and Publications

Quem vidistis, pastores?

"Christianity and History." By Herbert Butterfield. Bell. 146 pages. 7s. 6d.

THIS is a curious book. It has the sincerity, charm, and persuasiveness of everything which Professor Butterfield writes. It is based upon wide study and a deep examination of conscience. The book contains many things of great value, and yet through it all there runs a thread of wilfulness and irritation. Irritation over the "dumbness" of textbooks, dislike and suspicion of most writings on fairly recent history. The study of ancient history is contrasted favourably with the "hurried, superficial compilations of recent happenings which have currency . . . because they happen to be the first in the field." And yet, one asks, do we not owe a considerable debt to Thucydides who wrote about "recent happenings," and was among "the first in the field"? Moreover, do the historians who concern themselves with the ancient world in fact escape prejudice more often than those who deal with the nineteenth and twentieth centuries?

In spite of his castigations Professor Butterfield allows himself far too many generalisations—for example, about Bismarck's foreign policy, or the treaty of Versailles—which must seem to other students of the subject dangerously superficial. Or again, what is one to make of this passage, following a suggestion that not one but two Powers have been struggling in the last hundred years or so for the domination of Europe? "If two rival giants are offering an alternate threat to the existing order of things on the continent, and if you are unwilling to let the two rascals fight it out by themselves, choose carefully the time of your intervention in their struggle and see that you intervene only in order to save whichever of the two it may be from being destroyed by the other." Can this be intended as a serious judgment on the declaration of war by Great Britain and France in 1939, and, if so, could there be a greater misrepresentation of the facts? Or, for that matter, what has a Machiavellian maxim of this kind to do with the study of Christianity in history?

The main difficulty, however, in accepting Professor Butterfield's account of the heaven of the Christian religion in history lies not in his digressions but in his central theme. His "Providence" is too much like Hardy's President of the Immortals, and, at worst, like a cat playing with a mouse. Professor Butterfield employs the concept of original sin, though he never explains what it is. Owing to this original sin, "Providence" is for ever chastising us. "A God who could use even the Philistines in order to chastise His chosen people may similarly use us for the purpose of chastening Germany, while still reserving for us a terrible judgment later." If God "uses" men in this cold, ruthless way, if children are born into the world to be "used" as instruments of this type of Grand Design, then one reader at least is on the side, not of Professor Butterfield's Deity, but of the sad choruses in Swinburne's "Atalanta."

Although he is haunted by a grim Jehovah, Professor Butterfield turns in the end to the Gospels rather than to the prophets, and here he is far more convincing and free from petulance. Nevertheless, he evades the most perplexing question. He agrees that, if Christianity is a historical religion, the validity of the claims of the Christian Church must rest on historical evidence. One cannot employ Indian rope trick methods about the "tradition"; at all events, these methods cannot satisfy the historian. Professor Butterfield gives only seventeen pages to this problem of the evidence, and much of what he says in the chapter has the ring of special pleading.

In this final question it is playing with the issues to talk

about clever doctrinaires who cannot see truths open to the simple. The assessment of historical evidence, as Professor Butterfield of course agrees, is a task which requires long training and experience; the fact that some scholars are fools does not mean that an untrained man of noble mind can settle problems of textual criticism. The problem of interpreting the evidence in the New Testament about the "historical Jesus" is supremely difficult; a western European cannot even approach it apart from countless associations with his own childhood and with the greatest poetry and art of many centuries. A reviewer who has no solution of the problem ought not to reproach anyone else for a failure to solve it. Nevertheless, when Professor Butterfield tells us to "hold fast to Christ, and for the rest be totally uncommitted," we may remember the strange, tragic undercurrent of irony in the words of the liturgy for Christmas morning: "*Quem vidistis, pastores? Dicite, annunciate nobis in terris quis apparuit?*"

Without Rancour

"Ack-Ack." By General Sir Frederick Pile, GCB, DSO, MC. Harrap. 398 pages. 18s.

DESPITE the fact that the second world war has engendered nothing like the rancour which followed on the first, it is natural and inevitable that the important figures involved should want to render their own account. This General Pile has done most successfully. "Ack-Ack" is not a literary masterpiece, but it accomplishes a difficult feat—to explain the complexities of the task which confronted Anti-Aircraft Command before and throughout the war and of the way in which it was confronted. This is not an easy thing to do: successful anti-aircraft defence depends primarily upon intelligent organisation and anticipation of the enemy's intentions, and of effective co-operation with a multitude of civil and service authorities. There are few set battles to enlarge the comprehension or quicken the blood of the inexperienced reader, and if his understanding sometimes fails among the mysteries of 3.7s and 4.5s, GL predictors or Stiffkey sticks, he can be assured that General Pile has made it much clearer than anyone else could have done.

General Pile occupied a unique position among the senior commanders, being concerned with the protection of the ordinary citizenry and exposed to their interference and criticism. As he says, "The difficulties of a Commander-in-Chief trying to fight a battle within earshot of the Houses of Parliament, to which, in our modern democracy, everyone in the country can appeal, are very great." But he kept his temper and his sense of humour, despite the fact that "From the earliest days of rearmament right to the end of 1940 those responsible for siting the guns were constantly hampered by the protests of those who found their amenities threatened or their privileges infringed."

General Pile's shafts are reserved for those in authority in Westminster and Whitehall (particularly in the War Office, and much less so in the Air Ministry) who could not or would not see the importance of an adequate air defence of Great Britain, who resisted technical and scientific improvements, or who preferred to drop great but difficult men like Dowding in the interests of a quiet life. The gradual overcoming of personal and impersonal obstacles, the improvements in disposition and technique, often achieved only after pitched battles in Whitehall, is well told. It is very much to be hoped that if war returns, with the vastly increased problems created by the atomic threat, Britain's air defences will be in the hands of men of General Pile's calibre.

An American Journalist on Russia

"Stalin and Co." By Walter Duranty. Secker and Warburg. London. 252 pages. 12s. 6d.

MR DURANTY'S theme is the story of the Politburo and the men who now compose it. There is a section reviewing the career of each of the Politburo members, and an amount of miscellaneous material on Soviet affairs in general. Everybody, of course, would like to know the truth about the Politburo, and Mr Duranty would like to tell it to us; but Mr Duranty is no more admitted to the councils of that publicity-shy body than anybody else is. Certainly he has a good knowledge of the Soviet press, he has been a correspondent in Moscow for many years and has interviewed a minority of the people he describes. Drawing mainly on Soviet publications and on his own experience he has compiled some notes and made some surmises; but these do not amount to a satisfying or full account of the Politburo. Like any book that promises to enlighten us on the Russian question, this will pique the reader's curiosity; but like many other books of its kind it will leave him still asking questions.

What is useful about Mr Duranty's offering is that it does collect together what few facts are known about the members of the Politburo, particularly about the lesser known ones, and the student of Soviet affairs will find these chapters useful for reference. There is an interesting analysis in the chapter describing how the Politburo has kept the army under its control; and the postscript on the recent changes in the Politburo is worthy of attention. For the rest Mr Duranty supplements the scanty material (not scanty through any fault of his, admittedly) on his proper subject by discursions and by personal reminiscence, in all of which there is little that could not be found better set forth elsewhere.

Much material from Soviet sources is accepted quite uncritically in the book. The fault is met when the author describes the careers of the Politburo members, as for instance when he says that Lenin chose Stalin "to carry the red torch in Russia after the Revolution of 1905-7," that is at a time when Stalin was a minor figure in the Transcaucasian revolutionary movement. In the section on foreign affairs the fault is even more glaring. Here Mr Duranty tries to show the point of view and the good intentions of "the Russians" by pointing to the various pacts which they have concluded; but the value of these pacts is hardly what is suggested. The pact of friendship with Czechoslovakia, which is given as an example of "Russian" goodwill, by no means prevented the imposition of an unwanted communist government on the Czech people; the 1945 Sino-Soviet pact, also cited, did not prevent the Soviet Union supporting and ultimately recognising the Chinese Communists who overthrew the Chinese government which signed the pact; and it can hardly be said of the pact with Yugoslavia that it was "not protested by either party." The "mutually advantageous" Soviet-Swedish trade agreement, the "mutual assistance" in Eastern Europe, and Stalin's pledge to support UNO are other points susceptible of challenge. In discussing foreign affairs and elsewhere the author speaks of "the Russians" doing this and that, and this loose identification is typical of the book. In fact the Russians do not initiate the Politburo's course of action any more than the British.

Tributes to a Great Teacher

"Essays in British and Irish History." In honour of James Eadie Todd. Edited by T. W. Moody, H. A. Cronne and D. B. Quinn. Frederick Muller. 336 pages. 21s.

THE late James Eadie Todd was Professor of Modern History in the Queen's University of Belfast from 1919 to 1945. During this period he completely revolutionised the teaching of history in the University. He built up, from small foundations, a school of history, the quality of which can be judged by the collection of essays contributed by sixteen of his former students, includ-

ing the three professors of history who have edited the collection. Todd brought a liberal, independent and scholarly approach to the subject which enabled the history school in Queen's University to escape unsmirched from the violent political and sectarian passions that raged in Ulster at the time. Indeed, it is a promising omen for the future of Irish unity that the renaissance in Irish historical studies has ignored Partition. Belfast and Dublin have co-operated harmoniously and successfully. The collection of essays written in honour of Todd ranges over a very wide field. Nine of them are devoted to Ireland. New light is thrown on some of the great figures of Irish history. Mr J. C. Beckett shows that Swift's record as an ecclesiastical statesman was marred by political prejudices and personal animosities. Miss Teresa O'Connor finds in the conflict between Flood and Grattan the seeds of the rising of 1798. In the concluding essay Professor Moody examines the relations between Devoy, Davitt and Parnell in the years 1878-79 which led to the foundation of the Land League and the union of the agrarian and nationalist movements which, under Parnell's leadership, had such momentous consequences.

Keynes for Students

"The Economics of J. M. Keynes." By Dudley Dillard Lockwood. 351 pages. 18s.

PROFESSOR DILLARD'S restatement and appraisal of Keynesian economics appears to have three related but distinguishable aims. He sets out the general theory, complete with its own special vocabulary (a task very properly left alone by purveyors of really simple versions) in relation to classical economics; he translates it into terms of policy, applied in concrete circumstances by concrete institutions; and he carries on, and applies, its conclusions to today's circumstances of inflation and universal funny-money, circumstances diametrically opposite to those in which the theory was first conceived. The part of the book in which this is accomplished has a particular value in that a disproportionate amount of Keynesian interpretation has been—to some extent and for practical purposes—vitiated by the assumption that the task of policy would always and in all circumstances be the maintenance of investment and the sustaining of demand, never the curbing of demand and the rationing of investment. Keynes' followers, in fact, have paid him the dubious compliment of assuming that the application of his precepts could never be entirely successful. Professor Dillard's specific examples are mostly, though not exclusively, American, and his public in England is unlikely to be large, but students and teachers of economics will find his book useful.

David and Goliath

"Maintaining Competition: Requisites of a Governmental Policy." By Corwin D. Edwards. New York. McGraw-Hill Book Company. 318 pages. 22s. 6d.

ON the evidence of this closely argued and incisive book, the Federal Trade Commission is fortunate in enjoying Mr Edwards's services. He is not only an acknowledged authority on the problems of monopoly and competition, but an experienced giant-killer, since he drew up the plan for deconcentrating Japanese industrial monopolies. Unlike many other experts, he is not content to trace—and bewail—the circles that big business runs round the Government's economic policemen, and the gap between the aims of anti-trust policy and its achievements over the past 60 years.

The United States has gone further than any other country in attempting to preserve and enforce business competition. Mr Edwards believes it should go much further, and submits a blueprint for the changes in the law, its theory, and its administration which he believes are necessary if the whole anti-trust battle is not to be lost. No unreconstructed free

enterpriser, Mr Edwards believes in planning and control, but where business is left free, he would insist that the competitive regulator do its job without hindrance. The prime requisite of a competitive policy, in his view, is that excessive size of businesses should not be tolerated. And excessive size is defined as growth beyond the point necessary to achieve maximum efficiency of operation. This is a theoretical revolution in a country which has long accepted the maxim that "size in itself is no offence," but that attention should be concentrated on the abuses that size makes possible. It would also need a practical revolution to put the new doctrine into effect, along with proposals for discouraging further elephantiasis. One might compare Mr Edwards to a David reflecting that Goliath would present no problem were he half his size, and if the anti-trust authorities were not now trying to dissolve such industrial Goliaths as the DuPont Company and the Atlantic and Pacific Tea Company—the great chain food stores. The latter is already bombarding the housewife with claims that it is its low price policy which has drawn the Government lightning. Few housewives will ever read—let alone understand—Mr Edwards's point that possession of the power to coerce competitors and to exploit consumers, even if it is not employed overtly, constitutes evidence of undesirable concentration of economic power.

Americans have a human liking for eating their cake and having it, too, for regarding "big business" with obstinate suspicion while enjoying its fruits, for paying lip service to competition while exempting many groups from it. Mr Edwards discusses and condemns the exemptions granted to foreign traders, insurance companies, groups of agricultural processors and producers, and to retailers under resale price maintenance. He would like to eliminate the abuses which have grown up around the exemption of co-operatives. Labour unions present a harder case; Mr Edwards concludes, after some struggle with himself, that unions should be subjected to the anti-trust laws only when their activities threaten commercial competition. On patents he has much of interest to say concerning this grant of monopoly power and the research it is expected to stimulate, which will grieve patent lawyers and their clients. And, finally, he analyses the relations between the competitive policy and economic planning, and finds no difficulty in reconciling them, save where planning is a cloak for private control (as under the NRA or in many "health and safety" ordinances) or where it is excessively detailed.

This is a well-planned, exhaustive and authoritative tour of what to most non-American readers must still seem the jungle of American anti-trust law and business practice. Mr Edwards's critics will, of course, say that, as on most conducted tours, the tourist sees only what he is meant to see; that the author glosses over many difficulties and exaggerates the ability of a democratic Government—if it is to remain democratic—to make and enforce sound decisions on business policy and the economic climate.

The Grass Roots

"From This Foundation." By Thomas Brackley. Harvill Press. 190 pages. 7s. 6d.

BEHIND statistics, charts and social generalisations there are people; solid, unassimilable individuals, linked in families and neighbourhoods, grouped by tastes, conventions, and common habits of earning and living, but still unique. Mr Thomas Brackley's "From This Foundation" is a loving, keenly observed, densely worked study of the sociologist's raw material, the interwoven individual lives of the group. His subject is a smallish Midland town through the passing of the seasons, the human relationships, habits, and human foibles and grandeurs of a loosely related group of neighbours. He describes their houses, shops and cinema, the prams and the games of their children; he evokes the taste of strong tea and beer, the smell of train smoke, the sound of dustbin lids rattling on a windy night, and weaves the whole into a remarkably living and significant picture.

His style, which is deliberately wrought, poetic, and rather reminiscent (as is, indeed, the whole plan of the work) of Mr Henry Williamson's "Village Book," is not likely to please everyone; but it is worth putting up with the somewhat strained vocabulary and the too precious cadences for the sake of the affection, humour and sympathetic insight which run through the book, together with something which one can only call a reverence for life. If one could wish for Mr Brackley more literary restraint, one could certainly wish for sociologists and economists his eye and his human sensitiveness.

Shorter Notices

"The Annual Register 1948." Edited by Ivison Macadam. assisted by Hugh Latimer. Longman's. 490 pages. 42s.

THIS is the 190th year of publication of a volume which has had such famous editors as Burke. Its method of arrangement is to divide the events of the year into a series of essays by distinguished contributors. As a reference book for the contemporary it is for this reason not very good, but it fulfils the function of its 189 predecessors—that of providing a base from which future historians can build an understanding of the year's events.

"Introduction to the Study of Economics." By Henry Smith. 222 pages. 10s. 6d.

THE perfect introduction to the study of economics badly needs writing; but it is not written yet. Mr. Smith's shot at this elusive target has certain respectable merits; he is logical, up-to-date, possessed of a sense of historical perspective, scrupulous in his avoidance of the slapdash on the one hand and the esoteric on the other. He is, however, a good deal harder to follow than many authors catering for more advanced readers, so much so, indeed, as to scare off the general reader or independent student for whom his book appears to be intended; while his arrangement of his subject matter in six massive chapters and a decidedly unorthodox sequence makes it an awkward supplement to class work or lecture course. The Appendix, on the use of geometry in economics, should be a real lifesaver to those beginners whom indifference curves and similar devices afflict with a Laocöon complex.

Notable Books

T. Balogh:	<i>The Dollar Crisis.</i>	15/-
Sir John Clapham:	<i>A Concise Economic History of Britain.</i> (Up to 1750).	12/6
Geoffrey Gorer and John Rickman:	<i>The People of Great Russia.</i> A Psychological Study.	10/6
Seymour E. Harris:	<i>Economic Planning.</i> The Plans of Fourteen Countries.	42/-
E. Lipson:	<i>The Growth of English Society.</i>	21/-

Postage extra.

The Economists' Bookshop Ltd.,

11-12 Clement's Inn Passage, Aldwych, W.C.2.

West End Branch: 30a, Bury Street, St. James's, S.W.1.

AMERICAN SURVEY

Sharing the Surpluses

(From Our American Staff)

THE controversial subject on the agenda for this week's meeting of the Food and Agriculture Organisation is the proposal to distribute world surpluses of staple crops through an organisation known as the International Commodity Clearing House. This scheme, discussed in *The Economist* of October 1st and November 5th, is designed to channel surpluses from countries in which they appear to those which cannot find the dollars to pay for them, and to even needier nations which cannot afford the full market price. It would also authorise barter deals and the accumulation of stocks in time of plenty to protect consumers in periods of shortage.

The chief opposition to this plan will come from the United States, also the chief source of the surpluses. In the preliminary discussions in Washington, departmental counsels were divided. The State Department and the Treasury opposed the plan and, when the conference opened on Monday, they had carried their point, over the opposition of the Department of Agriculture. The departments primarily interested in foreign affairs pointed out that most, if not all, of the present and prospective surpluses are American, and that in fact, therefore, the proposal is to establish an international agency to dispose of US goods.

This they feel to be undesirable, partly because the accumulation of new debts in soft currencies would make it even harder, eventually, to re-establish the convertibility of those currencies. Moreover, if the surpluses were distributed through an international organisation, the United States would lose the political advantage to be gained from making food and fibre available to deficit areas. Distribution through ECA, they believe, has served US purposes better than did distribution through Unrra; and an arrangement for other areas, parallel to that for Western Europe, might not be impossible under the Fourth Point programme for technical aid and capital investment.

A similarly unenthusiastic view is taken of barter arrangements, both in theory, as representing a type of exchange it is desirable to get away from, and as a practical matter, because certain tentative efforts in this direction have come to nothing. The suggested exchange of American wheat for Indian manganese has run into problems of timing: the Indians want the wheat now, but since they are already finding dollar purchasers for all their present output of manganese, enlarged facilities and several years' time would be required before India could carry out its share of the bargain.

Despite this reasoning, the official position of the US delegation is almost certain to be attacked by influential domestic groups. All three of the major farm organisations are thought to favour the ICCH. The Farmers' Union, whose attitude is always close to that of Mr Brannan, the Secretary of Agriculture, has already declared its support; and the National Grange and the American Farm Bureau Federation are expected to go on record in favour of the scheme. The disagreement over ICCH between the Depart-

ment of Agriculture and the State Department is a difference between officials eager to use all available means to consolidate the international political position of the United States, and officials concerned to secure the orderly, long-term marketing of farm surpluses which, if not orderly, are at any rate likely to be long-term.

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The farm pressure for favourable consideration of the FAO plan will be tempered, however, by the new attitude toward surpluses in the staple commodities, noticeable among experts in the field in recent months. No one doubts that surpluses are going to accumulate in the United States. Few people take very seriously the Agricultural Act of 1949, hastily passed by the departing Congress; its revision early in the new year is universally expected. But similarly, few people expect whatever legislation is actually applied to next year's crops and livestock, or to those of the seasons immediately following, to have more than a moderate, and temporarily discouraging, effect on farm output. The increase of a third in the volume of American farm production which occurred during the war years is surely going to be further enhanced as the existing results of research are more widely applied, and as new experiments pass the testing stage.

But the agricultural economists are far from sure that this added output should be regarded as a burden. While the curve of American farm production has risen, the American population has also grown. The surpluses which accumulated during the final years of the nineteen-thirties proved exceedingly useful after the outbreak of war. And there is the weather to consider. The tendency to scan the sky for the cloud no bigger than a man's hand grew on agricultural economists during the Biblical seven good years that smiled on American fields during the war, and that have now become nine. Many of the scanners of the sky remember 1934 and 1936 when, week by week, as the droughts of those seasons spread and deepened, they calculated what the parched and baked sterility of the normally fruitful Mid-west and Great Plains areas meant in shortages, in rising prices, in sacrificed herds. Even more recently, they saw that the 1947 maize crop, the shortest on record, coming at a moment of depleted reserves, caused cattle and hog raisers to liquidate their herds, and set the stage for the subsequent rise in meat prices.

Consequently, the fact that on October 1, 1949, maize

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

stocks were at the record level of 815,376,000 bushels, and the prospect that the carry-over may reach a total of a billion bushels by next October, are not taken as signs of disaster. Wheat has the protection of the International Wheat Agreement, and stocks on July 1, 1949, at 293 million bushels, were in any case far below the record 630,775,000 of 1942. Cotton and tobacco present more perplexing problems, but the carry-over on August 1st of 5,287,000 bales of cotton was much less than the 13,033,000 bales of 1939. Tobacco supplies, on the other hand, are pressing on a record carry-over, from last year's marketing season, of 3,003,000,000 pounds.

If, in the legislation which is actually applied to next year's output, the stipulations in the 1949 Act, governing the disposal of surpluses, are not repealed, the Commodity Credit Corporation must first offer them to the Munitions Board for use in barter deals in return for strategic materials; it can then give them away at home for the use of the school lunch programme, the Bureau of Indian Affairs, federal, state and local welfare agencies, and private welfare organisations, in that order. When this list is exhausted, if there are still no takers, the surpluses can be disposed of abroad.

To some extent, therefore, the tendency is to draw the line at which farm commodities are regarded as surplus higher than it has been drawn before. For producers of perishables whose output exceeds demand at remunerative prices, the outlook is clearly less bright than for producers of storable goods. The former must rely on a continued high level of consumer incomes and their own ingenuity in presenting perishable goods in a wide enough variety of attractive forms to attract the consumer's dollar. As the new crop seasons come around, producers of more commodities will be asked by the Secretary of Agriculture to accept acreage allotments, and those that already have acreage allotments will be asked to vote for marketing quotas. These measures will put a partial brake on output, but the cycle of such restraints, in the past, has been a short one; their costs have soon reached a level that persuaded Congress to scrap the programme and start afresh. If, in another two years, no wars and no bad weather have come along to cut down present rates of accumulation, the basic non-perishable commodities will be straining to the bursting point the bag the Commodity Credit Corporation holds—and in an election year.

More Men, More Years

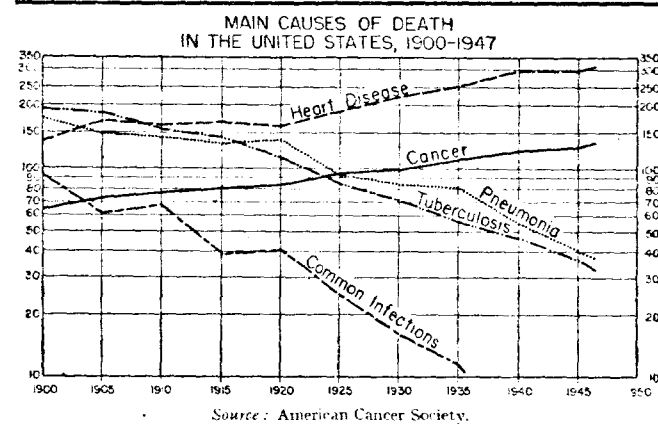
[FROM OUR AMERICAN STAFF]

FORECASTS made in advance of the coming census indicate that the population of the United States will reach 150 million by 1950. This means that it will have doubled in the first half of the twentieth century, an achievement due neither to a change in the birthrate (which has been declining, except for wartime exuberance, since 1900), nor to immigration (which has been small since 1920), but to the continued fall in death rates, which has occurred not only in America but in all English-speaking countries and in most of Western Europe, during this century.* The phenomenon is no longer one of people pouring in from other lands, but one of Americans living longer and enjoying better health than their parents and grandparents. The added years constitute one of the great scientific achievements of an age more famed for killing men than for keeping them alive.

* See tables in "Length of Life," by Dr. Louis I. Dublin of the Metropolitan Life Insurance Company. Ronald Press, New York, 1949.

They also pose problems which are being recognised, although slowly, and by few of the newly blessed, as perhaps more difficult than those already solved.

The basic methods by which the individual's life has been lengthened are roughly the same everywhere, but each country shows its own peculiarities. Certain diseases, which were common and dangerous throughout the nineteenth century, have become rare through the discovery and use of materials and methods that cure them, alleviate them, or prevent their occurrence. Those who used to die of them now live to die of something else later on. Infants and children were the first to benefit, then those of middle years. Deaths from the ordinary diseases of childhood—typhoid, tuberculosis, diphtheria, measles, scarlet fever, whooping



cough, diarrhoea and enteritis—fell by more than 90 per cent between 1860 and 1945 in Massachusetts, as in England and Wales.

In the United States, where government aid for medicine and medical research is new and small, the credit for this achievement is shared between privately endowed research centres, sanitary engineers and public health experts, scientists in academic and commercial laboratories, and a public whose curiosity, not to say gullibility, have been noticed by every traveller. In earlier days it was not only the settled eastern seaboard which had to be reached with new remedies and new methods, but the streams of immigrants and the scattered communities farther west. Popular journalism helped by presenting scientific discoveries as flamboyantly as though they were earthquakes—as, indeed, they may be. Life insurance companies have, for at least two decades, spent millions of dollars on advertisements which tell people how to live longer by staying well. Teachers of physical education, beauty experts, sellers of refrigerators (to keep food from spoiling and poisoning its eaters) and of fur coats (to keep women from catching pneumonia), all invoke the latest discovery to prove their point and sell their product. In consequence, a conglomerate population, which inherited all the medical superstitions of Europe, Asia and Africa, is now fairly well persuaded that science can do anything, if given time. In some instances, especially where health can be linked with beauty or with popularity, it has even been possible to convince the public that the prevention of illness, through proper diet, proper sleep, early medical attention, is cheaper than its cure.

In all this progress the United States claims few primary discoveries. Its most important contribution, in this as in other fields, lies in the recognition and adaptation of scientific advances wherever made, in the public alertness which creates an immediate market for new products, in the manufacturing skill which adapts these products to the exigencies of mass production. At times this public alertness outpaces

the drug manufacturer. Thanks to interest in the accounts of new discoveries and new developments, the demand for such marvels as cortisone (reported from the Mayo clinic to bring almost complete relief to rheumatoid arthritis) has forced the beleaguered makers to ration the small supply.

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More, perhaps, than anyone else does the American believe what scientists tell him, and assume that it will pay him to act accordingly. A willingness to experiment is part of his daily attitude. He recognises that it is wise to go to his doctor for a regular check-up; he will even spend a week-end in a hospital for a more thorough examination, without assuming that this means the end. He has no government health insurance, but voluntary group insurance has become increasingly popular as medical and hospital costs have risen.

Applying his scientific convictions to his daily life, the American wants his loaf of bread wrapped in paper and sealed against dirt, his house screened against disease-carrying flies and mosquitoes. He wants his restaurants, cheap or expensive, to be supervised by city and state inspectors who insist that the handling of food shall be clean, the food of a quality that meets sanitary standards, the dirty plates properly washed and sterilised after every using. The paper towel on which he wipes his hands, the paper cup from which he drinks in office or factory, the paper tissue he carries instead of a handkerchief when attacked by the common cold, are all expendable in the service of health—prepared for a single using and then destroyed.

The prevailing assumption that science, given time and public co-operation, can banish from American life all the ills which have afflicted the flesh at other times and places does not come cheap. The nation's bill for medical services and supplies in 1942 was \$3.7 billion—about \$100 per family. The country is spending huge sums in medical research, most of it privately contributed; cancer research alone takes \$25,000,000 every year, yet the incidence of the disease is increasing because the populace is longer-lived. The leading causes of death today, apart from accidents and violence, are the degenerative diseases—cancer, heart disease, cerebral hemorrhage—hard to treat and harder to cure. No one yet knows how infantile paralysis is caused or carried, little is known of the ways of viruses or of bacteriological toxins. Tensions produced by living at the machine's pace take their toll of nerves and minds; psycho-somatic ailments result from social maladjustment and prove harder to deal with than was yellow fever. The common cold still plays its wintry part, though a new remedy tried by the Navy has just been announced and news of it has already reached the taxi-driver level.

Optimists expect such stubborn ailments to yield in time. What they prefer not to see are the economic and social costs of medical victories. The winning of more years for more men has shifted the proportions between the various age groups. The middle group which does the working and the earning is not increasing in size, but its burdens are; it must support those younger people whose dependent youth is lengthened, and those older ones who do not die as soon after retiring as their parents did. Labour's demands for pensions are only the latest evidence of this. Even more depressing are the problems that come with prolonging life after sight, hearing and mind have begun to go. Modern pretensions of immortality on earth have resulted in a new science, geriatrics, which studies the physical ailments of the aged. Their economic needs also require study.

American Notes

After the Marshall Plan

The annual migration of American legislators which has become a feature of the postwar world is once more with us. From Guam to Sweden, from Spain to Alaska, the voice of the Congressman is heard in foreign lands—not always cooing like the turtle dove. Senator Thomas has had sharp things to say of the Swedes, who he considers did not roll out a sufficient yardage of red carpet for his visit; a few days later, by urging aid to Spain, he succeeded in ruffling French feathers. In fact, the speed of Senator Thomas's flight may give the impression of more Congressmen than are actually on the wing; this year a considerable number eschewed what the American press always likes to call "foreign junkets" in order to catch up on their homework for next year's elections.

More disturbing to European officials has been the joyful conclusion of members of a Senate Appropriations subcommittee, as they whirled through one capital after another, that European recovery has been so striking that further aid is unnecessary. It has long been recognised that the third appropriation for Marshall aid would be difficult to extract from a Congress faced with a heavy budget deficit. Mr Hoffman's demand for more speed in the economic integration of Europe was accompanied by a hint that, without some spectacular progress in this direction, Congress may hesitate to appropriate even the reduced sum—perhaps between \$2.5 and \$3 billion—which the ECA is expected to request for next year in a few months' time.

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The risk, of course, is that Mr Hoffman may merely have made a gift to ECA's enemies in Congress of a yardstick against which they can measure Europe's supposed failures. But the Administration shows signs of placing less reliance in future on Congressional appropriations to solve the economic problems of Western Europe, though both Mr Hoffman and Mr Acheson have suggested that foreign aid, on a reduced scale, may be necessary after 1952. This is not because the Administration is disillusioned with the Marshall plan but, on the contrary, because it has succeeded, in two years instead of four, in doing what it was expected to do—revive European production. The obstinate problem of the dollar deficit and trade distortion requires other remedies: lower costs and better salesmanship in Europe, and a radical alteration in the North American attitude toward imports.

The campaign to convince American opinion of the urgency of increasing imports by \$2 billion a year or more has already been launched by Mr Hoffman and Mr Acheson, on the basis of the Taylor report. There are four main avenues of attack on the "unbalanced state of American trade": a third round of tariff negotiations in February, 1950, legislation to clear a way through the jungle of customs procedure, a campaign to increase American tourist expenditures, and, finally, the repeal of legislation requiring the government to "Buy American." Whether Congress, however much it grumbles at the direct costs of foreign aid, will swallow the Administration's alternative remains to be seen. Businessmen and members of unions have votes, as well as taxpayers, and by next year ECA may appear an even more attractive outlet for domestic surpluses than it does today.

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Trouble on the Waterfronts

The strike of ships' officers in the Atlantic and Gulf ports has been postponed, for the third time, until December 16th. Only about 2,000 masters, mates and pilots are involved, but other unions belonging to the American Federation of Labour are pledged to support them; a strike would therefore hold up almost all shipping on the east coast. The trade unions are as anxious as the employers

to avoid this, since unemployment amongst seamen is already causing concern, with from four to twenty men applying for each job offered. As the result of wartime expansion, there are now nearly twice as many seamen available as there were before the war, to man a merchant fleet already little larger than it was then, and still shrinking. This situation is at the root of the dispute with the ships' officers, who are demanding that they be hired in rotation, apart from captains and first officers, so that jobs may be shared fairly among them. The shipping companies insist that they must be free to select their officers, who have full responsibility for the ships when at sea.

A seamen's strike is also threatening in the Pacific ports, where negotiations have been going on for three months over a new contract involving wage increases and a welfare scheme. Another strike might be a knock-out blow for west coast shipping firms, still dazed by last year's lengthy stoppage in San Francisco and this summer's blockade of Hawaii. Mr Harry Bridges, head of the Longshoremen's Union, was responsible for both these strikes. He is now on trial in San Francisco for perjury, allegedly committed by denying his membership of the Communist Party when he was naturalised in 1945. Previous attempts to prove this have failed, but the Government now claims to have new evidence and is confident of deporting Mr Bridges to his native Australia.

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If it succeeds, it will deserve the gratitude of the Congress of Industrial Organisations, since Mr Bridges is one of the most troublesome of the fellow-travellers which the CIO is now determined to eject. If he were absent his longshoremen's hearts might grow fonder of the CIO's right-wing head, Mr Murray. But another CIO leader, Mr Curran of the National Maritime Union, of east coast seamen, is now finding that it is not easy to make Communism lie down and die. The NMU was amongst the first unions to challenge and frustrate party-line infiltration and Mr Curran, as he thought, finally finished the Communists off in September. But last week his New York headquarters were besieged, and his lieutenants assaulted, by a mob of seamen led by, if not entirely composed of, the left wing elements which had supposedly been buried two months before. Violence is no novelty to this union, or to Mr Curran, and with the help of the police he had the situation under control in three days. But dissatisfaction with Mr Curran's methods, both within the union and when dealing with the shipping companies, gave the rebels some of their strength, and will give them more if unemployment continues to grow amongst seamen.

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Blowing Up the Budget

Last week the guardian angels of the national solvency—Mr Snyder, Secretary of the Treasury and Mr Pace, Director of the Bureau of the Budget—put a bomb under the national budget which may blow sky-high that already shaky temple of financial orthodoxy. In statements prepared for the Joint Congressional Committee studying monetary, credit and fiscal policy, they made it clear that they neither expected nor desired a balanced budget. Mr Pace went so far as to imply that the national economy would not suffer if the Government's expenditure permanently exceeded its income. Belief in the necessity of balancing the budget each year was of course lost long ago, but now faith is apparently also weakening in the modern dogma of a compensatory, or cyclical, budget, which supposedly piles up reserves in good years to balance deficits in bad ones. Mr Snyder and Mr Pace confessed that the automatic changes in policy, on which this system is based, were not in their opinion practicable and that Congress can not escape a detailed examination of the budget each year.

In discharging its responsibility this year, Congress added to the deficit (now expected to reach \$5.5 billion) by giving the President more than the \$42 billion he had asked for. Mr Truman has said that he is drawing up next year's budget even more tightly than he did this year's, in order to forestall possible Congressional cuts. But even in the unlikely event of Senator Douglas's inducing Congress to make its own contribution in the form of lower mail subsidies and smaller public works appropriations, reductions in existing expenditure are unlikely to counteract the cost of new Fair Deal enterprises. Mr Truman is still talking of increased taxation, but such a political realist must know that his chances of getting it in an election year are negligible. Mr Pace hinted that higher taxes might not be advisable, when he said that the best way to achieve a budgetary surplus was by raising the national income; the general economic welfare should, in Mr Snyder's view, decide whether or not the budget is to be balanced.

It is now being suggested that the prospect of a steady increase in national expenditure, involving permanent inflation, would seem less menacing to the fiscal conservatives if the budget were divided into two parts. Current expenditure and receipts, which would frequently show a favourable balance, would be separated from capital outlays and loans, which, as Mr Pace points out, are relatively uncontrollable and make it impossible to balance the budget. At present these expenditures appear as lump sums in the accounts for the year in which they are incurred, although many of them are partially or entirely self-liquidating. The private business practice of distinguishing between operating costs and investments is certainly one which the federal accountants might copy, especially now that, under the welfare state, the Government is taking a positive responsibility for the national economy.

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Nine Lives for the Poll Tax

The poll tax, which must still be paid by voters in seven southern States, is harder to kill than any cat. In the recent elections two States, Virginia and Texas, voted not to repeal the tax, while in Tennessee the electorate turned down the proposal for a constitutional convention which, among other things, would have made possible the extraction of the poll tax from the state constitution in which it is embedded. In Tennessee, however, it seems to have been the fear that the renovators would let in the income tax, rather than turn out the poll tax, which decided the day; while in Virginia, the vote was not so much a vindication of the poll tax as a recognition that, undemocratic as it may be, there are worse alternatives.

In Virginia, ancient enemies of the poll tax were forced to vote for it, while the Byrd machine, which has long won electoral victories on low votes, supported repeal. The machine and other supporters of the amendment pointed out that a federal prohibition of the poll tax was sure to come, and that although this would apply only to the election of federal officers, two versions of the electoral register—one long and one short—would prove an intolerable embarrassment. They saw an opportunity to couple repeal with the introduction of new restrictions, on the Georgia model, which might prove even more discriminatory and undesirable. This was to be achieved by closing the registration books 120 days before the election, when interest is low, rather than 30 days before, as at present; and requiring a literacy test for voters, as well as other proofs of capacity, at the discretion of the Legislature. An interesting point is that in Virginia the proceeds of the poll tax help to support the schools; its abolition would require new taxes, which would have been levied on all citizens, rather than merely on those who could afford up to \$4.50 for the luxury of a ballot.

In Ohio, the right to vote was not the issue; instead, it was whether voters should be deprived of the short cut of voting the "straight party ticket" and required to make known all their choices. A majority of those voting on the amendment accepted the so-called "Massachusetts ballot," which makes it impossible to enter a vote for the whole list of one party's candidates by marking a cross beside its candidate for Governor at the top of the paper. The amendment may be thrown out on a technicality but, if it is sustained, it will be reckoned a useful aid to Senator Taft in his race in 1950. In the past the Democrats in Ohio have benefited from the popularity of their Governor, Mr Lausche, and both the party organisers and the trades unions campaigned vigorously to retain this advantage in their fight to unseat Senator Taft. Their disappointment is all the greater because Mr Lausche has announced that he is not available to run against Mr Taft for the Ohio Senatorship.

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Filipinos Vote for America

The United States shared its election day with the Philippine Islands when they graduated from American tutelage; on the Tuesday after the first Monday in November Filipinos, like Americans, went to the polls. Unlike Americans, this year they had to elect a Congress and a President. They did it with a violence and corruption unprecedented even in their history, and many Americans are wondering whether the evident failure of the Filipinos to absorb the lesson of democracy is the fault of the teacher or the pupils. But at least the Filipinos, unlike graduates from other imperial schools, are still anxious to please their former instructors. All three Presidential candidates vied with each other in protesting their friendship for the United States. President Quirino probably owed his victory as much to the official visit to Washington, which proved his claim three months before the election, as he did to the patronage and control over the polling booths which his office gave him.

In large part, at least, it is the hope of further economic aid which inspires the Philippine affection for the United States, but President Quirino did not bring back any specific promises from a Washington becoming very conscious that its purse is far from bottomless. The financial assistance given under the Philippine Rehabilitation Act of 1946 will run out in the course of next year; 1954 is also approaching, when Philippine exports to the United States, duty-free until then, must begin climbing tariff walls which will reach their full height twenty years later. Already trade with the United States is seriously out of balance; any good done by the quotas imposed early this year on imports from America has been offset by declining prices for such major Philippine exports as copra. President Quirino is expected to impose even more drastic restrictions now that the elections are over.

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This enforced reduction in imports from America is being made up from other sources; Japan is the chief of these, and it also offers an export market to replace the one lost in China. Reparations from Japan would provide a partial solution for other economic difficulties, and it will be difficult to obtain Philippine acceptance of a peace treaty which does not contain reparations in some form. Philippine resentment against Japan is acting as a brake on American enthusiasm for a Japanese settlement and President Quirino is not as likely to yield on this matter as his chief rival, Señor Laurel, would have been.

Señor Laurel was President during the Japanese occupation and his puppet past was the chief cause of his defeat this month. He also suffered from the unsolicited support given to him by the Huks, the Communist-led rebels. The Philippine Government, determined that these poverty-

stricken peasants shall not achieve the same success as their Chinese counterparts, is, with American encouragement, using US military aid to protect the country's internal security rather than for defence against foreign enemies. By next July, this aid will have amounted to some \$170 million. The United States also has a military advisory group in the Islands and 99-year leases on a number of bases for its own use.

Shorter Notes

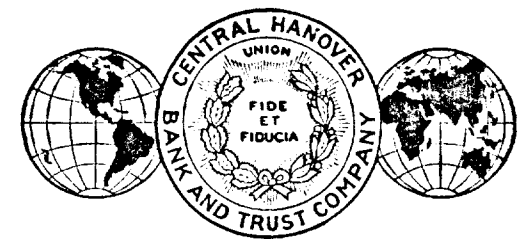
In November, 1948, the voters of Idaho repudiated the isolationist Republican Mr Henry Dworshak, who had been representing them in the Senate, and chose instead a Democrat, Mr Bert Miller. Senator Miller died at the beginning of October and the Republican Governor of Idaho used—or misused—his legal power to appoint a successor by sending Mr Dworshak back to Washington.

★

The Senate sub-committee has adjourned, until the beginning of the year, its inquiry into the activities of the "five percenters," the Washington "management counsellors" who are alleged to charge that percentage for helping businessmen to obtain government contracts. Meanwhile, the original "pedlar of influence," Mr James V. Hunt, has gone out of business on the advice of his doctor.

★

Even gold is not what it was: the nuggets found at Fishwheel, Alaska, turned out to be only brass, to the disappointment of the nineteen-forty-niners, who apparently looked and acted very much like their Californian predecessors of a century ago, but travelled by taxi-cab and airplane, instead of by covered wagon.



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THE WORLD OVERSEAS

Soviet Uranium Sources

(By a Correspondent)

PRESIDENT TRUMAN'S recent announcement about the atomic explosion in Russia has brought to light the extent to which experts in the west indulged in wishful thinking when they confidently asserted that Russia possessed neither the uranium nor the technical "know-how" required for the production of atomic energy. Even now the view has still been current that the Soviet Union does not possess substantial uranium deposits and is therefore completely dependent for supplies of fissionable material on imports from Czechoslovakia and Saxony. This view does not accord with the facts that can be freely learned from Russian technical geological publications, which appeared before the war at a time when it occurred to nobody that uranium would soon become the most jealously guarded military secret, and when the now precious ore was treated by the Russians somewhat slightly, because there had been little industrial demand for it.

The Great Soviet Encyclopædia (Vol. 56, pages 245-247, published in 1936) indicates briefly that the main uranium deposits of the Soviet Union are located at Tuya Muyun and Taboshar in Central Asia. Detailed descriptions of these and other deposits, their exact location and an analysis of the geological and industrial problems involved in their exploitation are contained in Russian mineralogical surveys of Central Asia published in the middle thirties. The information given in this article is based mainly on an extensive survey by I. Bashilov ("Deposits of Radio-Active Ores in Central Asia and the problems of their exploitation") which was published, under the auspices of the People's Commissariat for Heavy Industry, in Leningrad in 1935. The survey sets forth the findings of the great Tadjik-Pamir expedition which had explored the resources of Central Asia in connection with development schemes of the second and third Five-Year Plans.

Investment in the Thirties

According to this survey, the main zone of Soviet uranium deposits spreads from Samarkand eastwards over an area of several hundred kilometres to Tuya Muyun. By the middle thirties this vast area had only just been explored, and Tuya Muyun was still the main centre where uranium was actually mined. The place is situated on the northern slopes of the Alai mountains, to the southwest of the town of Osh, in the Kirghiz Soviet Socialist Republic. Tuya Muyun has been known as a source of uranium since the beginning of this century; and the ore mined there has been called Tuya Muyunit. The deposits were re-explored in the thirties by order of the *Soyuz Redmeta*, the Association for Rare Metals, which had its headquarters in Moscow and operated its own uranium refinery.

In the middle thirties the mines of Tuya Muyun were in a somewhat critical condition. Large scale investments were needed to expand output. The veins of uranium ran between powerful veins of water, and costly installations were needed to pump out the water, sometimes from great depths. But no power stations existed in the vicinity, and transport was inadequate—a distance of more than 60 kilometres separated Tuya Muyun from the Central Asiatic Railway.

The geological experts were rather hesitant in their practical recommendations laid before the Government: they were not sure whether the investments required would be economically sound. They insisted on the richness of the deposits: there were two types of ore, a rich one with 65-80 per cent of uranium content and a poorer one with only 52 per cent. But the mineral was then considered to be relatively unimportant; and, because of intensive competition between Belgian, Czech and American uranium companies, it could be cheaply imported from abroad. The Soviet explorers were then more interested in gold, silver, copper, wolfram and other non-ferrous metals in which this area is fabulously rich. In the late thirties the mines of Tuya Muyun were probably not developed any further. In those years many Soviet administrators were tried on charges



of having induced the Government to make false industrial investments, as a form of sabotage; and hardly anybody would have dared to press on with schemes for capital development in what was thought to be a non-essential industry. Since 1945, however, new mines have been opened up in the stretch of land between Osh and Molotovabad in the east and Samarkand in the west.

Another zone of uranium deposits is in the Tadjik Republic, on the western slopes of the mountains of Kara-Mazar, between the rivers Syr Darya and Angren, 40-50 kilometres north of the town of Khodzhen, close to the Tashkent-Melnikovo railway. The centre of this mining area is Taboshar and Sarımsakla. These deposits were discovered only in 1926 and their exploitation did not begin until the thirties. Taboshar and Sarımsakla are situated high in the mountains, but they are easily reached by road. Even in the thirties this area was better populated than Tuya Muyun. The Taboshar deposits were, however, reported to be poorer than those of Tuya Muyun, but the conditions for exploitation were better. Bashilov, quoted above, urged the Commissariat for Heavy Industry to develop

the Taboshar mines and to cover the expected deficit of the enterprise through fostering the growth of health resorts on the spot. In the same way, he argued, the Czech uranium company was deriving financial benefits from the health resort of Joachimsthal. He reported on the strong radio-activity of the Taboshar waters and called the place "our Soviet Joachimsthal."

Other sources of uranium reported at the time were Kara-Khagir in the southern Fergana valley and Agadik (or Agalik?), 16 kilometres east of Samarkand. Agadik uranium was discovered by an expedition under Professor Silbermintz in 1933. In subsequent years the place was again explored and abundant and rich reserves of uranium were reported. New finds were simultaneously made on the river Maili Su, 53 kilometres north of the town of Andizhan. Here, in the centre of the old Tamerlane empire, another "polymetallic" area was discovered, containing, apart from uranium, gold, platinum, lead, mercury and so on. Finally, abundant deposits of thorium, important as a substitute for uranium, were discovered in 1932 on the eastern slopes of the Pamir ("The roof of the Soviet Union"), in the valley of the river Alichura, at a height of nearly 12,000 feet. The deposits can, however, be easily reached by the Khorog-Osh road and are located about 450 kilometres from Osh.

All these areas were intensively developed during the second world war, when Soviet industry was greatly dependent on them for supplies of various non-ferrous materials. This wartime development should have later facilitated the extraction of uranium as well, because the latter has usually been found in combination with wolfram, vanadium, etc. In Tadjikistan, for instance, the wartime output of wolfram and lead was reported to have increased ten times. From some indirect indications in the postwar Five-Year Plan it may be inferred that the main emphasis has now been on the development of the uranium deposits in the Kirghiz Republic. The Plan for Kirghizia has aimed at doubling the output of non-ferrous metals and at a four-fold increase in the extraction of rare minerals between 1946 and 1950.

Impregnable Atomgrad?

The information given here on the sources of uranium in Soviet Central Asia has been available since the middle thirties. It seems almost certain that other sources have been found in the meantime. Anxious to shift the centres of its power eastwards, the Soviet Government has attached very great importance to geological exploration. By 1929, before the first Five-Year Plan was started, only 18 per cent of the whole area of the Soviet Union had been explored by geologists. In the middle thirties 35 per cent had already been explored. By 1940 new expeditions had extended research to 66 per cent of the total surface of the Soviet Union. The work was continued even during the war, and on January 1, 1945, 73 per cent of all Soviet territory had been covered by mineralogical exploration.

It is quite possible, and even probable, that Russia's atomic piles are also situated somewhere in the Kirghiz and the Tadjik Republics, near the sources of the raw material. Reports which have appeared in the press about an Atomgrad allegedly situated in Armenia, near the Russo-Turkish frontier in the Caucasus, sound more than a little fantastic. It would be very strange indeed for the Soviet Government to build up its atomic industry in an area which is strategically so vulnerable. The sources of uranium in Kirghizia and Tadjikistan are well sheltered. Those areas have been little known to foreigners, and they are protected from invasion by land or attack from the air by the impassable peaks and glaciers of the Tiau-Shan and Pamir-Alai mountains. Two peaks symbolically guard the entrance from non-Soviet Asia: Mount Lenin (nearly 24,000 feet high) and Mount Stalin, towering even higher, to about 25,000 feet.

France, Germany—and Britain?

[FROM OUR PARIS CORRESPONDENT]

LAST Monday evening, on the eve of the debate on Foreign Policy in the *Assemblée Nationale*, the front page of *Le Monde* contained the following statement:

In spite of Mr Bevin's speech in the House of Commons, several of our deputies are toying with the suspicion that the British Government believes that both time and means are lacking for the true fortification of the Continent of Europe. According to it, the compelling aim is to attract to Britain the essential part of American aid. It also holds that an Anglo-Saxon common front would be less provocative to Russia than the arming of the Continent, which might incite her to preventive action.

This repugnant suggestion is tragically characteristic of the current French distrust of Britain, which gained in emotional force at the time of the devaluation of the pound and has never since subsided. No doubt this "sentiment of no confidence" has its partial origin in certain British inadequacies of public behaviour and utterance. But much more does it seem to derive from an extraordinary incoherence and, it must be said, defeatism in the French body politic. Not that Frenchmen are conspicuously depressed in their individual lives; but rarely can a resourceful nation have been so hypnotised by the problems, real and imaginary, with which it has to contend. The clear-cut decisiveness of those few individuals and groups which see the road ahead is in dazzling contrast to the confused, lifeless and shifting mass of opinion.

It was, indeed, natural that the recent three-power talks on Germany should have caused misgivings. What is surprising is their endless variety and abstract complexity. Some Frenchmen want dismantling to go on and Allied control of Germany to be maintained; others demand the

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immediate formation of a Franco-German army under the command of General (Charlemagne) de Gaulle. Some adopt the pure American metaphysic of Germany's "integration" into Europe; others, on the other hand, dread the prospect of economic "domination" by Dr Adenauer and the Ruhr magnates that "integration" would, in their opinion, surely bring. Some—and not only the Communists—are looking again to a western European *bloc* "independent of America" to act as a buffer-*bloc* between the colossi, with, if possible, an adjacent buffer in the shape of a "nationalised Germany."

Confusion of Rival Remedies

Then there are the subtler economic subdivisions: the liberal integrationists who are out for freer trade; the less liberal integrationists who want cartels (of the *beneficial* kind); the Socialist integrationists demanding European ownership of everything in sight, but who, in the presence of Herr Schumacher, feel lonely without Mr Bevin. (*Humanité* commented most unkindly on M. Léon Blum, who had proposed to include Labour Britain in his own brand of Socialist integrationism—M. Blum, declared the editorial, was worried because the American capitalists wished to collar the Ruhr aided only by the French capitalists, thereby leaving their British Big Business brothers right out in the cold. It was this omission which M. Blum was so obviously anxious to rectify.) This crossword puzzle of contending abstractions bids fair to obsess politics for many months to come.

M. Raymond Aron, of *Figaro*, has presented the clearest sequence of arguments in favour of a full Franco-German *rapprochement*. Granted, he writes, that in the logic of events and, above all, in American eyes, Allied control of western Germany is a back number, French energies had better be directed forthwith towards bringing Germany into the western camp. He who rejects this policy must formulate an alternative. He who accepts it must support it to the full. "Going slow reduces the chance of success without reducing the risks involved." The reverses suffered by the OEEC had demonstrated the necessity of a full continental agreement, economic as well as military. "Now or never must French diplomacy overcome its complexes." "The conditions were more favourable for a Franco-German agreement two years ago. In one year they will be worse still." M. Aron, while recognising the vital importance of British participation in Europe, culturally and in defence, does not see why its absence (if absence it must be) from European commerce should paralyse Franco-German relations in this field.

Views of the Planners

In view of public and parliamentary confusion over the German-Soviet problem it is fortunate that the Civil Service, aided and guided by the *Commissariat général au Plan de Modernisation et de l'Équipement*, has a grasp of the concrete essentials at stake in the matter of a Franco-German *rapprochement*. These quiet experts are concerned not with ideological slogans, but with exploring the best means of strengthening the French economy. Their opinion appears to be that a liberalisation of trade with western Germany is necessary for the development of French production, but that no dogmatic principle governs the course which should be taken, the relative power of each French industry being the criterion in determining the aggregate of German competition desirable. There is general agreement, however, that there can be no serious Franco-German economic link until Germany abolishes its present differential system of domestic and export coal prices. Once this discriminatory practice ceases, trade may expand. As to French exports to Germany, there is known to be a considerable market for agricultural produce; French exporters hope also to revive their sales of luxury and semi-luxury goods (woollen goods, silk, gloves, glass, preserves, wine and so forth).

In assessing France's contemporary strength it is possibly

erroneous to pay too much attention to the disturbances of the last two months in its domestic and external affairs. If the present government is unlikely to attain the standard of the now lamented M. Queuille, it may yet survive the vote on the budget and the turn of the year before giving place to a further version of the Third Force. If inflation can be prevented by curbing labour's discontent, if production and productivity can continue to rise, France stands a good chance of raising its standard of living appreciably in two or three years. During the intervening danger period, however, it is essential that fears for its security should not arouse passions and inspire policies detrimental to its economic stability. It is, therefore, vitally important that the defence of its frontiers should become a solid reality and that Britain should take the very greatest pains to define its position in speech and in action, whatever the occasional injustice of the allegations made against the British Government. If economic integration is impossible for Britain, its military participation must be by that much the more conspicuous. For it is only when Britain's various inter-European relationships are firmly established that it will be possible to dispel the odour of uncertainty and sense of shapelessness that France, perhaps more than most other European countries, suffers from. France should, it seems, at this moment in its history recover its own internal unity through the establishment of firm relations with its neighbours. And these neighbours should take France's predicament to heart; otherwise they will lose an irreplaceable ally.

Double-Pricing in Europe

[FROM A CORRESPONDENT]

THERE was some surprise among producers in the Marshall countries at the vehemence with which Mr Hoffman recently attacked "double pricing"—that is, the practice of charging the foreign buyer a higher price than the domestic consumer pays for the same article. There was also righteous indignation. For, since the end of the war, it has become a commonly accepted practice of nations throughout much of the world to keep the domestic prices of basic materials as low as possible while squeezing from the harrassed foreigner the last drop of profit. From time to time a victim complains, but he can usually be found to be indulging in a similar game whenever the opportunity presents itself. The practice is defended on the grounds that "everyone does it" and that it is "sound business." This article sets out only some of the arguments now heard in Europe against the practice.

Among the trading nations of the world, Argentina has been the outstanding practitioner of this philosophy; in Europe the leaders have been the big coal producers—Germany, Britain and Poland, as well as all of the nations which produce steel and iron ore. The same characteristics are said to prevail in the chemical and fertiliser trades. Mr Hoffman's criticisms sprang partly from idealistic considerations. He was disturbed at the evidence of the lack of "mutual self-help" in Europe. But he was also questioning the commercial merits of the system of dual pricing—whether in fact it was "sound business." Since Mr Hoffman spoke a number of concrete cases have arisen which lend point to his doubts.

Sweden is protesting at the action of the National Coal Board in raising the price of British coal exports after devaluation and thus widening the disparity which already existed between prices at home and abroad. Swedish officials claim that this will seriously hamper their efforts to liberalise trade, a project to which both Mr Hoffman and Sir Stafford Cripps attached great importance at the Paris meetings of the Marshall nations last month. Swedish manufacturers, like those elsewhere in Europe, were already resisting proposals that they be laid bare to competition by the removal of import quotas; now, it is feared, they will clamour for

protection with the argument that, since they must use high-cost imported coal they are in no position to compete with British and German industries, based on cheaper domestic fuel.

Holland provides another illustration of the long-term damage that double pricing may inflict. For some months the large steel producing nations in western Europe have been opposing Holland's plans to expand its steel plant. They have been lecturing the Dutch on the evils of expanding production of a commodity that will soon be in surplus; they have been reminding them that the Dutch product will be expensive. Holland's answer is that the only time they can obtain cheap and abundant supplies of steel is during a depression, when they do not need steel. Under postwar conditions they have gone short, and they have had to pay through the nose. It is suspected that an additional Dutch reason for pursuing its plans is the national desire for a more balanced economy. The arguments for this and similar "uneconomic" projects, however, would lose much of their strength if it were not for the recent history of double-pricing.

Wasteful Use of Resources

It is instances such as these which suggest the unhealthy character of the double-price system to the American authorities in ECA. And they find it difficult to resist the conviction that an all-round abandonment of the practice would be to everyone's advantage. In some cases producers might not seek compensating increases in domestic prices; here the gain to all would be obvious. In other instances it is argued that any reduction in export prices would involve an overall loss which could only be avoided by raising home prices. But where this occurred the readjustment and equalisation of import and export prices might also be to the general benefit; a domestic price below the costs of production leads to a wasteful use of resources while unduly

high prices to foreigners may entail a wasteful contraction of overseas production. If, for instance, Sweden is unable to develop its resources fully because of the high price of British coal, then both the British and the Swedish consumer suffer.

It was on behalf of this wider point of view—the standard of living of the ordinary consumer—that Mr Hoffman made his plea for the abandonment of double-pricing. His appeal was one more facet of the American hope that western Europe will turn itself into a single free market and thereby gain all the advantages of cheap mass production. Double-pricing is regarded as essentially discriminatory and not in harmony with this concept of one market. (Why, for instance, should Germany discriminate between the Ruhr and Lorraine when such discrimination would be unthinkable between Dortmund and Düsseldorf?) Moreover, the system is one of the few forms of discrimination where the cost of progress could be easily and precisely measured. In making the necessary price adjustments it would be difficult for even the most ardent nationalists in Europe to complain that they were being asked to take a leap in the dark.

In some instances the dropping of dual prices would probably bring the exploiter only intangible benefits. Trade relations between Denmark and Britain are a case in point. At the moment Britain has again raised the price of the sharply limited quantity of high-grade coal that it is allowing the Danes to buy. This behaviour is resented by the Danes, particularly since they remember that in the thirties, when Britain was hard-pressed by mass unemployment, they were induced to purchase British coal under the pressure of the suggestion that they would otherwise lose their market for agricultural produce in Britain. An added grievance is that devaluation has brought a rise in the production costs of Danish agriculture, since it depends on feeding stuffs imported from the Western Hemisphere; but Britain, while raising the price of coal exports, has held the Danes to the

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terms of their long-term food contract. This means that Danish prices cannot be reviewed until next year and then can only move a maximum of seven per cent.

If Britain and the other powers in a strong bargaining position persist in pressing their advantage to the utmost, then the chances for an atmosphere of friendly co-operation are certainly diminished. It might well pay the strong to make a gesture now rather than to have concessions forced on them by the appearance of increased supplies in the not too distant future. Then it will be their turn to ask for favours.

New Zealand Elections

[FROM OUR NEW ZEALAND CORRESPONDENT]

November 8th

NEW ZEALANDERS will go to the polls on November 29th—in four Maori electorates—and on November 30th—in 76 European electorates—to decide whether the Labour Party, which has been in office continuously since 1935, should be given a further tenure of three years or whether the National Party, a fusion of the old Conservative (Reform) and Liberal (United) Parties, should supplant it. The election campaign has been fought on domestic issues, particularly on the cost of living; but the verdict may well turn on whether the voters consider that the Labour Party has grown old, and hence less vigorous, in office or whether it would be safe to risk giving power to the more zestful National Party.

The Labour Party's manifesto is called "Security for All." Its planks are full employment; guaranteed prices for the farmers; a continuation of import, stabilisation and price controls; social security and an improved housing programme. The National Party says that its aim is to build a country in which everyone can enjoy happiness, good health, security and freedom. It pledges itself to restore an economy based on private ownership and management and on fair competition; to encourage thrift and self-reliance; and to care, generously and sympathetically, for those in need. It also says that it will deal with the basic causes of the rising cost of living; that it will support a Government loan plan for increasing the number of houses; and that it promises to maintain full employment and the social security system.

It will be seen that there is not a great deal of difference between the two parties in many of their policy planks. Both promise full employment, no reduction in social security benefits and more aid in financing home-building. The recent conscription referendum, when the leaders—the Prime Minister, Mr Fraser, and the Leader of the Opposition, Mr Holland—campaigns together to obtain a four to one majority showed that on defence and the Imperial connection generally the two parties are also broadly agreed.

A Quiet Campaign

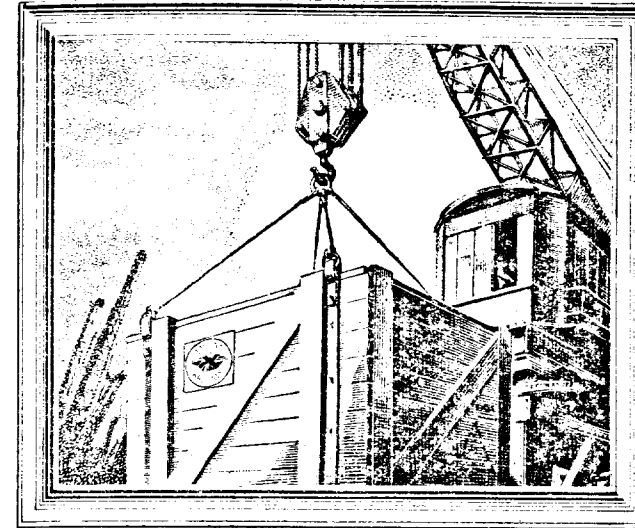
The issue of state control versus private enterprise has provided one of the few lively points of disagreement. On taxation the Government has challenged the National Opposition to show where it would cut down expenditure, and Labour speakers have asked whether the Nationalists propose to cut pensions or to reduce the civil service. The National Party has denied any such intentions, but has also been careful not to promise any definite rate of tax reduction until it has had the opportunity to examine the present Government's commitments. The National Party argues generally that there must be scope for tax cuts in the elimination of "wasteful expenditure."

At the time of writing the campaign has been quiet, with only the two leaders drawing considerable audiences. Some speeches are being broadcast, and the angriest feelings to date have been roused by Mr Fraser's decision to reserve for himself the sole right to broadcast on the eve of the election. His similar decision in 1946 was bitterly criticised by Mr Holland. One National Party candidate has hinted that he may take steps to test the legality of Mr Fraser's action.

Maoris Hold the Balance

Labour holds all four Maori seats, and on this fact—"the brown mandate," as a popular cartoonist consistently describes it—its life has depended in the Parliament just dissolved. The relative strengths were: Government 42 seats; Opposition, 38. In the last two months even this narrow majority has been reduced through one Labour member quitting the party because of opposition to conscription and the death of a Maori member just before the last session ended. The policies of both parties pay special attention to the Maori people, and Mr Fraser, who is his own Minister of Maori Affairs, has been indefatigable in visiting Maoris in their own communities.

All the indications point to another close election. In most constituencies the issue is directly between the two parties. A few Communists, without hope of success, are standing for propaganda purposes. Thirteen seats were decided by comparatively narrow margins in 1946. A swing in a few of them on November 30th could decide the political colour of the next Government. There are signs that the National Party's main slogans, "New Zealand's greatest need—a new Government" and "This is a cost-of-living election," will be countered most effectively not by Labour's "square deal" advertisements, addressed to various sections of the community, but by the feeling of many voters that only Labour can maintain and extend social security benefits and banish the fear of a recurrence of a depression, the memory of which still sears many minds.



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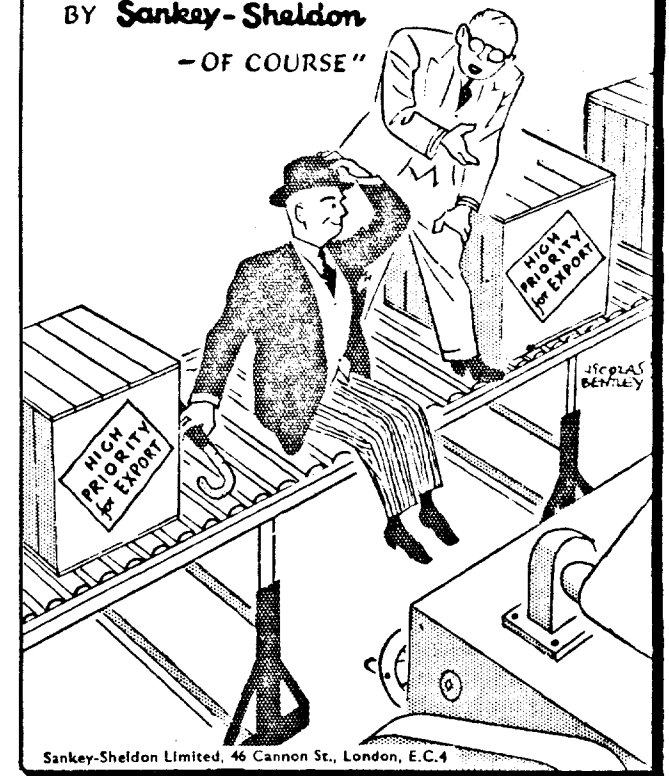
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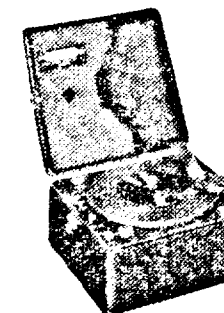
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THE BUSINESS WORLD

Sterling since Devaluation

HOW fares sterling two months after its devaluation? The evidence is conflicting. The Chancellor of the Exchequer has told the world that the gold and dollar reserve has been recovering from the nadir of £330 million (at the old rate) reached just before devaluation on September 18th. In the subsequent twelve days, as the quarterly figures showed, there was a return of £20 million; all that is known about the position since then is that "the reserves have continued to move upwards." But, had the gain been really large, the Chancellor would presumably have said so. Sir Stafford's statement cannot, therefore, be any cause for congratulation. The speculative position in sterling was widespread and massive. The surprise is that the immediate rebound, since the speculators have been offered profits ranging up to 40 per cent on their deals, proved to be so modest. In part, this sluggishness of the response must reflect the fact that most of the speculative position—if it can be so called—was built up by delaying postponable purchases of sterling commodities and, on the other side of the account, by an acceleration of British purchases abroad (of which the £100 million increase in stocks of food and raw materials during the past six months may be a reflection). This interference with the normal flow of commercial operations and payments will be readjusted in time, and the consequent reinforcement of the reserves will not be completed for some months. The rebound from the speculative position could not, therefore, be as rapid as the movements which followed the great devaluations of the inter-war period, when the exchange adjustments were preceded and precipitated by massive speculative operations on the free foreign exchange markets—which no longer exist.

This technical fact does not, however, completely explain the modest dimensions of the covering operations. There is no doubt that abroad, as in Britain, the effectiveness of sterling's devaluation has been brought into question, and confidence in the new rate has been undermined, first by the delay in announcing the "consequential domestic measures" and then by their unexpectedly meek character. This disappointment, allied to the fact that the new parity of \$2.80 provides a ceiling beyond which sterling is most unlikely to rise, has probably tempted many operators to allow their position in sterling to run a little longer, on the argument that they cannot lose and may gain further by doing so.

It is, however, deceptively and dangerously tempting to try to measure this lack of confidence merely by the rates quoted for various types of sterling abroad. Given the elaborate system of exchange control which surrounds the inconvertible pound, and given the continuing world-wide shortage of dollars, some volume of unofficial business in sterling at a discount is bound to be transacted, whatever the official rate may be. The Chancellor of the Exchequer said last week that these

discounts become dangerous only when they are wide enough to make profitable "cheap sterling" transactions on a considerable scale such as were taking place before devaluation and were leading to substantial losses of dollars. But he claimed that the Government had at present no evidence that the existing discounts on sterling were having this effect, or that more than "very small" volumes of business were being done. He also expressed the hope, in the best heads-in-the-sand tradition of the present Government, that press comments on these rates for cheap sterling "will be reduced to the negligible dimensions deserved."

★

Sterling quoted abroad in free markets falls into three main categories. They are, in inverse order of importance, the rates for pound notes, for security sterling, and for various types of commercial sterling. Of the last and most important group, the three main subdivisions are American account sterling, transferable account sterling, and bilateral account sterling.

The rates for pound notes are bound to stand at a discount on the official rate in terms of a convertible currency. Pound notes have to be smuggled out of Britain to become available abroad in any substantial quantities. They have to be smuggled back into Britain to reacquire effective purchasing power over goods and services. This "double smuggle," plus the ever-present risk that the notes in question may be forgeries, will normally cause the rate to fall to a discount on the official parity. The pound note is now quoted in Switzerland at Frs. 10.35 and in New York at \$2.42, in each case at a discount of between 13 and 14 per cent of the parity. These, however, are the extreme discounts for notes, for they are measured in terms of the hardest available currencies. Even in Zurich there was a short period after devaluation when the pound note was quoted at a slight premium. That was when many people in Switzerland thought that the Swiss franc would have to follow the pound some of the way in its devaluation against the dollar. For long periods the pound note was also quoted at a premium on the official rate in France, because the French franc was under even greater suspicion and the pound note thus became relatively attractive as a medium of hoarding and a hedge against depreciation of the franc.

The rates for security sterling are even more certain to fall to a discount on the official rate than those for sterling bank notes. Security sterling represents the proceeds of capital transactions held for account of non-residents. These proceeds are ineligible for conversion into foreign currencies through the official market, except in very special cases of hardship; but such sterling may be invested in securities provided they have a currency of more than ten years. This minimum life is explained by the fact that the proceeds of maturing obligations held by non-residents may be remitted over the exchanges

at the official rate. But for the restriction, it would, therefore, be all too easy to evade the basic regulation by investing immobilised security sterling in, say, three-months' Treasury bills. Such sterling, once invested in securities, may be traded between non-residents, but again subject to two main restrictions—that such operations must be limited to nationals of the same country and that a non-resident switching from one security to another may do so only within the same group of securities. Thus a French holder of sterling securities can sell them only to another French holder, and if he holds gilt-edged he can re-invest the proceeds of his sales only in another gilt-edged security.

This is the basis of the overseas markets for British securities, of which undoubtedly the most important is that in New York. At the moment, gilt-edged securities in New York are dealt in at prices which give a cross-rate of about \$1.50, while British industrials give a rate of about \$2. The discount of as much as 46 per cent on the gilt-edged rate reflects not only the pure discount on immobilised sterling but the fact that, even in a free market, the American investor would not be satisfied with a yield of $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent on British Government securities. Similarly, the discount at which British industrials sell in New York is due in part to the fact that "blue chip" dollar equities are valued on an appreciably higher yield basis than are high-class equities in London. The wide disparity in the rates at which security sterling is quoted is due to the restrictions placed on switching from one type of security to another. Most of the existing non-resident holdings of sterling are invested in gilt-edged securities, and that alone would go a long way to account for the fact that gilt-edged sterling is found at the bottom of the list of rates.

The third category quoted in free markets abroad consists of the various types of commercial sterling. American account sterling stands in a class apart: it is automatically convertible into dollars at the official rate of the day, so that the market in such sterling in New York records no more than slight higgling of the rate around the official parity of \$2.80. Sterling accumulated in the various types of transferable or bilateral accounts in London is quite another matter. By devious means—most of them openly tolerated by the monetary authorities of the countries concerned—these varieties of sterling can be made to serve as the basis for commercial arbitrage transactions of varying degrees of intricacy. The supply of sterling in these accounts is constantly changing in volume and composition. Recently, for example, French "No. 1 account" sterling has been

accumulating in a surprising manner. French sterling is, therefore, in good supply, and, since France is short of dollars, a market has developed in French sterling at a discount on the official rate. Belgian sterling balances, on the other hand, have been declining.

If all this sterling were transferable as between non-sterling (and non-dollar) countries, it would find a uniform rate in terms of dollars. Much of it, however, is in bilateral accounts—that is, it can be transferred only between residents of the same monetary area (or, of course, to residents of the sterling area). Even that which is held by "transferable account" countries can no longer be used with the freedom that would provide a uniform rate for all transferable account sterling, since the British authorities are now increasingly insisting that transfers of sterling between transferable account countries can be made only for direct commercial transactions between them and may not be used for third party operations. For the moment, however, the range of these discounts on different varieties of transferable account sterling is narrow. The present quotations in New York vary between \$2.55 and \$2.60, representing discounts of 7 to 9 per cent on the official rate. Bilateral account sterling ranges from \$2.55 for French sterling to \$2.75 for Tangier sterling.

These discounts on commercial sterling can offer grounds for serious concern only when they widen to a point at which the "shunting" of commodities through the familiar triangular operations—and still more complicated commodity operations—becomes profitable. The arbitrage points for these operations are difficult to define. They vary for each commodity and each country in question. They take account of costs of trans-shipment, and in some cases of much more subtle items—including "conscience" money paid to get the necessary co-operation of local officials. It is probable that some shunting of commodities becomes possible with sterling at a discount of 5 per cent; and the volume of these operations could well reach serious proportions if the discount widened beyond 10 per cent, a point which fortunately has not been exceeded since devaluation.

These discounts on free sterling, and particularly those on sterling available for commercial transactions, may not have done great damage since devaluation, but they act as a serious drag on the present official rate. It is true to say that these discounts reflect the continued relative scarcity of dollars and corresponding abundance of sterling (an abundance in which the excessive releases of sterling balances have played a part—a question which will be discussed in a

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subsequent article). But the reappearance of these variegated discounts also suggests that the time has arrived to reverse the strategy of exchange control which hitherto has fought its battle mainly on the defensive, trying to plug each successive leak as it occurred. By seeking safety first, it is in fact destroying its real efficacy. There can, of course, be no free convertibility of sterling with the dollar in the foreseeable future. That must be the inevitable, though regrettable, verdict of all reasonable people. But some progress should now be made in dismantling the increasingly inefficient machinery of exchange control between sterling and other non-dollar currencies.

One of the justifications for the devaluation of sterling would have been a "loosening up" of this cumbrous system of control. In fact, events have moved in the other direction. Intellectually and emotionally, the Treasury is still living in the panic of 1947. It is still

wedded to the theory that Britain must first re-establish equilibrium in each of its multitudinous bilateral balances of payments, and that only when that is assured can it trust itself to move towards greater convertibility of sterling. In all financial negotiations undertaken by Britain since the devaluation, the attitude of its representatives has been even more fearful, defensive and restrictive than it was before September 18th. Is it any wonder, then, that foreign opinion is convinced that the position of sterling has been weakened and not strengthened by devaluation? This attitude must be reversed. Britain's financial authorities would be better employed exploring how far exchange control can be dismantled than in offering tax-free rewards to informers about exchange control offences. The results in restoring foreign confidence in sterling, and removing the discounts at which commercial sterling is quoted abroad, would probably surprise them.

Commonwealth Trade

TWO important changes have occurred in the economic links of the Commonwealth since the war. Inconvertibility of sterling into dollars and the dependence of Canada on imports from the United States together mean that the Commonwealth is no longer a single trading unit. Canada, now the third largest trading nation in the world, and South Africa are both members of the Commonwealth, but the one is not a member of the sterling area and the other is plainly not a full member. Secondly, although the Ottawa Agreement of 1932 still influences private trade between Britain, the dominions and the colonies by its system of tariff preferences, Government purchases and long-term contracts play an important part in Commonwealth trade today. Some 51 long-term contracts are in operation, and of these 42 are with Commonwealth countries. It is not preferences, but guaranteed markets, that are important now.

The recovery in Commonwealth trade since the war, which is described in a factual study* prepared by the Commonwealth Economic Committee, can only be under-

* Review of Commonwealth Trade. H.M.S.O. 1s. 6d. net.

TABLE I—COMMONWEALTH TRADE IN MERCHANDISE

	1929		1938		1947	
	£ mn.	Per cent	£ mn.	Per cent	£ mn.	Per cent
Exports from Commonwealth:						
To Foreign countries...	1,095	61	635	51	1,719	53
To UK	284	16	284	23	613	19
To Commonwealth from UK	298	16	215	18	507	16
To Commonwealth (excl. UK) from Commonwealth countries (excl. UK)	127	7	100	8	394	12
Total	1,802	100	1,238	100	3,233	100
Imports into Commonwealth:						
From Foreign countries...	1,445	66	979	59	2,357	59
From UK	301	14	251	14	513	13
From Commonwealth into UK	506	14	336	20	748	19
From Commonwealth (excl. UK) into Commonwealth countries (excl. UK)	131	6	109	7	376	9
Total	2,183	100	1,655	100	3,994	100

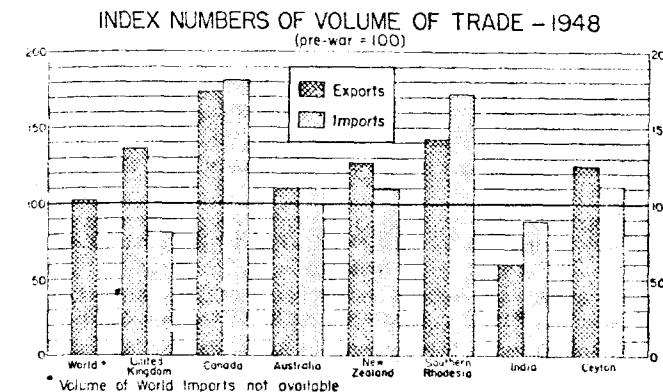
* Including re-exports. † Estimated.
Note—Data for the charts and tables have been taken from the CEC report.

TABLE II—COMMONWEALTH TRADE WITH NORTH AMERICA (£ Million)

Importing or Exporting Country	Imports from & Exports to Canada				Imports from & Exports to USA			
	1938	1946	1947	1948	1938	1946	1947	1948
United Kingdom	Imports 79	196	235	217	Imports 118	233	297	184
	Exports 29	33	43	70		20	36	48
Canada	Imports ...	...	...	...	Imports ...	...	...	...
	Exports ...	...	...	...		...	...	...
Newfoundland	Imports 2	10	11	15	Imports 2	5	6	10
	Exports 1	2	3	2		...	...	...
Australia	Imports 8	7	15	13	Imports 18	42	36	59
	Exports 2	3	4	4		1	29	38
New Zealand	Imports 4	4	9	6	Imports 6	9	19	12
	Exports 1	2	2	3		1	8	7
South Africa	Imports 4	18	(18)	(23)	Imports 17	62	(114)	(132)
	Exports ...	...	...	...		...	...	...
S. Rhodesia	Imports ...	...	...	...	Imports ...	...	...	...
	Exports ...	...	...	...		...	...	...
India	Imports 1	5	7	6	Imports 9	35	83	81
	Exports 2	5	8	7		10	53	58
Pakistan	Imports (a)	(a)	(a)	(a)	Imports (a)	(a)	(a)	5
	Exports (a)	(a)	(a)	(a)		(a)	(a)	6
Ceylon	Imports 1	1	4	3	Imports 1	3	8	12
	Exports 6	20	31	26		16	31	82
Colonies	Imports 6	12	16	20	Imports 29	51	92	106

(a) Included in India. Note—Figures in brackets are partially estimated.

Commonwealth trade. The figures given in Table I relate only to merchandise. In 1938, 51 per cent of Commonwealth exports went to foreign countries while 59 per cent of Commonwealth imports came from foreign sources. These proportions were much lower than for 1929, but they show that despite the Ottawa Agreement more than half of Commonwealth trade was with other countries. Since the war, this proportion has slightly increased; in 1947, some 53 per cent of its exports went to foreign countries while imports remained at 59 per cent. In considerable part, the increased foreign share of Commonwealth exports reflects the development of trade between the Commonwealth and western Europe. The



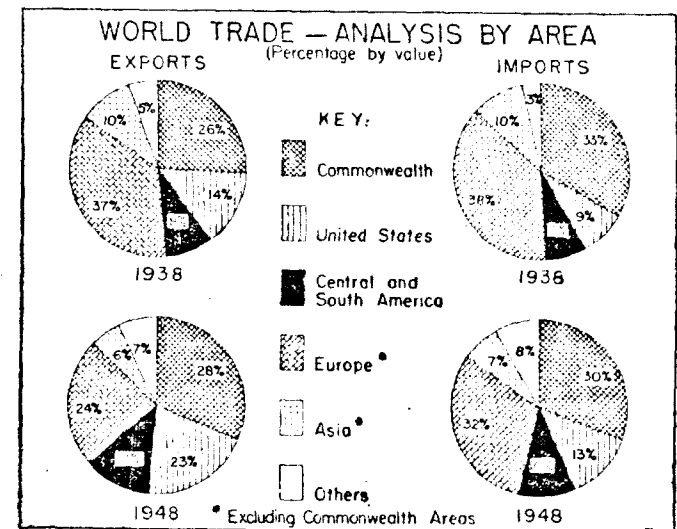
value of exports to western Europe more than trebled between 1938 and 1948, whereas Commonwealth imports from western Europe increased by 80 per cent. Apart from Britain, the main countries interested in European trade are Canada, Australia, New Zealand and South Africa. A fuller measure of European recovery would expand trade with Commonwealth countries still further, particularly with Australia and New Zealand. Britain, of course, remains the largest single market for the rest of the Commonwealth and the main provider of its imports, but in both respects Britain's importance has declined, while trade among the other Commonwealth countries has increased.

Perhaps the most striking change in the pattern of Commonwealth trade is with North America. The figures are given in Table II. This clearly shows the increased dependence of Canada on imports from the United States. By value, they have increased more than fivefold within ten years. In 1947, Canada had a visible trade deficit with the United States equivalent to approximately £280 million; in the following year, when exports were expanded and imports reduced, the deficit was lowered to £120 million. In the postwar phase, Britain also has become much more dependent on North American supplies, though it succeeded in 1948 in showing a considerable improvement in its adverse balance on dollar trade. The same has been true of other Commonwealth countries, especially South Africa, India and the colonies; all have sought food and equipment which only the North American continent could supply, and the dollar deficits of both Australia and South Africa increased further in 1948.

Exports from Commonwealth countries to North America have also increased. Britain and the colonies have achieved a considerable expansion in the value of their exports to both Canada and the United States: in each case, the value of shipments more than trebled between 1938 and 1948. India, Pakistan, Australia and

South Africa have also become important dollar earners, though each of them except Pakistan had a large visible trade deficit with the dollar area. (In these calculations, of course, South Africa's sales of gold for dollars are not directly recorded.) But increased exports were by no means sufficient to pay for increased dollar imports. The Commonwealth Economic Committee suggests in the report that the dollar deficit on visible trade in 1948 "may have been of the order of £500 million for the Commonwealth as a whole"; it put the deficit for 1947 at double that figure.

The report clearly shows that the Commonwealth is faced with a twofold problem. The member countries who remain in the sterling area must reduce their imports from dollar sources and at the same time expand their exports to dollar markets. Secondly, Canada being situated economically in the dollar area, must seek to increase its exports to dollar markets but would clearly prefer to do so without reducing its exports to the traditional and assured markets of the sterling area. The answer depends on the capacity of the United States to import, which depends in turn on the maintenance of a high level of economic activity. Without this, American demand for imported raw materials, largely from Commonwealth sources, will fall. Prosperity in America also implies larger imports of consumers' goods, including textiles, whisky, cocoa, coffee and vehicles. But, important though these are, they are still the frills of Commonwealth commerce with the United States. The level of world commodity prices (nowadays dictated by American demand) is the more vital influence on the Commonwealth's balance of payments with the dollar area. Commodity prices present a special dilemma for the Commonwealth. Britain is still the largest exporter within the Commonwealth (though not



to the dollar area) and its exports consist mainly of manufactured goods. Britain's specific trade problem would be eased if prices of primary products declined relatively to those of manufactures. But both for Britain and the Commonwealth the dollar problem would be aggravated by such a turn of events, at least in the short run.

A second hope lies in the expansion of the North American market for foodstuffs. Both the United States and Canada are important agricultural producers and are to a large extent self-sufficient in foodstuffs. But it is not unreasonable to expect that within a measurable

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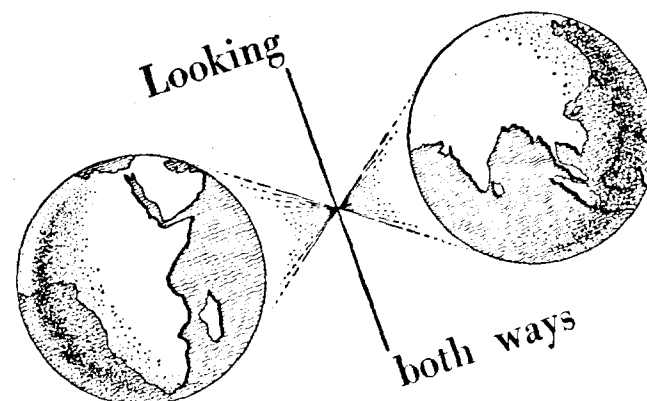
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span of years both countries may begin to import such commodities as meat, butter, fruit and tea. Thirdly, the development of Canada as an industrial power during and since the war makes it one of the world's leading markets for certain raw materials. In 1948, for example, imports of rubber, coal, iron and iron products, cotton and petroleum increased to over £250 million. Such imports cannot be wholly supplied by other Commonwealth countries. Finally, there remains the possibility of increased exports of British manufactures to Canada, which calls for adaptation of design and standards to Canadian requirements. If British exporters could supply Canada with 15 per cent of the goods which are at present bought from the United States, Britain's trade deficit with Canada would be overcome.

The future of Commonwealth trade therefore depends on the development of sources of raw materials and foodstuffs. During the war, Britain's agricultural production was expanded by 30 per cent and Canada's by 25 per cent, while food production in New Zealand also increased. But the main direction of the development which has so far taken place, at least in the dominions, is towards further industrialisation. The experience of the thirties impressed all primary producing countries with the value of secondary industries as an economic support, and this trend was, of course, accelerated by the war. The pace of industrialisation has, of course, varied from country to country, and so far it has had only a limited

effect on the pattern of Commonwealth trade. If Canadian experience offers any guide, the development of secondary industries may help Commonwealth trade to expand. But unless those countries developing secondary industries maintain at the same time a large volume of exports to pay for imports of capital goods and raw materials, industrialisation may create serious difficulties in their balance of payments.

The conclusion suggested by this study of Commonwealth trade is that the colonial areas must be developed, on a larger scale than has yet been envisaged, as sources of supply for foodstuffs and raw materials—products which the Commonwealth at present has to import from the United States or which can be exported to countries outside the Commonwealth, in particular to western Europe and to North America. Industrialisation of the dominions will undoubtedly continue, but it would be dangerous to foster industrialisation at a rate which imposes strain on the balance of payments of any particular country. In the meantime, dollar imports must be pruned and exports to dollar markets, whether of primary products or manufactures, encouraged. Finally, under these conditions, trade between the Commonwealth and foreign countries is likely to expand rather than to contract. Any policy which attempts to keep Commonwealth trade within a closed unit on the false notion that the Commonwealth is self-sufficient will create more difficult problems.

Business Notes

South African Flop

To the cynically minded, the almost indecent haste with which the sponsors of the South African loan followed in the wake of the Government broker may have implied a fear that the calm after the storm in the gilt-edged market would barely last long enough to permit the successful launching of their vessel. In one sense, any such fear proved to be groundless. The gilt-edged market this week has shown scarcely a ripple, and the fear of renewed disturbance has abated. For all that, South Africa's descent into the waters resulted in a considerable flop. Underwriters of the £10 million of 3½ per cent stock, 1965-67, offered at 99, were called upon to take up no less than 84 per cent, and the first quotation for the scrip when the market opened on Thursday was 4·2 per cent discount. Necessarily, this situation demanded careful handling from the sponsors, and later in the day the discount narrowed to 1½ per cent.

The terms of the operation were not, in any case, such as to promise a smooth launching. The redemption yield of £3 11s. 6d. per cent at the issue price was scarcely a shilling more than that offered, on the day before underwriting took place, by the existing 3½ per cent South African Stock, 1954-59. Compared with British Government 2½ per cent Savings Bonds, 1964-67—the nearest comparable stock in the gilt-edged market proper—the yield differential was rather less than ½ per cent. Evidently the terms had been cut very fine; but few people had expected the response to be quite so unsatisfactory. In the search for reasons, it is hard to disentangle the effects of the rudely-shaken confidence in gilt-edged generally, from specific doubts about the economic and political prospects of South Africa. Apart from the longer term political uncertainties, it might have been felt that a difference of one-half per cent between South African and British Government credit was more than adequate; for the Union's economic problem has lately begun to show the first incipient signs of response to treatment.

For all that, it seems astonishing that those who advised on the terms of this issue—and they must surely have included the British authorities—apparently took no account of the fact that the Union plans to approach the London market again in the New Year. One would have thought it would have been a matter of common prudence, therefore, to ensure attractive terms for the first operation. In the circumstances, the fineness of the terms raises a suspicion that the British authorities may have been giving particular weight to their own problem of re-financing the £787 million of Exchequer Bonds which mature in February; but, if so, it is now very questionable whether such a policy will prove to have been to their advantage.

The indigestion caused by the South African operation does not improve the chances for the Treasury, even though any replacement stock which may be offered for the Exchequer Bonds will certainly be primarily designed to suit very different types of investor from those who would normally have been interested in the South African loan. At this stage, however, it cannot even be taken for granted that the re-financing will not be achieved merely by floating debt; but, apart from that, the most popular guess in the market is that the authorities will have hardly any choice but to offer a security with a life of five years, or a little more. This view is founded on the argument, first, that this is the minimum life which could enable the authorities to "save face" and, secondly, that 1955 is the only proximate year (except 1952) which is free from compulsory maturities. It may be noted, incidentally, that in 1957 the only compulsory repayment is £101 million; but a further £400 million of 4 per cent Consols become optionally redeemable.

* * *

Influencing the Use of Labour

The new and firmer policy of wage restraint announced by the Trades Union Congress (which is discussed on page

1168) will, if it proves effective, make the placing work of the employment exchanges more difficult and even more important than before. It is apparent that a general "freezing" of wage rates will tend also to "freeze" employment in its existing pattern. The burden of inducing labour to move into the industries (or into the individual concerns and factories) to which the national interest most urgently requires labour to move will, therefore, fall more heavily on the employment exchanges, which operate the Control of Engagement Order.

Some of the policies which the employment exchanges are required to work were discussed this week by the Joint Consultative Committee of the National Joint Advisory Council for Industry, resurrected after two years. The Minister of Labour presided. Recruitment of labour, with special reference to the dollar-earning and dollar-saving industries, was one of the points discussed. The committee agreed to a review of the present list of "first preferences." The list includes coal mining, agriculture, iron and steel, pottery, and the textile industries. It also includes certain branches of industries: not, for instance, building and civil engineering in general, but the construction of power stations and chemical plants and the maintenance of the railway permanent ways; not machinery in general, but machines for the coal mines, equipment for gasworks, and generating plant for the electricity undertakings. The list is to be reviewed "in order to put the utmost emphasis on jobs which directly contribute to the present-day economic and financial needs of the country." Some restriction of the range of employments offered by employment exchanges was also agreed to be necessary, together with a tightening up of the present practice in accepting nominations from employers.

The "redistribution of labour becoming available as a result of the cut in the investment programme and the reduction in Government expenditure" was also considered; but, since nobody knows how much labour will "become available" from these causes, it was not to be expected that the discussion could be very specific. The arrangements under which the employment exchanges seek—without great success—to transfer labour between one industry and another are, however, to be "overhauled."

It is through such arrangements as these—and principally through the method of offering "first preference" employments to workers looking for a job—that the Control of Engagement Order exerts its real effect. Actual directions to workers are rare; 24 were issued in September, 21 to mine-workers and three to farm workers. The Joint Consultative Committee did not suggest any extension of the use of these little-used powers.

* * *

The Reyrolle Investigation

The reports of the late Sir Douglas Garrett on the affairs of A. Reyrolle and Company are meticulous, and not easy to summarise without running the risk (which Sir Douglas himself was at pains to avoid) of doing injustice to any of the parties. The original contention, which led to his appointment as inspector last January, was that an offer of shares in Morphy-Richards in May, 1947, disclosed that certain shares stated to have been offered as of right to Reyrolles were taken up by Mr George Wansbrough, who at that time was chairman of both companies. Certain shareholders in Reyrolles sought an explanation of this transaction, and, being dissatisfied with it, applied to the Court for an inspection.

The Inspector's report shows that this original complaint was not supported by the underlying facts. There was never any likelihood that Reyrolles would be given the right to subscribe for further shares in Morphy-Richards. No right was transferred by Reyrolles to Mr Wansbrough, because no

right had ever been granted to them. But the Morphy-Richards prospectus had stated

By Special resolution dated March 4, 1947, A. Reyrolle and Company Limited were given the right to subscribe for 1,000 ordinary shares of £1 each in the Company at the price of £10 per share, which right was duly exercised in favour of Mr George Wansbrough who paid for and was allotted the said 1,000 shares.

That statement in the offer for sale started the complaint, but the Inspector found that it was untrue and misleading. The resolution by the directors of Morphy-Richards conferred no rights upon Reyrolles and made no reference to Mr Wansbrough; and it was unfortunately described, by mistake, as a special resolution. Further, the Inspector found that the reference to this matter in the application on behalf of Morphy-Richards to the Capital Issues Committee was also misleading.

The reason for the wording in the offer for sale and the application to the Capital Issues Committee, the Inspector found,

was simply and solely to endeavour to safeguard Mr Wansbrough personally from the possibility of a claim for income tax and surtax on the profit element contained in the transaction. . . .

For this "camouflage" in the original resolution and in later references to it in the prospectus and elsewhere, the Inspector finds that Mr Wansbrough and Mr Michael Richards, his legal adviser, "must be held jointly responsible." The Inspector finds it impossible "to justify or to condone" their actions in this matter. As for the original point from which the inspection started—namely that Mr Wansbrough might be accountable to the shareholders of Reyrolles for any profits derived from the transaction—the Inspector contents himself with summarising the considerations for and against such a claim.

*

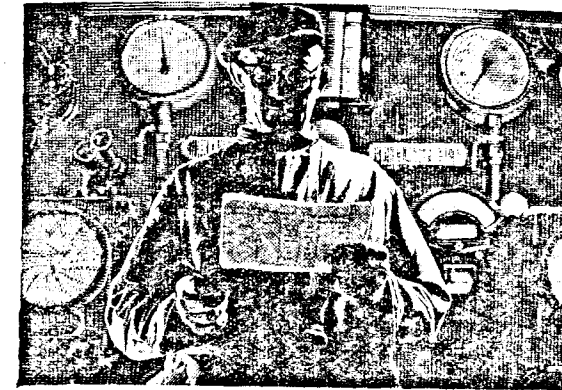
Thus the inspector has arrived at a stern conclusion on a matter which is ancillary to the original question. His conclusions are not, for that reason, to be lightly regarded. He found in his first report that the statement in the prospectus was not merely misleading, but intentionally misleading. In his second report, he re-examines this conclusion. He points out that Mr Wansbrough was neither accused of, nor censured for, trying to induce the public to buy the Morphy-Richards stock units by means of a false statement. But he argues that, in determining the question of intent, it is necessary to look beyond the effect of the statement on the minds of prospective applicants for the stock units. The report gives Mr Wansbrough all due credit for his frankness in giving evidence and for the fact that he made no attempt to take advantage of the market which for a short time was created in the Morphy-Richards shares. Nevertheless it amounts to a rebuke on a matter of fundamental importance—the need for the utmost care, frankness and sincerity in the terms on which shares are offered to the public by prospectus.

* * *

Tax Free Covenants

Shareholders of Standard Motor recently approved the proposals for making an allotment of shares worth approximately £100,000 to Sir John Black, in consideration of an undertaking on his part not to engage in motor-car production in future except with the Standard Motor Company. A similar proposal has been made by the directors of Austin Motor to pay to Mr L. P. Lord, the chairman and managing director, £25,000 in cash and ordinary shares to the nominal value of £20,000. Since the market value of these shares (ex bonus) would be in the region of £76,000, the total value of the consideration proposed would be about £100,000. In return, Mr Lord undertakes, for the rest of his life, not to manufacture mechanically propelled vehicles for any other

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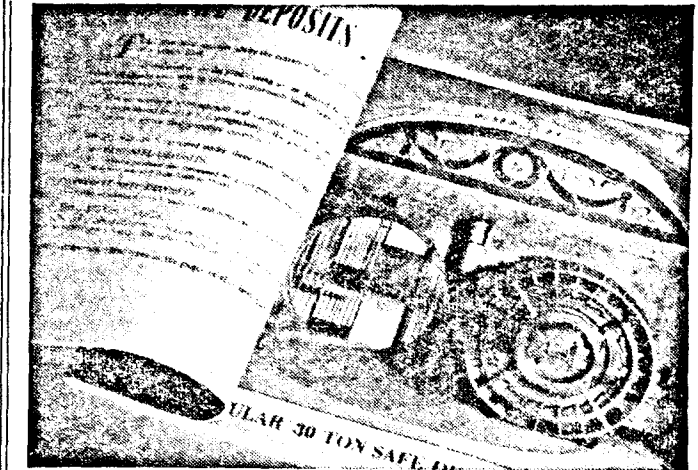
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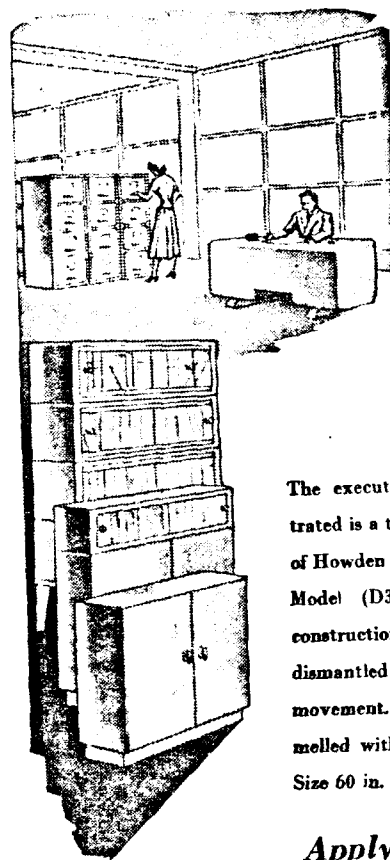
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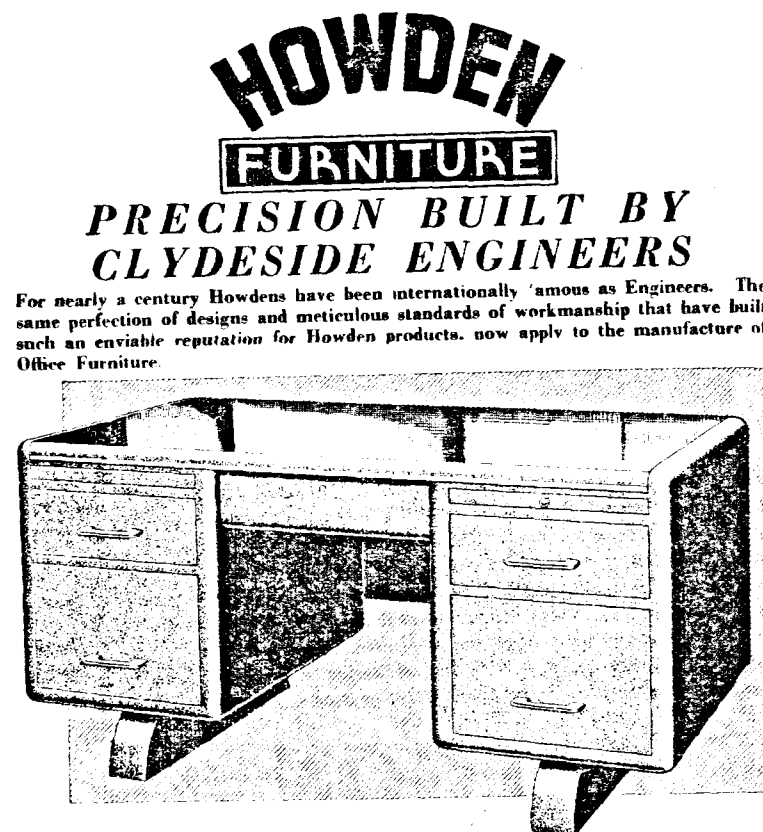
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TWO CAPTAINS ON WHITE LEAD



From a letter to

ASSOCIATED LEAD

MANUFACTURERS

September 3rd,

1949



"Some flying showers again. This morning we hauled the pinnacle a Shore to examine her bottom, and had the Satisfaction to find that not one worm hath touched it, notwithstanding she hath been in the water nearly as long as the Long Boat. This must be owing to the White Lead with which her bottom is painted . . . for no other reason can be assigned why the one should be preserved and the other destroyed, when they are both built of the Same sort of Wood and have been in equal use. From this Circumstance alone the bottom of all boats sent into Countrys where these worms are ought to be painted with White Lead . . ."

"For many years I was Deputy Conservator of the Port of Rangoon and had under my charge four unattended light-ships. They were anchored off the mouth of the Rangoon River and were subject to rigorous climatic changes and sea conditions . . .

In March 1942 the Port fell to the Japs. At the time all our light-ships were on station, with the exception of one relief. In May 1945 I returned to Rangoon and it was evident that none of these craft had received any paint attention during the Jap occupation but I found the lead-painted decks as intact and in as good order as the day we left them and some had not been painted for four years."

Yours faithfully,
H. C. Granger-Brown,
Captain M.N.

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undertaking in any part of the world. The directors regard this covenant as being of the "utmost importance" to the company, and strongly recommend its approval by stockholders.

There is no reason to repeat on this occasion the arguments which were put forward only recently in connection with the previous case. The underlying object of this arrangement is to make Mr Lord a payment for his exclusive future services which will not, under present law, attract income tax. The precedent set in the Standard Motor case was bound to be followed, and it would clearly be capable of almost indefinite extension throughout industry. It is that argument, rather than any appeal to the widespread criticism that such arrangements are bound to encounter from the ranks of Labour, which is relevant now.

Mr Glenvil Hall, answering a Parliamentary question on behalf of the Chancellor on Thursday, recalled that the Courts had held that payments of this kind are not liable to tax. But he also offered the reminder that the Chancellor promised in his Budget Speech in 1948 that he would watch "such devices" and would not hesitate to propose legislation, if need be with retrospective effect. That, declared the Financial Secretary, is the Chancellor's continued intention. It would not, perhaps, be stretching the reply too far to say that it puts industrial concerns under notice that steps may be taken next April to prevent similar schemes and to reopen those which have been already agreed.

Industry and Finance

British Transport's Predicament

In the first 44 weeks of 1949, railway traffic receipts have fallen by £7½ million, from £282½ million to £275 million. The disagreeable feature about recent traffic returns is that they suggest a worsening of the downward trend. In the latest four-week period, to November 6th, there was a fall of £1½ million compared with the corresponding period of 1948. This suggests that the out-turn for the full year on the railways may show a fall in takings of £10 million, if not more. Since it would be wildly optimistic to suppose that progress towards greater operating efficiency (of which there is some evidence in the operating statistics) can do more than absorb some of the further increases in operating costs, it is obvious that the railways will act as an even greater drag on the Transport Commission's revenue account than they did in 1948. There are no signs whatever of any assistance, on a material scale, from the receipts of the other executives to put the Commission's total receipts in better shape. It would be an act of plain commonsense to expect for this year a deficit several times greater than last year's deficit of £4.7 million.

This, indeed, is no new discovery; it was fully recognised in the Commission's recent report. The predicament of the Commission is to fulfil its statutory obligation to meet all its proper revenue charges, taking one year with another. It did not succeed in 1948; it will not succeed in 1949; and by all appearances it will not succeed in 1950. Where does the solution lie? Not in "a general increase in charges, indiscriminately applied," for as the report showed, this "might not benefit railway traffic and revenues." The Commission had been reluctant to make a special application to the Minister, "so long as the trends of traffic did not unmistakably declare themselves" for increases in charges in those many directions in which increases could be made without detrimental effect upon their revenue. And the report added:—

It is not possible that any undertaking which is to pay its way should submit to constant increases in the cost of the services and commodities which it needs and yet refrain indefinitely from raising its prices to its customers.

The trends have unmistakably declared themselves now. But the embarrassments remain. How would the Minister

of Transport react to such an application with a general election in sight? Could he consider such an application without giving way to pressure within his own party to curtail the present freedom of the "C" licence-holder? There is little doubt about the direction which such an application would take. It would apply the doctrine mentioned elsewhere in the Commission's report:—

When the railway tariff underestimates the difficulties of a certain traffic and in effect the railways "undercharge" for that traffic, there will be no competition for it.

For other traffics, there would be a loss to the railways, even though other services owned by the Commission might gain. No diligent search is needed to uncover the traffics for which rates have traditionally been regarded as "too cheap." The consequent rise in industrial costs if such traffics were charged at higher rates would in itself be a formidable political obstacle to any move to increase them. Yet the plain fact remains that long before the Commission can begin to show the benefits of integration and coordination of the different means of transport, it is faced with an enormous deficit and no prospect of righting it save through an increase in charges. It may be true that the Commission and its Executives could be cheaper and more efficient than they are. But sooner or later, this predicament of falling traffic receipts will have to be frankly faced.

Green Light for Weaving Redeployment

Both sides of the cotton weaving industry have now approved the draft agreement to put into effect the main recommendations on the weavers' wage structure which were proposed by the Moelwyn Hughes Commission. A representative meeting of the Weavers' Amalgamation gave the approval of the trade union side last Saturday by an overwhelming majority. It suggested some last-minute amendments, which are now being discussed with the employers, but these will not, it is hoped, hold up the definitive agreement for long. Mr. Andrew Naesmith, secretary of the Weavers' Amalgamation, estimated this week that about 100 weaving sheds will apply the new system as soon as the agreement comes into effect.

If there is no further delay—and it must be said that delays and disappointments have already been too many—the dual wage system recommended by the Commission can now be brought into being. Mills which wish to redeploy their labour will adopt the Moelwyn Hughes system of payment; those which do not will continue to observe the Uniform List.

It is obvious that this can only be an intermediate stage for the industry. The shortest, but not the least persuasive, paragraph of the Commission's interim report last year consisted of five words: "The Uniform List must go." The list will have to go because it is an effective barrier to managerial improvement, to the proper harnessing of effort, and to the application of incentives in the average weaving mill. The intermediate stage which is now to begin was proposed largely for reasons of urgency; to remove the Uniform List altogether, and to institute the new method of payment universally, would have taken longer. "No adequate measure of redeployment will take place in Lancashire," said the final report, "as long as manufacturers are required to observe wage agreements which are founded on the Uniform List." When the new agreement goes through, manufacturers will be able to choose, and progress will be possible. The Commission estimated that this ought to bring about a rapid increase of "20 per cent and more" in the cloth output of the existing labour force. There is nothing alarming about this; the cotton trade could very well use 20 per cent more cloth. But it seems likely that after a while, if the expectations are fulfilled, the manufacturers who have not changed will find themselves handicapped in the competition for trade, and also in the com-

petition for labour, and that most of them will eventually have little choice but to adopt the new system.

The detail of the Moelwyn Hughes system is somewhat complex to anyone outside the trade, but its purposes are simple: to encourage "the employment by the manufacturer of the most efficient methods of work," and to secure that the weaver's rate of payment is "related directly to the amount of effort required, in the conditions provided by the manufacturer, for each unit of output." It may be a cold plunge at first to an industry that has clung tenaciously to its nineteenth-century system of payment; but in the relatively small number of mills in which it has already been tried in practice, the results have been almost uniformly encouraging.

Rootes Preference Issue Success

The Rootes Motors (formerly Rootes Securities) preference issue was oversubscribed on Thursday. The lists closed at 10.5 a.m. and applications were reported to cover the amount of the issue some eight times. The offer was for £2,000,000 5 per cent redeemable cumulative £1 preference shares at par. The shares are optionally redeemable by the company at 22s. during the five years prior to January 31, 1970, at 21s. 6d. from this date to 1975, at 21s. up to 1980, and at par up to 2000; thereafter they become irredeemable. In the event of liquidation similar repayment provisions would apply. Net tangible assets of the group at July 31, 1949, provide a threefold cover for the new issue, while on the average for the past twelve years the service of the dividend would have been secured more than eight times. The new money is to be used to replace bank advances to the group amounting to £2,000,000 at July 31, 1949, and secured by 4½ per cent debentures redeemable 1960 carrying a charge on the undertaking. Sir William Rootes has already made it clear that the bank loan is now actively invested in the business, so that the issue represents in essence simply a substitution of the public as a shareholder for the bank as a creditor. This, it is rightly held, will clear the decks for further financing operations, even though none is at present intended. Perhaps at some future date the public will be invited to participate in the equity of this flourishing motor business. At present this is a privilege shared by the Rootes family and Prudential Assurance.

The success of the issue provides an oasis in the present desert of the capital market, yet it should not be regarded as pointing the way to a revival in new issues. Perhaps that must await the oversubscription of a fair-sized issue of ordinary capital—a most unlikely prospect in present circumstances. Its significance is rather in the confirmation provided that the investor—particularly the institutional investor—still has an appetite for sound preference shares even though the prospects of capital appreciation have been circumscribed as a result of this year's decisions of the House of Lords on the rights of preference shareholders to participate in surplus assets and for repayment of capital. At any rate there can be no doubt of the position of subscribers to the Rootes issue. And that in itself may have contributed to its good reception.

Scottish Banks' Experience

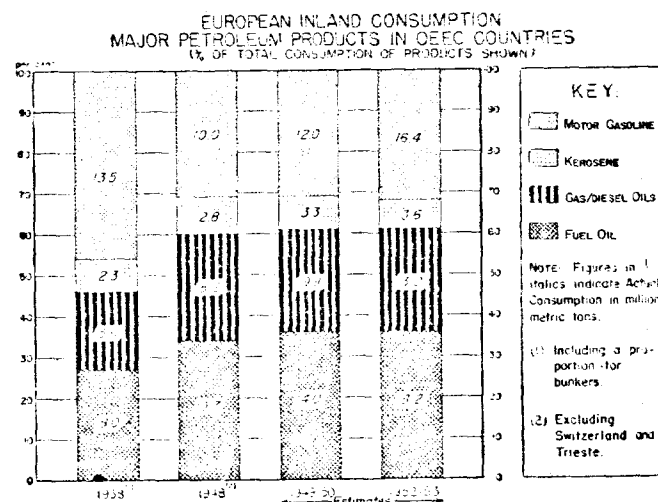
Much attention has been paid lately to the question of the effects of the fall in gilt-edged on end-year institutional balance sheets. The accounts of the three Scottish banks which have been published since devaluation are therefore of more than usual general interest—even though each of them was made up before the phase of acute weakness in the market. The accounts of the British Linen Bank, issued recently, have this week been followed by those of the Commercial Bank of Scotland and the National Bank of Scotland. All three have evidently been able to take their investment

depreciation in their stride—in the sense that no draft has had to be made on disclosed reserves, and no change has been made in the respective formulæ by which published profits are defined. Apart from this negative evidence, the accounts afford no clue to the investment experience.

The British Linen Bank, whose accounting year ended on September 30th, shows a fall in net profits by some £18,500 to £242,700, while the Commercial Bank of Scotland (October 29th) shows a fall in profits of some £34,200 to £396,600; profits of the National Bank (November 1st), however, rose by just over £1,800 to £293,200. In investment portfolios, the pattern is similarly varied; the gilt-edged holdings of the British Linen are slightly higher, while those of the other two banks each show declines of the order of £2,000,000 to £3,000,000. Given the recent recovery in gilt-edged, this experience is a heartening pointer to that of the clearing banks, for it has always been the practice of the Scottish banks to hold a much larger proportion of their deposits in the form of investments than do the English banks. The Scottish ratio averages over 50 per cent, compared with about 25 per cent for the clearing banks as a whole. On the other hand, it is reasonable to suppose that the reserve policy of the Scottish banks has customarily been formulated with this position in mind.

Pattern of Petroleum Consumption

While the consumption of oil in Europe grows steadily, the pattern of use of the various petroleum products has been changing. The full extent of this change was brought out by the new figures (on which the accompanying chart is based) of past and estimated future consumption which appeared in the recent report of the Organisation for European Economic Co-operation on the co-ordination of refinery plans. Motor spirit, which accounted for 46 per cent by volume of the consumption in 1938 of the four major products which are included in the survey, accounted last year for only 31 per cent; fuel oil accounted for 34 as against



27 per cent. Last year's consumption of motor spirit was less absolutely than before the war; this is not regarded as a permanent phenomenon, but if all goes well and consumption is permitted to recover by 1952-53 to a level well above that of 1938, the changed pattern of consumption will still persist. Motor spirit will then represent 32 per cent of the total, while gas, diesel, and fuel oils together will be 61 per cent. It is assumed that the motorist's use of petrol will still by one means and another—in Britain, by rationing, and on the Continent by the dreaded price mechanism—be restricted.

The motorist, it is clear, has ceased to be the key figure in the petroleum market. In Britain the change has been still

more marked than in the OEEC area as a whole. The *Petroleum Times* has published the following table to indicate the changing pattern of British consumption. The table uses Customs releases as the indicator for 1938 and 1949, and scheduled refinery output as the indicator for 1952-53:

	1938	1949	1952-53
	Per cent of releases	Per cent of releases	Per cent of refinery output of these products
Light oils	68	33	30
Kerosene	10	13	5
Gas/diesel oils	8	14	18
Fuel oil	14	40	47

The refinery output anticipated for 1952-53 will, however, cover no more than 80 per cent of British requirements, and it is possible that the relationships shown in the table may be altered by imports. As one example, no aviation spirit appears in the scheduled British refinery output; presumably, therefore, it is to be imported in refined form. The relative shrinkage of kerosene output discounts any suggestion that jet propulsion is to displace the piston-engined aircraft in so short a time. No doubt the extremely modest place occupied by kerosene in the projected refinery outputs in Europe is due largely to technical causes. It suggests that the present fiscal devices to encourage kerosene consumption cannot expect a long life.

Imposing a Development Council

The Order to establish a Development Council for the wool textile industry was laid before Parliament this week by the President of the Board of Trade; but the employers, expressing their "profound regret" at this action, have indicated that they are not giving up the fight. The Wool Textile Delegation, in a statement issued from Bradford, emphasises (no doubt to avoid the kind of argument which arose in the Commons over the right of the organisations in the clothing trade to speak for the employers against the Clothing Development Council Order) that the delegation is fully representative and has taken the trouble recently to confirm its mandate on this matter. It adds that in the negotiations which ended in the present deadlock it "had gone quite as far to provide an agreed solution as any mandate from its members would allow it to go." In recalling the long record of success of the wool textile industry in organising itself to meet tasks demanded of it in the national interest, it is able to quote specific and impressive examples. The statement points out that the alternative methods of meeting the President's requirements which the employers put forward and which they would have supported, were still untried. It is not easy to dispute their contention that those methods would, in the circumstances, have had a better chance of success. As it is, they have taken their stand on principle:

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The issue is narrowed to the straight question whether statutory methods for achieving certain agreed objects are desirable for their own sake.

This position the employers do not propose to modify; and the prospects for the Development Council, since they regard it as an imposition, do not look bright.

Thoughts on Locomotive Policy

Sir Eustace Missenden's paper to the Institute of Transport on railway motive power is in no sense an official pronouncement on behalf of the Railway Executive (of which Sir Eustace is chairman) about future locomotive policy. Sir Eustace spoke as a member of the Institute to his fellows. But, as he pointed out, the Transport Act gives the railway authorities a great opportunity to consider needs and resources as a whole. It is the task of management to weigh, with the best technical advice, the types of motive power which will give the public the service it wants and is prepared to pay for.

As Sir Eustace showed, research and experiment are going forward. These involve five "Leader" class steam locomotives costing about £20,000 each; five diesel electric locomotives, costing £70,000 to £80,000 each; the "Fell" diesel-mechanical locomotive, costing about £60,000; and two gas-turbine locomotives at between £75,000 to £100,000 each. A change in locomotive policy thus requires very large expenditures. At present, there are over 20,000 steam locomotives in service, which stand at nearly £100 million in the books and cost over £25 million a year for maintenance. The decision confronting railway management is to strike a balance between costly adventure in the hope of big returns, or modest progress on proven lines which may stifle progress and breed inertia.

Sir Eustace suggested that future operating requirements on the railways would involve the concentration of effort and resources on main lines. On that assumption, he subjected the different forms of locomotive power to a critical review. The modern steam locomotive was relatively cheap, robust, thermally inefficient, costly to prepare and replenish with fuel and water, difficult to turn round, and smelly. What are the alternatives? The gas turbine locomotive is in an early stage of development, and the practical choice is between diesel and electric traction. Sir Eustace admitted all the claims made for diesel-electric locomotives in the United States but he concluded that in this country their use would probably be limited to shunting (where they have already proved their worth), for medium power units on branch lines in electrified areas, and for railcars.

These conclusions are based on several factors—high initial cost of diesels (though the United States has shown

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how costs can be reduced by mass production and standardisation), dependence on imported oil, and the absence of long runs in this country. (To this last point, it might be answered that it is not long runs which enable diesels to be used to the fullest extent throughout the 24 hours of the day, but rather efficient rostering.) So, at the end of his analysis, Sir Eustace came down firmly in favour of electrification for main line working. The Weir Committee had shown the potential economies eighteen years ago. The figures would need revision, but it was his belief that conditions will be not less favourable for electrification than before the war. This is, to repeat, a personal opinion. It will need very careful examination before it is adopted as the basis of official policy.

Trade and Payments

Shocks for the Wheat Agreement

The operation of the international wheat agreement is proving to be anything but agreeable for Britain. The first shock came with the devaluation of sterling, when it was realised, rather belatedly, that the maximum and minimum prices agreed to, although expressed in Canadian dollars, were in fact tied to the price of gold. The sterling equivalent of the maximum price rose (owing to devaluation) from 9s. a bushel to 12s. 10d. and the minimum for this season from 7s. 6d. a bushel to 10s. 9d.

The second shock has been delivered by Australia. As is usual at this time of year, Britain and India are negotiating with Australia for the disposal of its new crop, which first estimates put at 200 million bushels. If this quantity is harvested—recent reports suggest that the crop may have suffered storm damage—Australia would have an export surplus of 120 million bushels compared with the agreed export under the agreement of 80 million bushels.

The negotiations have been proceeding slowly—too slowly, it seems for certain members of the Australian Wheat Board. Britain and India have offered prices below the agreed maximum. Australia is at present willing to sell only at the maximum price. The British line should clearly be to delay buying until the size of the world crop is known, in the hope that the price of wheat will fall. In any case, Australia has a sizeable carry-over from last season and pressure on storage space later on may force the Australian board to revise its price policy. One member of the board (Mr R. A. O'Neill) has stated that if Britain and India did not decide within ten days, their quotas might be cut. The chairman of the board quickly repudiated this statement. Under the wheat agreement there is no clause which stipulates the time within which a purchase must be made—except that it must be made within the appropriate season. Up to next July, Australia must be prepared, under the agreement, to sell a maximum of 80 million bushels of wheat at the maximum price to the signatory importing countries. But it is perfectly true that if Britain and India do not buy, Australia

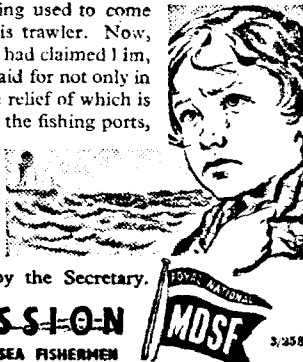
"Happy Birthday"? — NEVER AGAIN...

ON every birthday, the loving greeting used to come from her skipper father aboard his trawler. Now, alas, it would never come again. The sea had claimed him, too... Truly, the fish that we enjoy is paid for not only in money but also in human suffering—the relief of which is one of the main tasks of this Mission. In the fishing ports, Deep Sea Mission Institutes are centres of comfort, welfare and worship for fishermen and their families... Gifts of money, books, comforts etc. or requests for fuller information about the Mission's Christian work among the fisherfolk, are gratefully received by the Secretary.

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could sell to other members of the agreement such as Belgium, Italy or the Netherlands. In the past few years Britain has taken an annual quantity of between 60 and 80 million bushels from Australia. At present, there are ample reserves of wheat in this country, and the contract with Canada will provide 140 million bushels. Britain need not, therefore, be bounced into immediate decisions about buying Australian wheat. Its action will in fact provide the first trial of strength between consumer and producer under the agreement. To pay the maximum price for Australian wheat would mean, presumably, a further increase in the cost of bread.

* * *

Trends in Exports

The encouraging rise in exports last month was offset by the sharp increase in the value of imports. It is too early to measure the effect of devaluation merely by the October trade figures, but they suggest some possible trends. The value of exports increased from £142 million to £156 million while the volume was provisionally estimated at 158 per cent of the 1938 average compared with 144 per cent in September. Last month, then, exports increased both in value and in volume at virtually the same rate. Imports increased from £181 million to £199 million, of this 11 per cent increase, about 8 per cent is attributed by the Board of Trade as the direct result of devaluation.

Changes in the export prices of particular exports after devaluation will be watched with close attention during coming months. The trend during the past three months for certain items is shown in the accompanying table. The

AVERAGE VALUES OF BRITISH EXPORTS

Commodity and Destination	Unit	Aug., 1949	Sept., 1949	Oct., 1949
<i>Coal :—</i>		£	£	£
Canada.....	ton	3.9	3.8	3.6
Denmark.....	"	3.3	3.4	3.4
<i>China wares :—</i>				
USA.....	cwt.	53.0	52.9	59.1
Australia.....	"	39.7	39.7	37.8
<i>Machinery :—</i>				
USA.....	ton	21.1	22.8	26.4
Canada.....	"	21.9	19.3	29.4
Australia.....	"	19.0	18.2	18.6
<i>Motor cars :—</i>				
USA.....	vehicle	278.5	307.6	254.5
Australia.....	"	381.7	344.4	355.0
<i>Steel :—</i>				
Canada.....	ton	26.1	26.6	27.5
Netherlands.....	"	28.5	28.6	30.6
<i>Spirits :—</i>				
USA.....	proof gall.	2.1	2.0	2.2
Australia.....	"	1.6	1.6	1.7
<i>Cotton manufactures :—</i>				
USA.....	'000 sq. yds.	180.1	183.4	174.9
New Zealand.....	"	131.6	131.0	150.0
<i>Woolen tissues :—</i>				
USA.....	"	520.3	521.1	521.0
Canada.....	"	391.6	389.0	381.5
New Zealand.....	"	368.5	379.4	360.4
<i>Worsted tissues :—</i>				
USA.....	"	697.8	624.7	619.8
Canada.....	"	589.5	594.0	584.1
New Zealand.....	"	591.0	581.7	596.5

figures are averages and thus mask the differences in types and qualities which may be sold to different markets.

The broad impression from the table is that the average prices of British exports to the United States and Canada have not increased in sterling—certainly not to the extent of devaluation. Thus, if Britain's dollar earning capacity is to be maintained the volume of exports to these markets in the coming months will have to show a correspondingly greater degree of expansion. Chinaware, machinery, steel and spirits are the only cases in which the average export prices (in sterling) to the United States or Canada have shown any marked increase. The volume of these exports is small. The average value of motors and textiles exported to America has tended to decline, while the value of similar goods shipped to sterling area markets appears to have been more or less maintained. The provisional conclusion must be that the pulling power of the soft-currency markets for British exports remains practically undiminished.

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Talks with Belgium

The commercial and financial negotiations with Belgium which were held in London towards the end of last week provided unexpectedly smooth going. The fact that the Belgian Minister of Foreign Affairs, M. Van Zeeland, headed the delegation and that the talks were thus taken to the highest Ministerial levels, with the Chancellor of the Exchequer intervening for Britain, had led to assumptions that the fundamental issues which have divided the two countries for some time past would be considered and if possible settled.

What in fact emerged from the discussions was an agreement to extend until March 31st next the existing payments arrangements. The official communiqué issued at the end of the talks announced that both parties desired to avoid settlements in gold and that the level of UK imports from the Belgian monetary area would thus be related to developments in the balance of payments between the sterling area and the Belgian monetary area. Trade in essentials between the two will presumably continue unhampered, and fears which had been entertained on the Belgian side that Britain might invoke the escape clauses in the long-term contracts for the purchase of Belgian steel have proved groundless for the time being. The necessary adjustments to achieve equilibrium in the balance of payments will fall wholly on trade in "inessentials."

The gold ceiling on Belgian sterling balances after adjustment to the recent differential devaluation of the two currencies is £15 million. There have been indications lately of the actual balances falling sufficiently below this maximum to put out of court the possibility of an early resumption of substantial gold losses to Belgium. This fact no doubt played its part in helping the recent discussions to their comparatively successful conclusion. It will be noted that the agreement is extended to the end of March, that is, to the end of the current tourist year. The British tourist allocation for expenditure in Belgium, always a sensitive issue in Anglo-Belgian discussions, thus remains to be discussed when the next extension of the agreement is negotiated.

* * *

Intra-European Payments

The monthly compensation of intra-European payments for October which was completed by the Bank for International Settlements in Basle this month was the first to take full cognisance of the new rates of exchange created by the September devaluations. The September compensation had proved more than usually complicated because of the variations of exchanges which occurred during the month. The first four months of operation of the second version of the IEPS have now been completed and some interesting deductions can be drawn from the figures. The drawing rights exercised so far total \$221 million out of the \$802 million sanctioned for the year to June 30th next. The exercise of these drawing rights is a little behind schedule; in some cases it is considerably behind.

The most remarkable instance is provided by French drawing rights on the United Kingdom, which are available to the equivalent of \$162 million for the year, half representing unutilised drawing rights carried over from the previous year and half a new contribution by Britain. No part of these rights has yet been used by France. This remarkable forbearance on the part of France tallies with evidence of the increase in balances accumulating on No. 1 French accounts in London. It is quite clear that something has gone seriously wrong with the estimates of the balance of payments between the franc and sterling zones made earlier this year, on the basis of which the new contributions and drawing rights were established. The most important single factor in this miscalculation seems to have been the amount of tourist expenditure incurred by British visitors to France.

It is clear from all the available evidence that the average amount spent by British tourists in that country was well over the regulation limit. The attraction of good food has played havoc with the estimates, surprisingly so since the calculations were made in Paris.

Unless the position changes very drastically during the next few months France will end the second IEPS year with further substantial unspent drawing rights on the United Kingdom. There were no further drawings on Belgium by the United Kingdom in October, but that was because £10,513,000 out of some £27 million was used in the first three months. Thanks to this heavy utilisation of drawing rights on Belgium in the first part of the year, gold transfers from Britain to Belgium have been temporarily arrested. The total amounts drawn on the United Kingdom in October amounted to £2,453,000 divided in almost equal parts between Austria, Greece and Turkey.

* * *

Larger Trade with Japan

Trade between Japan and the sterling area is expected to double in value during the next twelve months under a new trade arrangement, announced this week, between Japan on the one side and Britain (with the colonies, but excluding Hongkong), Australia, India, New Zealand and South Africa on the other. At the end of last June, Japan held a balance of £10 million which was liable for conversion into dollars. Japan, however, agreed to hold this sum as working capital, and if trade in the coming year conforms to the programme, this balance should be liquidated. Purchases by Japan from the sterling area are scheduled at £55 million and Japanese exports to the sterling area at £45½ million. Any sterling balance which Japan holds must exceed £10 million before it is eligible for conversion into dollars.

Last year, imports from Japan were planned at £28 million and exports to Japan at £27 million. Japan is to buy cereals, cotton, wool, iron ore, rubber, hides and skins, tanning materials salt and petroleum—the last two items coming from Britain. In return the Commonwealth will get a wide range of manufactured goods including textiles, machinery, canned fish, metals, lumber, electrical products, chemicals, pottery and glassware. All these goods are destined for countries other than Britain which will receive only raw silk and grey cotton cloth.

The new arrangement contemplates that Japan will double its purchases from the sterling area, and in return the Commonwealth will at least maintain its imports of Japanese goods and possibly increase them. Although British manufacturers will not meet any direct Japanese competition in the home market, they are likely to do so in some parts of the sterling area. The prices of certain basic raw materials such as coal, manganese, iron ore and copper are still subsidised in Japan. In this way Japanese manufacturers are able to sell their goods abroad more cheaply than their competitors. The volume of Japanese exports will still be restricted, compared with the prewar volume, but even so they may present serious competition for certain British exports. This in itself is not necessarily a bad thing, particularly if it encourages British exporters to switch from the sterling area to dollar markets.

* * *

Breakdown in Polish Talks

The breakdown in the Polish debt talks this week may serve to disabuse the Polish delegations which have been travelling between London and Warsaw for more than two years of any impression that the matter of the Polish debts to this country could be settled on terms more favourable than those agreed between Poland and Sweden and other European countries. The British negotiators have now refused

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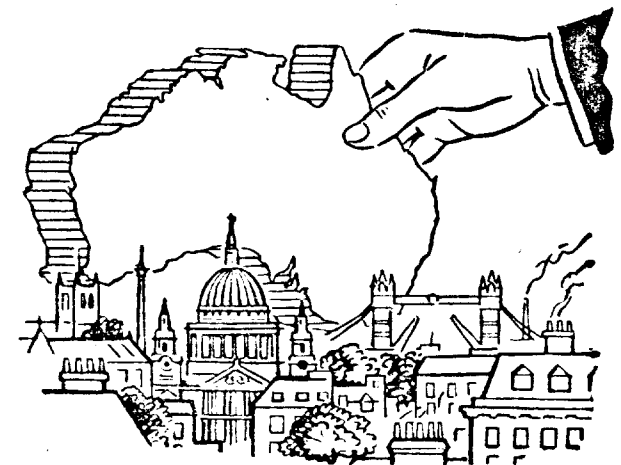
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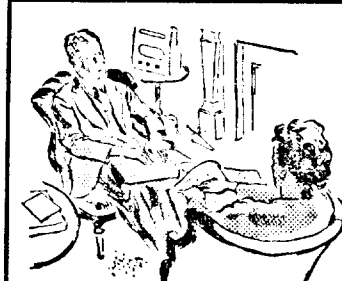
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to discuss the question any further until there is a radical alteration in Poland's offers, and the delegation has returned to Warsaw.

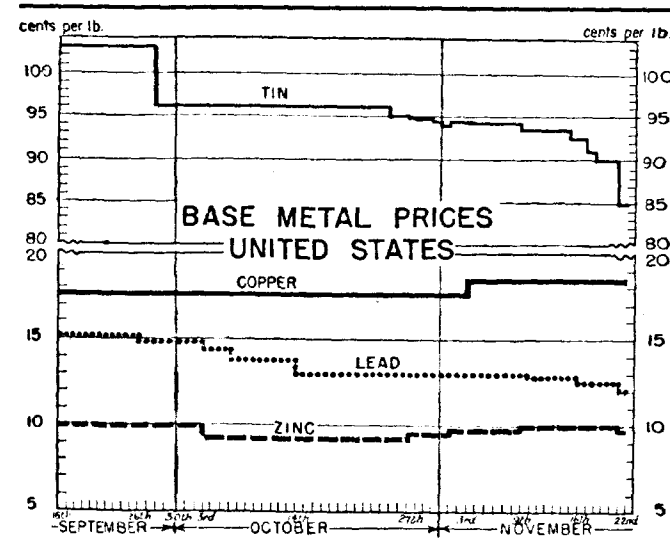
British claims for compensation alone amount roughly to £15.5 million. Earlier this year, Britain and Poland had agreed on most of the items to be negotiated, but not on the value of the compensation. The terms which the Poles were prepared to offer were considered totally inadequate. For example they suggested that Polish bonds might be paid off at current market prices without any payment for interest. The hand of the British negotiators seems to have been weakened by the granting of new British banking credits to Poland. It would now seem, however, that the Poles have been given some indication that these credits may not be extended unless the debt question is settled satisfactorily.

The trade and payments talks with Hungary are stated to be progressing well after the breakdown of negotiations earlier this year. The full terms of the agreement have yet to be announced, but it is already clear that resumption of food imports within the framework of the 1947 agreement is assured. Hungary's short-term creditors (who have already received some money out of Hungarian assets in the hands of the Custodian of Enemy Property) will receive in all about 22½ per cent of the sums owing to them. The position of Hungarian bond holders will only be clarified when the full text of the agreement is published. British owners of industrial undertakings in Hungary are to receive compensation over a period of three years. The method of assessing and paying individual claims will require negotiation on the spot. This is unlikely to prove palatable to the considerable number of British minority shareholders in Hungarian undertakings.

* * *

Weakness in Base Metals

The price of copper alone among the non-ferrous metals has remained firm during recent weeks at 18½ cents a lb. (equivalent to £148 a ton). The demand, which comes mainly from the American building industry, continues strong with little sign of any slackening in the immediate future, though copper scrap fell by a quarter cent on Wednesday to 14½ cents a lb. Consumption of copper in the United States



is at present estimated to be above current production plus imports, but stocks were built up to a fairly high level during the first half of the year. Contrary to expectations, the ending of the American steel strikes did not increase the demand for zinc, and this week the price fell by a quarter cent to 9½ cents a lb. (£78 a ton). The price for lead in the United States has continued to fall and is now quoted at 12 cents a lb. (£96 a ton)—back to the level it reached last June. American demand has tended to weaken somewhat in recent months

while Europe is still shipping supplies to the United States in search of dollars. In Britain, both lead (now £97 a ton) and zinc (£85 10s.) have kept pace with the downward trend in the American market. The price for copper has remained unchanged at £153 a ton.

In tin, the American price has followed the London market downwards, and in New York it was quoted on Wednesday at 85 cents a lb. (£680 a ton). During the past week the price in London has fallen from £750 a ton—the first offer when the Metal Exchange reopened on November 15th—to £642 10s. for cash sale. For three months' delivery, the quotation is now £595. The backwardation has thus narrowed to £47 10s. a ton against £81 5s. in the opening days of the market. Turnover is still small, and so long as the difference between spot and forward prices remains large, consumers will naturally tend to buy to meet only current needs. Mr Ernest V. Pearce, the chairman of Kamunting Tin Dredging, Limited, has declared this week that for the market to function properly the Ministry of Supply should be prepared to support it by buying as well as selling. But no market could be expected to function properly within a week, after being closed for eight years. As supplies become available from more than one source, it will begin to look more like a market.

Shorter Notes

The decline in employment in the coal mining industry was checked in the week ended November 12th, when the total of 708,600 workers on colliery books was the same as in the preceding week; this figure was 16,500 less than the total on colliery books on November 13, 1948. Output per man-shift for all workers remained constant at 1.21 tons, compared with 1.15 tons a year before. Total output of deep-mined coal rose last week (the week ended November 19th) to 4,290,900 tons—the highest output this year, and 30,000 tons higher than the output of the previous best week at the beginning of November. Opencast output recovered to 229,400 tons.

*

The interim index of retail prices prepared by the Ministry of Labour remained unchanged at 112 on October 18th (June, 1947=100). The increases in the maximum permitted prices of bread (22 per cent) and flour (nearly 17 per cent) which followed the devaluation of sterling caused the index for food to rise from 117 to 119. This change was partly offset by the reductions in the maximum prices of utility clothing which came into force on September 26th, and which caused the index for clothing to fall from 119 to 117.

*

Mr Cameron Cobbold, the Governor of the Bank of England, has left this country for a visit to Canada and the United States. This is his first visit to the other side of the Atlantic as Governor of the Bank. He will return the call recently made to this country by Mr Graham Towers, Governor of the Bank of Canada. He will also discuss problems of mutual interest with the Federal Reserve Bank of New York and the Federal Reserve authorities in Washington.

*

Figures published in the *Ministry of Labour Gazette* show that the aggregate membership of trade unions in the United Kingdom was about 9,301,000 at the end of 1948. This figure, 159,000 more than at the end of 1947, is the highest ever recorded. It includes 144,000 members in Eire and in other branches outside the United Kingdom. Of the total, 7,632,000 were men and 1,669,000 women. Seventeen large unions, with a membership of more than 100,000 each, account for 66.9 per cent of the total trade union membership. But the total number of unions is 706, and there are still more than 400 which have fewer than 1,000 members each.

COMPANY MEETINGS

SOUTH AFRICAN DISTILLERIES AND WINES

DIVIDEND AGAIN 21 PER CENT.

The fifteenth annual ordinary general meeting of South African Distilleries and Wines, Limited, was held on November 18th, in London, Mr H. R. Mosenthal, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to February 28, 1949:—

The consolidated trading profits of the subsidiary companies amount, before providing for taxation, to £736,933, as compared with £913,476 last year, a decrease of £176,543. The directors propose a final dividend on the ordinary stock of 15 per cent, less tax, making 21 per cent. for the year, the same as was paid last year.

EFFECT OF RATIONING

Last year I was able to inform you that although our subsidiary companies were not able to maintain their sales at the same volume because of the necessity to ration many of their products, nevertheless, they were able to concentrate their efforts to increase the sales of certain of their products with satisfactory results. Unfortunately, in the year under review they suffered a further reduction in their quota of rebate brandy and this proved to be a handicap which could not be countered and necessitated the still further tightening up of the rationing of the sale of their products. They were, however, able to minimise this very serious handicap to a certain degree by again concentrating their attentions to the preparation for sale of those wines and brandies which showed a bigger margin of profit although it could be no part of their policy to neglect the manufacture of reasonable quantities of their cheaper brands for which there is a constant demand.

The boards of the subsidiary companies inform me that it is of the utmost importance that maturing brandy stocks, which require a minimum maturation period of three years, be considerably increased and it is their policy to do this as soon as possible, and the same applies to maturing wine stocks so as ultimately to satisfy the demands of their customers. I am also informed that the demand for their products is so strong and the goodwill so great that they have been able to sell the whole of their available production and given the supplies, they could readily sell a great deal more than they do at present. Sales of the products of our subsidiary companies for the first six months of the current trading year are slightly ahead of those of the corresponding period of last year.

THE OUTLOOK

In regard to the future, there has been for some time a lack of confidence in South Africa, mainly due to lack of knowledge. For the future, what South Africa needs is to get away from a policy of isolationism and attempted self-sufficiency; her economic policy should be to concentrate on the production and export of gold, diamonds, chrome, copper, manganese, coal, wool, wines, etc., encourage only those local industries which are not dependent on imported raw materials and import goods from other countries where they can be more economically produced.

We may reasonably anticipate for the Union an early economic convalescence, followed by a resumption of normal healthy conditions facilitated by the recent devaluation, and we may therefore look forward with confidence to the progress and prosperity of our operating companies.

The report was adopted.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

MULTIPLE EXCHANGE RATES AND CURRENCY COMPLICATIONS

The eighty-seventh annual general meeting of the Bank of London and South America will be held in London on December 20th. The following are extracts from the address to the stockholders by the chairman, Mr Francis M. G. Glyn, circulated with the balance sheet. Copies of the full address are obtainable from the head office of the bank at 6, Tokenhouse Yard, London, E.C.2.

BALANCE-SHEET

You will observe that the balance sheet totals at £165,852,025 compare with totals of £156,284,811 last year, showing an increase of £9,567,214. If all the exchange rates ruling on September 30, 1948, had been operative on September 30th last this increase would have largely disappeared. Current, deposit and other accounts, etc., at £86,175,077 this year compare with £77,064,123 for the previous year, the increase of over £9 millions being mainly accounted for in the same way. Acceptances on account of customers at £3,807,317 show an increase of £1,171,683, of which approximately half derives from increased business and half from movement in exchange rates. Documentary and other credits outstanding at £13,401,385 show a drop of £6,883,512, which is mostly due to a contraction in overseas business arising from official restrictions on imports necessitated by shortages of foreign exchange. This decrease in business done under bankers' credits is a sign of a transition from a sellers' to a buyers' market and is reflected in an increase of shipments on credit, as is shown by the rise in bills for collection on account of customers to the present figure of £26,889,945 from £21,543,538 a year ago.

PROFIT AND LOSS ACCOUNT

Starting with a balance of £180,761 brought forward from 1948, the profit and loss account shows that the profit for the year amounts to £313,217, against the corresponding amount of £350,030 a year ago. It will come as no surprise to you that many of the countries in which we are established derived considerable benefits in trade under wartime conditions which could not reasonably be expected to continue indefinitely. Such change has taken or is now taking place, and has affected our net earnings accordingly. At the same time the increased charges to which I referred a year ago, have not been diminished during the year under review, and particularly in the case of social services, contributions have shown a further upward tendency.

THE PAST YEAR

The pattern of foreign trade in Argentina, Brazil and Chile changed considerably under the double influence of inflation and the development of buyers' markets generally; and as exports decreased and consequently fewer consumer goods could be imported, a further stimulus was given to inflation in the vicious spiral. Finally, as is too often the case, the inflation encouraged reiterated demands for higher wages, on which the increases granted generally lagged too far behind the rising costs of living to satisfy the agitation. Naturally this picture varied considerably between the countries of Latin America.

UNREAL EXCHANGE RATE

Even before last September it was clear that these factors were making some exchange rates unreal. When the pound was devalued

those Latin American countries whose trade is more closely attached to the U.S.A. naturally kept with the dollar; Chile maintained her rate with the dollar and with sterling, while Argentina and Uruguay kept nominally to the old dollar basis, but established scales of widely differential rates applying to various categories of exports, imports and financial transactions. For instance, as you probably know, the rate which, according to the Argentine Government regulations, is to be applied to Great Britain's meat purchases is 9.40 pesos to the £, whereas for a large proportion of the imports which Argentina should be taking from the United Kingdom the rates, while varying with categories, would average at least 18 pesos to the £. Finally, for financial transactions such as remittances of interest and profits which concern us so vitally, the relevant rate is about 25.20 pesos to the £. Surely, one might say, a currency cannot be worth so many different values for so many different purposes? But in fact one gets a more accurate appreciation of the situation and its very serious effects if one realises that these differential rates are roughly equivalent to having a single rate of, say, 9 pesos to the £ for all imports and exports and a 100 per cent. import duty on all British goods entering Argentina. If such a duty had in fact been imposed, the protest from all of us, including, one hopes, H.M. Government, would have been immediate and vigorous since it would be only too obvious that the volume of United Kingdom exports would then be seriously reduced.

Multiple exchange rates and all the other complications of currency restrictions sometimes get overlaid with such mystification and obscurity that we miss their full implications. One cannot too often emphasise this other way of looking at differential exchange rates in terms of import duties so that the dangers may be exposed. The only practical method of trading with countries employing widely differential rates is, of course, to conduct all transactions in sterling prices.

BRITISH EXPORTS

In the conclusion to my review last year I referred to the importance of British exports to Latin American countries and of British exporters realising the implications of so many of these countries having to look increasingly to sterling sources of supply. Clearly the general need for maintaining and increasing exports is as important as, if not more important than, ever before. But one aspect of this takes precedence in the present dollar crisis. As a result of the stream of exhortation to increase our dollar sales our thoughts turn naturally, and rightly, to the U.S.A. and Canada. But it would be a mistake to forget those countries of Latin America which are in the dollar area and not to study the possibilities of increasing our exports there also.

REMITTANCES

Finally, I would refer to a point of vital importance to this bank and to many other institutions which trade abroad. I refer to remittances to cover financial services and profits. We are compelled to make substantial sterling payments to meet the tax demands without having received the corresponding sterling resources from which they should be drawn. We have already made representations on this very important matter to the Tucker Committee which, as you know, is considering the bases of taxation, and I can only hope that they will give the most careful consideration to what we consider a very just complaint.

CONSOLIDATED AFRICAN SELECTION TRUST

RECORD EARNINGS

The twenty-fifth annual general meeting of this Company will be held in London on December 14th.

The following is an extract from the circulated statement by the chairman, Mr. A. Chester Beatty:

The combined profit for the year ended June 30th, 1949, for this company and its subsidiaries was £2,589,640 before taxation. This result, showing the highest earnings so far achieved by your company, was a direct reflection of the record world sales of diamond in the calendar year 1948.

The combined surplus, after taxation, was £1,221,888. Appropriations out of this sum to specific reserves total £445,000, and to general reserves, £107,793, leaving a surplus for the year, available for distribution, of £669,095. An interim dividend of 1s. has already been paid, and the directors recommend a final dividend of 2s. 6d., making a total for the year of 3s. 6d.

Your directors foresee the necessity for substantial expenditure over the next few years for replacement of plant and equipment, and for increased mechanisation. It is for this reason that a further £350,000 has been appropriated out of the year's profits to raise the combined reserves for replacements and extension of fixed assets to a total of £700,000. The other major transfer from the year's profits is the item of £60,000 to the reserve for prospecting and development, bringing the total of that account at June 30, 1949, up to £275,727.

Our prospecting and mine development programmes are being actively pursued and additions to the mining reserves both in Sierra Leone and Gold Coast were sufficient substantially to offset the mined production for the year. The examination of certain promising developments in both Colonies is proceeding.

AMENITIES FOR EMPLOYEES

Our policy of raising the living standard of our African employees and of providing healthy living conditions is being consistently pursued. The retirement gratuity schemes for all Africans with more than five years' service, which were introduced in both Colonies in 1947, are now in full operation. Further allocations have been made to build up the funds required to maintain the schemes.

In spite of political and industrial unrest and strikes, especially in the Gold Coast, our mines operated without interruption throughout the year under review. We have, however, since had to report a four-day strike in the Gold Coast early in July. There have been definite signs of deterioration in the quality of the work of our African personnel. The man-hour output in both Colonies has declined and in the Gold Coast there has been a shortage of suitable labour. This, of course, results for the time being at least in reduced production at higher costs, but all possible steps are being taken to overcome this adverse trend.

World sales of diamond in the current year are running at a lower level than in 1948, and it is not to be expected that the exceptional results achieved by your company in the year under review will be repeated in this financial year. Sales have in fact been proceeding at a more normal rate, which is permitting us to improve our stock position. Taking into account the enhanced prices which our product will command as a result of the devaluation of sterling, the outlook for this current financial year is favourable, and as the consolidated balance sheet shows, the strong liquid position of your company is being fully maintained.

ROAN ANTELOPE COPPER MINES

MR. A. CHESTER BEATTY'S STATEMENT

The twenty-second annual general meeting of Roan Antelope Copper Mines Limited will be held in London on November 29th.

The following is an abridgment of the statement of the chairman, Mr. A. Chester Beatty, dated 11th November, 1949, which has been circulated to the stockholders:—

For some years the pricing basis for the copper delivered by us to the Ministry of Supply has been the American quotation converted into sterling at the official rate of exchange, and adjusted suitably by freight and grade differentials. I have previously stated that our sales to the Ministry are for delivery six months ahead. Last July, at the Ministry's request, we reduced this pricing period to three months.

It is public knowledge that the Ministry, subsequent to devaluation of the £1 sterling, asked the Rhodesian producers to consider some new pricing basis. This matter has been the subject of consideration for some weeks, and although I am not in a position to announce any final agreement, the Ministry has indicated that the previous pricing basis shall continue—that is to say, the American quotation converted into sterling at the new rate of exchange will be used as the pricing basis. However, I am not in a position to say what price this will result in, at the present time, as there are other matters still under discussion with the Ministry on which agreement has not yet been reached, namely, questions relating to the freight and grade differentials. An official announcement will be issued in due course as to the result of the negotiations.

RESULTS FOR THE YEAR

Production was 56,162 tons (51,757 tons the previous year). Cost of production was £72 14s. 11d. per long ton of blister copper (£56 4s. 10d.). Some of this production was retained as stock, which will be built up this year to about 18,000 tons. The remaining copper produced was sold at an average of £120 7s. 9d. per ton (£115 10s. 7d.).

The appropriation for replacements and obsolescence for the year is £700,000, compared with £450,000 for the previous year. We are in the middle of a considerable expansion programme brought about by the opening up of the western end of the mine. The programme for the next few years includes not only the shaft sinking and development required to bring the Roan Extension into production, but also the surface transport arrangements as well as additional power and housing requirements involved. The board has felt that the reserve for this year should be made at a figure approximating the actual amount which will be paid rather than on a figure based on the average which will be required over the next five years.

In line with previous policy, £100,000 has been transferred to general reserve to ensure that the increase in the book value of the copper stocks is not treated as distributable profit for the year. The board recommend the same dividend for the year as during the previous year—namely, 1s. 1½d. per unit of stock or share, of which 6d. was distributed as an interim dividend in June.

MINE CONDITIONS

The measures which have been developed in recent years to combat the difficult underground conditions are proving effective. The current year will, it is expected, be the peak year for costs arising from the build-up of

development work which has been involved in this changeover. This is the first occasion for some years when I have been able to indicate the prospect of easier mining conditions and of a reduced mining cost per ton.

During the current year it is expected that the equipment of the Irwin Shaft will be completed. This will mark the end of the first stage of the programme designed to bring about the simultaneous mining of the east and west ends of the Roan Basin and Roan Extension areas with a view to the simultaneous exhaustion of both these areas in due course. Drilling has also been started again on Muliashi, the westernmost of the three grants comprising the leased area of your company.

LABOUR RELATIONS

The last year has seen the formation, under Government sponsorship, of an African trade union; within a short time the union had formulated certain demands, and at conciliation proceedings agreement was reached resulting in an adjustment to some of our native labour wage scales.

There is no progress to report on the subject of the advancement generally of Africans in industry, following the discussions, referred to last year, between the Government, the staff association, the union and the companies.

The establishment of an African trade union is a development which will be watched with interest. If it is to be a permanent and successful part of the employer-employee relationship in the Northern Rhodesian copper-mining industry, it will require the development of a sense of responsibility on the part of the Africans, who have attained this highly developed form of organisation in what is relatively speaking a very short space of time.

There is a dispute in existence between the copper companies and the Northern Rhodesian Mine Workers' Union, the union having requested the companies to recognise the principle of a forty-hour week. The dispute was referred to conciliation, at which no agreement was reached, and there the matter stands.

COAL

The coal position is still not satisfactory. We should receive more coal in this year, but it will still be necessary to undertake intensive wood-burning. It is difficult to say much beyond this except that the matter is one which is constantly under review and discussion.

Given uninterrupted production, output should average, during the current year, between 4,500 and 5,000 tons of copper per month.

MARKET

The outlook for the copper market still depends largely on the business outlook in the United States. At the present time, the copper market in the United States is in a sound position.

GENERAL

The London Metal Exchange will reopen this month for transactions in tin. No indication has been given of the market being reopened for other base metals nor of cessation of bulk buying. I should however expect there would be developments in one or both of these directions during the year, although I am only expressing my own opinion in this matter.

DEBENHAMS LIMITED

TAXATION A HANDICAP TO TRADE

The ordinary general meeting of Debenhams Limited, will be held on December 15th in London.

The following is an extract from the statement by Sir Frederick Richmond, Bt. (chairman of the company), which was circulated with the report and accounts for the year ended July 31, 1949:—

The profit and loss account of the parent company shows a balance of £1,412,118, and that after deducting provision for profits tax (£200,000) and debenture interest, trustees' fees and directors' fees (£79,904), the net figure is £1,132,214, against £957,776 last year, an increase of £174,438. After adding £569,705 brought forward and paying the preference dividends and the interim dividend of 4d. per share on the ordinary shares, there is a balance available of £1,201,802. From this falls to be deducted £330,000 for current taxation (income tax) and £186,000 for future taxation, and after making the usual allocation of £50,000 to reserve, the directors recommend the payment of a final dividend of 1½d. per share on the ordinary shares, leaving £383,719 to be carried forward.

You will notice that we are providing no less a sum than £716,000 for taxation (including profits tax). The present high level of taxation is one of the most serious handicaps to trade and it would be reassuring to know that some steps were being taken to ease this burden, but unfortunately there is no indication that this is even in contemplation by the Government at the present time.

CAPITALISATION OF RESERVES

As you know, the directors have consistently followed a conservative policy and profits have been ploughed back into the company over a long series of years, with the result that the total funds employed in the business are largely in excess of the issued share capital. The proposal to capitalise reserves was abandoned as H.M. Treasury would only grant permission if the company were prepared to pay a special tax of 10 per cent. on what was called "the bonus element." Recently, however, this tax was repealed, making it possible for your directors to renew their application to the capital issues committee. The necessary permission was duly granted and an extraordinary general meeting has been convened, to follow the annual general meeting, to pass the appropriate resolutions.

Your directors are recommending that the sum of £1,500,000 be capitalized by the transfer of this amount from reserves. This sum will be applied to paying up in full 30,000,000 new ordinary shares, which will be allotted to the ordinary shareholders in the proportion of three new shares for every share already held. As soon as the new shares are issued they will be consolidated with the existing shares into shares of 4s. each. The final result of these changes will be that each ordinary shareholder will have the same number of shares as at present, but they will be of a 4s. denomination instead of 1s.

I venture to think you will agree with me that the results of the period under review are satisfactory when all the circumstances are taken into consideration. The total sales of the parent company and its subsidiaries have once again shown a substantial increase over those of the previous period, partly due to the higher level of prices, inflated as they are by the purchase tax—perhaps the main contributory factor in the high prices ruling to-day.

As I have frequently pointed out, the geographical spread of our businesses and the diverse classes of the community for which they cater provide us with a very real measure of security against the inevitable fluctuations of trade. Nevertheless, the heavy and ever-increasing burden of expenses in practically every direction is bound, in the absence of a substantial increase in turnover, to affect in greater or lesser degree all businesses. It is therefore not surprising that, as you will see from the consolidated accounts, our profits have in the aggregate fallen somewhat short of the previous year. The falling-off is only £23,000 and, therefore, I feel that in view of all the circumstances we have no cause to be dissatisfied with the results achieved.

IMPORTANT ACQUISITIONS

As I have indicated on more than one occasion, it is the intention of your board to pursue a progressive policy by acquiring suitable businesses from time to time as favourable opportunities present themselves. Several such opportunities have occurred in the course of the year, and we have acquired the control of a number of businesses which we felt would fit well into our already large group. The most important is Woolland Brothers Limited, of Knightsbridge. This business was founded as far back as 1869, and quickly established an enviable reputation, which it still retains, for the exclusive character of its wares. The trustees from whom we purchased the business were anxious that the Woolland tradition should be preserved, and with this we are in complete agreement. The old staff is being retained and there is no doubt in my mind that the business cannot fail to benefit from its association with our organisation.

The next in importance of our new acquisitions is Chamberlins Limited, with its subsidiary Buntings Limited, of Norwich. With the other businesses in East Anglia, viz., Footman, Pretty & Company, Limited (to which has recently been added E. Pretty and Company, Limited, of Bury St. Edmunds); Curl Brothers Limited; Garland & Sons Limited; and Arnolds Limited; this gives us the control of an important group of stores in an area where we believe there are great possibilities for further expansion.

The other new acquisitions are William Hill (Hove) Limited, which will be associated with the Bobby Group in regard to management; Z. Dudley Limited, an old-established business, doing a popular trade in the Kingsland Road, E. (associated in management with Dawson Brothers (London) Limited); and, finally, Pendlebury & Company, Limited, Wigan, and Heap & Son Limited, Bury, two businesses which can conveniently be supervised from Pauldens Limited, of Manchester.

You will, I feel sure, be interested to hear that all the provincial businesses I have mentioned show encouraging signs of progress since we took them over and, given anything like normal conditions, we feel confident that future results will justify our enterprise and that they will be profitable additions to our organisation.

If the Government will only leave us alone, apart from any serious trade recession, I am not unduly worried about the results of the coming year. Indeed, judging by the estimated profits to date, which include eight months' trading of our subsidiaries, I shall be disappointed if they compare unfavourably with the figures we have been discussing today.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

BENEFITS FROM DEVALUATION

The annual general meeting of this company was held on November 22nd in Johannesburg.

Mr H. J. Joel, who presided, in the course of his speech said:

This is our diamond jubilee year. I stated at our last meeting in November, 1948, that activity in the stock markets had up to that date been on a reduced scale as compared with the previous year. The fact that these conditions continued during the year accounts to a great extent for the fall of £208,060 in gross profit. On the other hand, gross dividends received increased from £760,869 to £827,178.

After charging income tax amounting to £424,037, the balance of profit for the year available for dividend and other appropriations amounted to £782,512. There is no transfer to general reserve this year, but an amount of £400,000 has been transferred to investment reserve. Dividend No. 57 of 3s. 6d. per share, less United Kingdom income tax at the standard rate of 9s. in the £, absorbed £380,183, and after the transfer of £400,000 to investment reserve there remains a balance of undistributed profits amounting to £342,276, reflecting an increase of £2,324.

The aggregate book value of investments at June 30, 1949, is almost the same figure as that at the end of the previous year. The greater part of our investment in the gold mining industry consists of interests in companies in the Orange Free State and elsewhere, which have not yet reached the dividend-paying stage.

GOLD MINING INDUSTRY

During the first six months of 1949 the operations of the gold mining industry were on a scale which compared closely with the operations for the first six months of 1948. For the half-year ended June 30, 1949, the tonnage mined declined by 384,000 tons, costs increased by 3d. per ton, while profits per ton decreased by an equivalent amount.

Prior to September 19, 1949, the future of several mines was gravely endangered by rising working costs and the depletion of payable ore. Amongst the gold mining companies of this group, the Randfontein Estates, one of the largest producers on the Witwatersrand, had been struggling to maintain a narrow margin of profitability to enable it to continue in production.

You are all aware of the change which occurred on the 19th of that month. The devaluation of sterling and of the South African pound raised the sterling price of gold from 172s. 6d. per ounce to 248s. 3d. per ounce fine. Immediate relief has been afforded to those mines which have been struggling to continue in production. The prolongation of their lives will mean the extraction of large quantities of gold that would otherwise have remained valueless and unmined.

The mining of this gold represents an additional asset to this country. This asset remains in being only for so long as the cost of production is less than the value of the product obtained. Should working costs rise and absorb a large portion of the increased sterling price of gold, then to that extent is our new asset again lost to the country.

The report was adopted. Owing to the quorum necessary for the passing of the special resolutions in connection with the proposed increase of capital not being present in person or represented by proxy at the extraordinary general meeting, it was adjourned, in terms of the Companies Act, for one week to November 29, 1949.

NORTH BRITISH RAYON RECORD OUTPUT

The twenty-first ordinary general meeting of North British Rayon, Limited, was held on November 24th in London, Mr Ernest Walls, the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year to June 30, 1949:—

On June 28th the company completed its first 20 years as the only producers of rayon in Scotland. In this anniversary year the output was the highest in the history of the company. This is doubly gratifying at a time when higher output, especially for export, is a national duty. Our output, in fact, is now well high up to total capacity, itself about four times the capacity with which we started 20 years ago.

Demand continues good, both for home and export. Devaluation should stimulate the latter, but on the other side it means considerable increase in our costs, since important materials, especially woodpulp, used in our industry, come from Canada and U.S.A. All these and probably more repercussions of devaluation to come will have their influence on our costs, especially our costs after December 31st. As regards costs in the year under review, on balance they went somewhat against us, as compared with the previous year. The larger output reduced our overhead and indirect costs per pound of rayon, but not enough to set off all increased items. There has been no corresponding increase in the selling price of rayon.

The liquid position is very strong. Current assets, less liabilities, leave a net balance of current, that is cash or quickly realisable, assets of £372,748, which covers the whole of the loan and Preference capital, with something over.

The report was adopted, the proposed dividend of 7½ per cent. and bonus of 2½ per cent., both less tax, were approved, and the revised articles of association adopted.

AMALGAMATED ANTHRACITE COLLIERIES LIMITED

EXTENSION OF ACTIVITIES

The twenty-fifth annual general meeting of Amalgamated Anthracite Collieries Limited was held, on November 22nd, in London, Mr John Waddell (chairman of the company) presiding.

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

Dealing firstly with the colliery position, I must say that the general outlook is not satisfactory or encouraging. Whatever amount was likely to be received in compensation stock in respect of collieries and colliery properties based upon the original claim, must be scaled down by nearly 50 per cent.

I will now turn to our subsidiary trading group owned by Anthracite Holdings Limited. Originally, this group was formed to take over all the various distributing, merchanting, wagon owning and manufacturing sections of the original Amalgamated Anthracite Collieries Limited. This took place in 1942, and the company has an excellent record since that date.

We can see further difficulties in the offing due to the passing of the Coal Industry Act of 1949. This new Bill gives special powers to terminate long-term contracts taken over by the Coal Board on a basis which may, under certain circumstances, enable the Board to discontinue its contracts without paying full compensation in accordance with the terms of the contracts.

We have widened our scope of trading in industrial and colliery requisites by purchasing from the Custodian of Enemy Property

the capital of the Concordia Electric Safety Lamp Company Limited, with its subsidiaries.

The general situation of the distributive trade at present is such that your board feel we should put no more eggs in this basket.

Your board have every confidence that our general situation is such that we shall emerge with good results.

The report was adopted.

FINANCIAL NEWS LIMITED

REVIEW OF SUCCESSFUL YEAR'S RESULTS

The annual general meeting of this company was held, on the 24th instant, in London. The Rt. Hon. Brendan Bracken, M.P., in the course of his speech, said:—

All the publications in which your company is interested traded profitably during the year under review. In each case total revenue was well maintained.

The balance sheet figures show very little change. Last year I referred to our large reserves and stated that if it were not for the tax on bonus issues your directors would bring the issued capital more into line with the company's true asset values. You will be aware that after a brief period of relaxation, the ban on bonus issues has now been reimposed in order to placate those who profess themselves the Chancellor's "followers."

We are recommending the payment of a final dividend of 35 per cent. making an unchanged total of 60 per cent. for the year. This 60 per cent. equals 12½ per cent. on the capital employed in the business.

THE FINANCIAL TIMES

Let me now say something about the various publications in which your company is interested. *The Financial Times* is earning very good profits despite the fact that costs of production have risen during the past year through increases in wage and other printing costs. We have also gladly spent a good deal of money in adding to the service given to readers.

Before the war most of the readers of *The Financial Times* were investors, bankers, brokers and merchants. We are now advantaged by a steadily increasing circulation among those engaged in commerce and industry. Few newspapers in the world can equal the quality and quantity of commercial and industrial news provided by *Financial Times* reporters and correspondents at home and abroad.

The Investors' Chronicle.—Shareholders in this company owe a great debt of gratitude to the editor, Mr Harold Wincott. He produces one of the soundest and liveliest of newspapers. The services manifold he has rendered to investors are beyond praise. *The Investors' Chronicle* well deserves the excellent profits received by shareholders.

The Banker.—*The Banker* maintains its high reputation. It is one of the few papers that writes intelligently about that mystery called currency. All that one need say about *The Banker* is that it is worthy of the great tradition of British banking.

The Economist.—*The Economist*, of which we hold half the ordinary share capital, has enjoyed a steady growth in its circulation and continues to earn excellent profits.

The Practitioner.—The circulation and revenues of this paper have also increased. The enterprise and sagacity of its editors and management are rewarded by a steady growth of new readers in the medical profession at home and overseas.

Printing Interests.—As the principal shareholder in *The Financial Times*, we have a considerable interest in two large London printing firms. Despite the shortage of newsprint and delays in delivering new machinery, both firms prosper.

The report and accounts were adopted.

W. AND J. LAWLEY, LIMITED

FULL ORDER BOOK

The tenth annual general meeting of W. and J. Lawley, Limited, was held on November 23rd at Birmingham, Mr J. W. Gaunt, Senior (the chairman), presiding.

The following is an extract from his circulated statement:—

I am happy to present the company's accounts for the year ending July 31, 1949, and to be able to report to you that the results of our first year's trading as a public company are substantially better than was anticipated at the time of the offer for sale in March last. Turnover was substantially higher than in the previous year, and the trading profit for the year at £69,538 is an increase of £7,550 on the previous year, and the net profit, after providing for taxation and all other outgoings, amounts to £27,983, an increase of £7,170. Before arriving at this net profit it has been necessary to provide £28,500 for taxation on the current year's profits. Your directors are recommending the payment of a dividend of 40 per cent., less income-tax, which was the rate forecast in the recent offer for sale.

The strength of the company's balance-sheet has been materially increased during the year.

Forecasting future trends is a very hazardous business in the present unsettled state of affairs, but in spite of increasing price competition in some lines our order book is full. The recent Government cut in the building programme will of course affect the demand for our products for new houses, but, in view of the heavy replacement demand which still exists, I do not think we need fear any serious falling off in total sales. I consider that your company's prospects continue to be good.

The report was adopted.

ANGLO-DUTCH PLANTATIONS OF JAVA

PROGRESS OF REHABILITATION

The thirty-ninth annual general meeting of the Anglo-Dutch Plantations of Java, Limited, was held in London on November 22nd.

The following is an extract from the circulated statement of the chairman, Mr W. H. Daukes.

The year 1948 was occupied mainly in the rehabilitation of the properties. Three factories had to be reconditioned and one almost completely rebuilt. The crop amounted to 3,108,579 lbs., and was almost entirely obtained from the comparatively small area which had been pruned by the Republicans.

The rubber position was the reverse of the tea, the crop harvested being severely restricted by the lack of manufacturing facilities. During 1948 and the first two months of the current year, all the factories were restored or rebuilt, the capacity for manufacturing smoked sheet now being considerably greater than that of prewar. In spite of all the difficulties we had to contend with a crop of over 8,000,000 lbs. was manufactured, the upkeep and cultivation was brought back to normal in all important areas, and approximately 1,191 acres were replanted.

At the end of this year we will have between 33,000 and 34,000 acres of rubber, compared with just under 40,000 before the war. Under normal conditions the annual crop should be not less than 22,000,000 lbs., rising steadily to 25,000,000 lbs. or more.

The tea position is much less satisfactory. Of 27,000 acres before the war only just one-half remains, and this includes nearly 1,000 acres on Pagilaran Estate, where the main part of the lease expires next year.

The meeting then stood adjourned.

Company Notes

Birmingham Small Arms.—Consolidated trading profit increased from £1,146,383 to £1,438,294. Group net profit, including £250,000 (nil) taxation no longer required, amounted to £507,442 (£429,630). The dividend of 7½ per cent is unchanged.

Dorman Long.—Group profit after transferring £325,156 to provision for relinings, repairs, etc., increased from £4,219,601 to £5,187,645 in the year to September 30, 1949. After depreciation of £961,755 (£1,002,225) and taxation £2,404,421 (£1,790,127), net profit amounted to £1,342,079 (£1,081,577). The dividend of 8 per cent on the ordinary shares is repeated.

The Rover Company.—Trading profit amounted to £611,996 (£565,110) for the year to July 30, 1949. Net profit was £158,098 (£132,199). Net current assets were £1,311,408 (£982,090) at the year-end.

Tube Investments.—Consolidated trading profit, after providing £1,078,782 (£1,126,513) for depreciation, declined from £5,042,521 to £4,840,467 in the year to July 30, 1949. Net current assets at the year-end were £12,331,744 (£11,107,113) of which £4,181,588 (£5,315,399) was represented by liquid funds. Stocks were £9,872,017 (£8,152,824), debtors £6,260,429 (£5,687,986) and net fixed assets £16,912,850 (£16,721,160).

Rhokana Corporation.—Operating profit increased from £4,390,987 to £4,743,280 in the year to June 30, 1949. Net current assets at the year-end were £6,492,171 (£5,622,935) and fixed assets, less depreciation, £13,227,642 (£12,989,977).

Arthur Guinness and Son.—Net profit of Arthur Guinness and Son amounted to £2,073,091 (£2,045,685) in the year to September 30, 1949. The ordinary distribution of 29 per cent for the year is unchanged. Reserve allocations are lower at £820,000 against £1,200,000.

Austin Motor.—Group trading profit increased from £1,647,762 to £2,224,146, and

Investment Statistics

total profit of the group from £1,653,624 to £2,232,671 in the year to July 31, 1949. Reserves receive £125,000 (£361,529, including £126,000 from taxation provisions written back). The dividend rate of 40 per cent is unchanged on the increased ordinary capital. Net current assets were £6,262,825 (£4,024,925) at the year-end.

Glaxo Laboratories.—Group trading profit amounted to £2,491,389 for the year to June 30, 1949, compared with £1,585,757 for the previous 9 months. Total group profit was £2,605,817 (£1,641,805). The dividend of 125 per cent is at the same rate as in 1947-8. Net current assets increased from £1,237,790 to £2,115,728 in 1948-9.

Rhodesian Selection Trust.—To income amounted to £734,754 for the year to June 30, 1949, compared with £648,648 for the nine months to June 30, 1948. Profit of Mufulira increased from £2,745,166 to £4,193,086. Mufulira's dividend was 8s. 6d. a share for the year, and RST's 2s. 6d. per share.

Crittall Manufacturing.—Consolidated total profit declined from £573,307 to £554,227 and group net profit from £249,511 to £243,745 in the year to August 31, 1949. Net current assets at the year-end were £1,630,658 against £1,479,651 a year earlier.

Heenan and Froude.—Group profit before taxation and miscellaneous income amounted to £242,546 (£171,374) in the year to August 31, 1949. A final dividend of 10 per cent is recommended, making a total of 15 per cent for the year (same).

Ansell's Brewery.—Profit before taxation declined from £1,283,269 to £1,026,695 and net profit from £614,569 to £490,673 in the year to October 2, 1949. A final dividend of 12 per cent is recommended on the ordinary capital as increased to £3,000,000 by the 50 per cent share bonus.

Morris (Herbert).—Group trading profits increased by £154,101 to £585,729 in the year to July 31, 1949. A final dividend of 15 per cent tax free and a 2 per cent tax free bonus is recommended on the capital as

increased by the 10 per cent capital bonus. Net current assets at the year-end were £998,003.

Capital Issues

Union of South Africa.—Lists opened and closed on November 23rd for the issue of £10,000,000 3½ per cent stock, 1965-67, at £99 per cent.

British Field Products.—The Agricultural Mortgage Corporation has supplied £120,000 3 per cent debenture stock and £100,000 in £1 ordinary shares is being subscribed privately for the erection of a Rosin-Buttner crop drier.

Frederick Braby.—Shareholders are to be offered 455,000 £1 ordinary shares in the proportion of one new share for each share held. The price of the new shares remains to be decided.

Howards and Sons (chemical manufacturers).—Underwriting has been completed for a placing of 189,514 5½ per cent cumulative £1 preference shares.

New Issue Prices

Issue	Issue Price (a)	Price, Nov. 23, 1949
Acrow, 5½% Pref.	50/0	20/3-20/9
Automatic Tel. (20% paid)	21/0*	22/6-23/6
Beecham Food, Pref.	21/0*	19/9-20/9
Clarke (T.L.) 2½% Pref.	21/0*	3/0-3/6
Constructors, 5½% Pref.	21/0*	20/10-21/4
Crowther (Holdings), Pref.	22/0	22/6-23/0
Derby & Mid. Mills	11/6	Nil-3d. pm
East African Power, Pref. (10% paid)	20/0	1/0-9d. dis
Do. Ord. (20% paid)	30/0	2/8-3/0 pm
General Mining	54	71-78
Haden, 5½% Pref.	20/6	19/0-19/6
Harland Engg., 5½%	5/0	3/0-3/6
Do. Pref. (10% (6/6 paid))	11/6	6/0-7/0
Lansil, 5½% Pref. (5/5 paid)	20/0	3/5-4/3
New Zealand, 3½% (£25 paid)	98d	1-1 3d. pm
Perry (Holdings)	30/0	6d.-9d. pm
St. Helena Gold	37/6	6/9-7/3 pm
Smith, W. H. (Holding), A.	40/0	40/0-40/6
Do. B 4	8/0	8/0-8/3
Do. 4½% Pref.	20/0	21/7-22/1 1/2
Do. 7½% Pref.	60/0	22/6-23/9 pm
Vereeniging Est. (B)	50/0	15/9-16/9 pm
Whitson	30/0	34/0-34/9

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Tube Investments; Glaxo Laboratories; Rhokana Corporation; Crabtree Electrical; Dorman Long; Debenham's; Austin Motor; Rhodesian Selection Trust; Mufulira; The Crittall Manufacturing Co.; United British Steamship; Trinidad Lecheolds.

Prices, Year 1949 Jan. 1-Nov. 23				Name of Security				Prices, Nov. 16, Nov. 23, 1949				Prices, Nov. 16, Nov. 23, 1949				Prices, Nov. 16, Nov. 23, 1949				Prices, Nov. 16, Nov. 23, 1949			
High		Low						Price, Nov. 16, 1949		Price, Nov. 23, 1949		Nov. 23, 1949		Nov. 23, 1949		Nov. 23, 1949		Nov. 23, 1949		Nov. 23, 1949			
British Funds																							
101A	100A	War Bonds 2½% Aug. 1, 1949-51		1011	1011	0 8 5		1 14 9															
1001B	991	Exch. Bonds 1½% Feb. 15, 1950		1001	1001	0 17 4		2 1 3	1061	93	(d)	(d)											
102A	991	War Bonds 2½% Mar. 1, 1951-53		1012	1012	1 0 7		2 4 2	80	53	(d)	(d)											
103A	871	War Loan 3½% (after Dec. 1, 1950)		811xd	921xd	2 1 9		3 15 11	91	63	b	b											
1031B	981	War Bonds 2½% Aug. 15, 1954-56		1014	1014	1 4 5		2 7 9	82	68	b	b											
1041B	991	Funding 2½% June 15, 1952-57		1015xd	1015xd	1 6 2		2 10 7	80	69	c	c											
1051B	991	Nat. Def. 3½% July 15, 1954-58		1021	1021	1 5 7		2 13 4	33	101	c	c											
1061B	991	War Loan 3½% Oct. 15, 1955-59		1022	1022	1 5 7		2 14 8	81	65	b	b											
1071B	941	Sav. Bonds 3½% Aug. 15, 1955-65		971	981	1 15 10		3 3 9	181	9	c	c											
1022A	941	Funding 2½% April 15, 1956-61		981	981	1 10 5		2 13 5	104	4	c	c											
1041A	921	Funding 3½% April 15, 1959-69		951	961	1 17 9		3 5 7	58	32	c	c											
1151	1011	Sav. Bonds 3½% May 1, 1960-70		1051	1051	1 12 4		3 7 6	20	15	d	d											
1031B	991	Sav. Bonds 2½% Sept. 1, 1960-70		941	951	1 18 11		3 7 2	34	27	e	e											
991B	981	Sav. Bonds 2½% Sept. 1, 1964-67		921	921	1 18 6		3 2 3	77	58	b	b											
1161	1041	Vict. Bonds 4½% Sept. 1, 1920-76		1071	1081	1 12 9		3 7 9	125	92	b	b											
1031B	991	Sav. Bonds 3½% Aug. 15, 1965-75		921	931	1 19 11		3 8 5	47	33	c	c											
1101A	981	Consols 4½% (after Feb. 1, 1957)		1021	1021	2 3 2		3 18 11	51	35	c	c											
1071B	941	Cons. 3½% (after Apr. 1, 1961)		921	921	2 1 7		3 15 10	41	39	c	c											
1091	841	Treas. Stk. 2½% (after Apr. 1, 1975)		691	691	1 19 8		3 12 4	63	11	c	c											
1091	761	Treas. Stk. 3½% (after Apr. 1, 1968)		821	821	2 0 1		3 15 17	53	13	d	d											
1021B	841	Redemp. Stk. 3½% Oct. 1, 1966-96		881	881	2 1 2		3 10 11	52	5	d	d											
811	651	Consols 2½%		701	701	1 19 0		3 11 0	34	27	e	e											
1061A	891	Brit. El. 5½% Gd. Apr. 1, 1968-73		931	941	1 19 9		3 8 1	57	51	c	c											
1031B	881	Brit. El. 5½% Gd. Apr. 15, 1974-77		911	921	2 0 1		3 8 9	78	1	d	d											
1021B	841	Brit. Tpt. 3½% Gd. July 1, 1978-88		891	901	2 0 10		3 10 5	51	5	d	d											
1031B	891	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73		891	901	1 19 10		3 8 3	87	69	b	b											
1011	821	Brit. Gd. 3½% May 1, 1930-95		871	881	2 1 2		3 10 9	42	101	b	b											
Other Securities																							
		Australia 3½% 1965-69		961	961	3 10 0																	
		Birmingham 2½% 1955-57		961	961	3 2 19																	
		Anglo-American Corp., 10%		871	871	3 4 0																	
		Anglo-Iranian Oil, £1		70	70	4 5 5																	
		Assoc. Electrical Ind., £1		75	75	63d																	
		Assoc. Port. & Gen. Sdk, £1		27	27	63d																	
		Austin Motor, A. Ord. Stk. 5-		28	28	69																	
		Barclays Bank, Ord. B' £1		66	66	69																	
		Bass Retail, Ord. £1		130	131	6 316																	
		British Oxygen, Ord. £1		91	90	6 4																	
		Courtaulds, Ord. £1		34	34	4 8																	
		Distillers Co. Ord. 4½		16	16	44																	
		Dormant, Ord. £1		29	29	11 3																	
		Dunlop Rubber, Ord. £1		61	61	6 17																	
		Imp. Chem. Ind., Ord. Stk. £1		42	42	9 13																	
		Imperial Tobacco, £1		96	95	9 16																	
		Lancs. Cotton, Ord. Stk. £1		29	29	30 71																	
		Lever & Unilever, Ord. Stk. £1		41	41	3 17																	
		London Brick, Ord. Stk. £1		46	46	63d																	
		Peking Paper, Ord. Stk. 10-		42	42	6 12																	
		P. & O. Perf. Stk. £1		42	42	6 17																	
		Prudential, A. £1		52	51	2 9																	
		Stewarts & Lloyds, Def. £1		52	52	6 15																	
		"Shell" Transp., Ord. Stk. £1		58	58	12 4																	
		Tube Invest., Ord. Stk. £1		53d	53d	2 9																	
		Turner & Newall, Ord. Stk. £1		72	72	42																	
		Woolworth (F. W.), Ord. 5-		40	40	42																	

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 19, 1949, total ordinary revenue was £48,612,000, against ordinary expenditure of £52,900,000 and issues to sinking funds £80,000. Thus, including sinking fund allocations of £10,667,000 the deficit accrued since April 1st is £14,525,000 compared with a surplus of £276,210,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to Nov. 20, 1948	April 1 to Nov. 20, 1949	Week ended Nov. 20, 1948	Week ended Nov. 20, 1949
ORDINARY REVENUE					
Income Tax.....	149,000	466,765	464,896	5,294	7,133
Sur-tax.....	105,000	28,800	41,100	920	990
Estate, etc., Duties.....	176,000	111,900	121,300	4,500	3,600
Stamps.....	48,500	35,513	32,400	1,200	1,300
Profits Tax.....	240,000	110,140	171,460	8,709	4,300
E.P.T.	65,200	27,800	800	600	600
Other Inland Rev.....	1,000	105	80	...	...
Special Contributions.....	25,000	22,200	15,700	1,300	300
Total Inland Rev.	208,500	840,623	874,736	22,053	18,133
Customs.....	829,650	527,212	517,085	16,796	17,430
Excise.....	663,600	485,600	465,000	8,800	10,200
Total Customs & Excise	149,250	1,012,812	982,085	25,596	27,630
Motor Duties.....	54,000	12,053	12,336	...	...
Surplus War Stores.....	44,000	70,853	64,900	715	...
from Trading.....	18,000	826	15,945	...	1,900
P.O. (Net Receipts).....	12,000	5,360	5,940	...	300
Wireless Licences.....	1,000	590	420	...	...
Crown Lands.....	20,000	10,596	11,915	...	219
Receipts from Sundry Loans.....	50,000	102,807	47,464	8,799	430
Miscellaneous.....	...	...	...	...	...
Total Ord. Rev.	377,750	2,056,519	2,016,047	57,163	48,612
SELF-BALANCING					
Post Office.....	159,630	97,100	101,700	3,270	3,500
Income Tax on E.P.T. Refunds.....	5,700	5,103	7,642	153	275
Total	994,380	2,153,722	2,125,389	60,586	52,387

Expenditure	Estimate, 1949-50	April 1 to Nov. 20, 1948	April 1 to Nov. 20, 1949	Week ended Nov. 20, 1948	Week ended Nov. 20, 1949
ORDINARY EXPENDITURE					
Int. & Mail of Nat. Debt.....	485,000	304,141	300,174	...	...
Payments to N. Ireland.....	30,000	13,991	21,621	...	...
Other Cons. Fund Services.....	12,000	3,904	6,076	106	...
Total	527,000	322,035	327,812	106	...
Supply Services.....	280,270	144,702	169,084	69,530	82,900
Total Ord. Expd.	332,970	176,973	201,986	69,636	82,900
Sinking Funds.....	...	10,573	10,667	...	80
Total (incl. Self-Bal. Expd.)	332,970	178,030	203,056	69,636	82,980

SELF-BALANCING	Estimate, 1949-50	April 1 to Nov. 20, 1948	April 1 to Nov. 20, 1949	Week ended Nov. 20, 1948	Week ended Nov. 20, 1949
Post Office.....	159,630	97,100	101,700	3,270	3,500
Income Tax on E.P.T. Refunds.....	5,700	5,103	7,642	153	275
Total	349,027	182,512	213,990	73,059	68,755
NET RECEIPTS (£ thousand)					
Interest on the National Debt.....	...	...	...	...	117
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949.....	...	...	...	...	147
Housing (Temporary Accommodation) Acts, 1944 and 1947.....	...	...	...	...	5,215
Housing (Scotland) Act, 1944, s. 4(5) and Housing (Financial Provisions) (Scotland) Act, 1946, s. 13(2).....	...	...	...	...	18
Cotton (Centralized Buying).....	...	...	...	...	2,000
Gift from Australia.....	...	...	...	...	8,000
Total	15,497	...	...	...	...
NET ISSUES (£ thousand)					
Post Office and Telegraphs.....	500	...	...	...	...
E.P.T. Refunds.....	336	...	...	...	...
Local Authorities Loans Act, 1945, s. 3(1).....	6,700	...	...	...	...
War Damage: Board of Trade.....	1,250	...	...	...	...
War Damage: War Damage Commission.....	3,000	...	...	...	...
Breton Woods Agreements Act, 1945, s. 2(1).....	25,410	...	...	...	...
Finance Acts, 1946 and 1947, Post-war Credits.....	305	...	...	...	...
Total	37,501	...	...	...	...

After decreasing Exchequer balances by £280,748 to £2,905,199, the other operations for the week increased the gross National Debt by £56,091,910 to £25,625 million.

RECEIPTS	PAIDMENTS
Treasury Bills.....	7,955
Tax Reserve Certs.....	634
Other Debt.....	3% Def. Bonds.....
Internal.....	25,227
Ways & Means Adv.....	22,505
Treasury Deposit.....	1,000
Receipts.....	57,125
	1,035

FLOATING DEBT (£ million)

Date	Treasury Bills	War and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1948				
Nov. 20	2,250-0	2,414-7	272-6	1-0
1949				
Aug. 27	2,330-0	2,231-2	310-8	1169-0
Sept. 4	2,380-0	2,231-1	357-6	1122-0
" 10	2,430-0	2,238-5	357-8	1078-0
" 17	2,490-0	2,232-7	346-4	1026-0
" 24	2,540-0	2,241-2	390-6	970-0
" 30	4813-9	415-0	5-3	911-0
Oct. 8	2,650-0	2,226-5	398-8	870-5
" 15	2,710-0	2,215-7	369-7	836-5
" 22	2,770-0	2,210-1	340-9	797-5
" 29	2,830-0	2,164-3	484-7	778-0
Nov. 5	2,870-0	2,122-9	375-7	755-5
" 12	2,901-0	2,091-8	371-1	752-5
" 19	3,000-0	1,799-8	387-1	753-5

TREASURY BILLS (£ million)

Date or Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate %	Per Cent Allotted at Min Rate
1948					
Nov. 19	170-0	274-1	170-0	10-1-89	52
1949					
Aug. 19	200-0	287-4	200-0	10-5-64	40
" 26	200-0	263-5	200-0	10-5-33	74
Sept. 2	220-0	405-8	220-0	10-2-58	32
" 9	230-0	280-6	230-0	10-3-23	76
" 16	220-0	261-9	220-0	10-3-46	80
" 23	230-0	277-6	230-0	10-3-32	77
" 30	220-0	283-3	220-0	10-5-84	70
Oct. 7	230-0	272-8	230-0	10-5-92	79
" 14	230-0	283-1	230-0	10-5-84	74
" 21	230-0	274-5	230-0	10-5-64	69
" 28	230-0	296-5	230-0	10-5-62	68
Nov. 4	230-0	307-0	230-0	10-5-48	63
" 11	230-0	284-5	230-0	10-5-82	74
" 18	230-0	94-3	230-0	10-5-66	69

On November 18th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 69 per cent of the amount applied for at 99 17/32, 44, and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at 99 17/32, 51, and above in full. (230 million maximum) of Treasury Bills are being offered for November 25th. For the week ended November 26th the banks will be asked for Treasury deposits to a maximum of £30 million, at 6 months.

NATIONAL SAVINGS (£ thousand)

	Week Ended Nov. 13, 1948	Nov. 13, 1949	Total, Apr. 1 to Nov. 12, 1949
Savings Certificates:-			
Receipts.....	2,000	2,200	66,600
Repayments.....	2,400	2,550	78,200
Net Savings.....	Dr 400	Dr 350	Dr 11,900
Defence Bonds:-			
Receipts.....	705	425	17,660
Repayments.....	1,085	803	24,941
Net Savings.....	Dr 380	Dr 378	Dr 7,061
P.O. and Trustee Savings Banks:-			
Receipts.....	11,983	12,320	388,574
Repayments.....	9,986	11,759	414,320
Net Savings.....	1,997	561	Dr 25,346
Total Net Savings.....	1,217	Dr 267	Dr 45,027
Interest on certificates repaid.....	432	551	15,619
Interest accrued on savings remaining invested.....	2,352	2,381	78,111

BANK OF ENGLAND RETURNS

NOVEMBER 23, 1949
ISSUE DEPARTMENT

Notes Issued:-	£	Govt. Debt:-	£
In Circulation	1260,200,426	Other Govt.	11,015,109
In Bank Department	40,156,397	Securities	1238,234,454
		Other Secs.	689,373
		Coin (other than gold)	11,065
		Am't of Fid. Issues	1,300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine).....	356,823
			1,300,356,823

Capital	£	Govt. Secs.	£
1948	14,553,000	Other Secs.	415,584,941
Rest.....	3,391,039	Discounts and Advances	39,042,661
Public Deposits.....	69,555,276	Securities.....	15,813,894
Public Accts.....	10,934,313		23,428,777
H.M. Treas. Special Acct.	58,620,943		
Other Accts.....	412,742,888		
Bankers.....	300,579,771	Notes.....	40,156,397
Other Accts.....	112,163,117	Coin.....	5,484,234
	500,242,233		500,242,233

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

COMPARATIVE ANALYSIS (£ million)

	1948	1949		
	Nov. 25	Nov. 9	Nov. 16	Nov. 23
Issue Dept. :-				
Notes in circulation.....	1233-1	1260-4	1259-6	1260-2
Notes in banking department.....	67-2	40-0	40-5	40-2
Government debt and securities.....	1229-3	1299-3	1299-3	1299-3
Other securities.....	0-8	0-7	0-7	0-7
Gold.....	0-2	0-4	0-4	0-4
Valued at s. per fine ox.....	172-3	248-0	248-0	248-0
Banking Dept. :-				
Deposits :-				
Public Accounts.....	12-3	8-9	13-3	10-3
Treasury Special Account.....	14-3	54-7	54-7	58-6
Bankers.....	302-7	299-7	305-3	300-6
Others.....	99-2	115-1	112-5	112-2
Total.....	428-5	478-4	486-8	482-3
Securities :-				
Government.....	324-1	406-5	420-3	415-6
Discounts, etc.....	28-3	15-9	12-1	15-6
Other.....	23-3	28-2	26-3	23-4
Total.....	375-3	450-6	448-7	454-3
Banking dept. res.....	70-2	45-7	46-1	45-6
%.....		9-5	9-4	9-4
" Proportion ".....	16-3	9-5	9-4	9-4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on September 23, 1949.

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

Group	Nov. 16, 1948	Nov. 8, 1949	Nov. 22, 1949
Cereals & meat.....	124-1	145-3	147-3
Other foods.....	138-8	147-3	147-3
Textiles.....	171-9	200-2	193-9
Minerals.....	264-0	275-7	271-4
Miscellaneous.....	153-3	151-1	151-3
Complete Index.....	164-1	176-8	176-4
1913=100.....	225-9	241-3	242-7

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19th and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:-

	SILVER	GOLD
1949		
London 'New York' Bombay per ounce per 100 tolas		
Nov. 17.....	d 64	Rs. 15
" 18.....	d 64	Rs. 15
" 19.....	d 64	Rs. 15
" 20.....	d 64	Rs. 15
" 21.....	d 64	Rs. 15
" 22.....	d 64	Rs. 15
" 23.....	d 64	Rs. 15

NOTICES

GOLD COAST AGRICULTURAL DEVELOPMENT CORPORATION

Applications are invited for the post of Secretary/Accountant to the Gold Coast Agricultural Development Corporation. Applicants must be British Subjects under forty years of age on January 1, 1950, and have had experience as secretary to a company and knowledge of commercial accounting procedure. Academic qualifications will be an advantage. The basic salary of the post is in the scale £510 x £15-£600, £600 x £20-£720, £720 x £20-£825 plus overseas pay at the following rate:-basic salary £510-£599 overseas pay £150; basic salary £600-£700 overseas pay £200; basic salary £701-£825 overseas pay £250. Initial salary will depend on age and qualifications. The appointment will be on contract for two years each of approximately 18 months in the first instance with the prospect of permanent employment thereafter if found suitable. Terms of employment include free housing, leave on full pay at the end of each completed tour at the rate of 7 days for each month of service in the Gold Coast with free passages to and from the Gold Coast once each tour for self, and, if married, for wife; free medical attention while in the Colony and participation in the Corporation's pension or provident fund if and when established. Applications stating qualifications, enclosing references (if available) and giving full personal details should be sent by Air Mail addressed to the G.C. Agricultural Development Corporation, c/o The Secretariat, P.O. Box 140, Accra, Gold Coast, by December 15, 1949.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG, SOUTH AFRICA

Applications are invited for the post of SENIOR LECTURER IN ACCOUNTING. Applicants must be professionally qualified. A University degree, extensive practical and teaching experience and ability to lecture in specialised Accounting subjects will be strong recommendations. The salary attached to the post is £800 x £40-£1,000 per annum, plus cost-of-living allowance which is at present £75 per annum in the case of a married man or a person with dependants, and £57 4s. 10d. per annum in the case of a single officer. A higher initial salary may be paid on the grounds of special qualifications and experience. Membership of the University Teachers' Provident Scheme is compulsory. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is December 1, 1949.

THE ROYAL TECHNICAL COLLEGE, GLASGOW

DEPARTMENT OF INDUSTRIAL ADMINISTRATION. Applications are invited for post of Lecturer. Qualifications and practical experience in the alternatives:-Industrial Psychology, Motion Study, Job Evaluation, Production Planning or Cost Control, or an advantage. Salary scale is £450-£20-£750 with placing for qualifications and experience. A limited amount of consulting work is allowed. Application forms are obtainable from the Secretary.

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(1948 Accounts)

UNIVERSITY OF LONDON

The Senate invite applications for the Sir Ernest Cassel Readership in Commerce (with special reference to Transport) to be held at the London School of Economics and Political Science (salary £1,050-£1,250-£1,450).—Applications (10 copies) must be received not later than January 15, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars can be obtained.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Economics (with special reference to International Trade) to be held at the London School of Economics and Political Science (salary £1,050-£1,250-£1,450).—Applications (10 copies) must be received not later than January 15, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars can be obtained.

RESEARCH institution requires qualified person to write up material into book form. Knowledge of social sciences essential. Experienced economic journalist would be suitable.—Write Box 258.

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Prospectus from Dept. P17, WOLSEY HALL, OXFORD

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6. Saturday, November 26, 1949.

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APPLICATIONS are invited for the following vacancies in the National Union of Students Travel Department, from well-educated, intelligent young people, male or female, interested in travel and preferably with knowledge of the Continent.

Salaries commence from £275 p.a., according to position, experience and qualifications.

(1) Secretary to Travel Organiser. Shorthand-typing and French essential.

(2) Travel Secretary to take charge of technical rail-sea-and-air bookings for individual travel and student holiday tours. Typing, accuracy, grasp of detail and ability to deal with accounts essential. Past travel agency experience and personal experience of travel desirable.

(3) Hospitality Secretary to take charge of arrangements for accommodating student tours from abroad in private homes, student hostels, etc., and student exchange scheme. Typing essential. Experience of voluntary organisations or welfare work, and interest in students abroad desirable.

Applications, with references, to the Travel Director, N.U.S., 3 Endsleigh Street, W.C.1, before December 1, 1949.

THE CIVIL SERVICE COMMISSIONERS invite applications for permanent appointments as Assistant Experimental Officer to be filled by competitive interview during 1950. Interviews will be held shortly after the receipt of the completed application form, and successful candidates may expect early appointments.

The posts are in various Government Departments and cover a wide variety of scientific (including engineering) qualifications. Places of work are spread throughout Great Britain.

Candidates must be at least 17½ years and under 26 years of age on August 1, 1949; time spent on a regular engagement in H.M. Forces may be deducted from actual age. Candidates must have obtained the Higher School Certificate with mathematics or a science subject as a principal subject, or an equivalent qualification. Higher qualifications will be regarded as an advantage to candidates over the age of 20.

The inclusive London salary scale (men) is £230-£490. Salaries for women and for posts in the provinces are somewhat lower. Superannuation provision is made under the Superannuation Act.

Further particulars and forms of application from the Secretary, Civil Service Commission, Scientific Branch, 27, Grosvenor Square, London, W.1, quoting No. 2522. Completed application forms should be returned as soon as possible.

BRITISH Consulting Engineer now in the U.K., having over thirty years' residential, technical and administrative experience in industry and business in the Middle East and exceptional contacts there, would advise British firms regarding business and trade conditions and would undertake missions when visiting the Middle East.—Box 263

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YOUNG woman, office experience, control small research office some outside staff. Experience similar work not essential London. Give age, salary required.—Box 266.

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December 3, 1949

One Shilling

LEADING ARTICLES

Gloom or Obstinacy? - - - 1217
Africa at the Assembly - - - 1218
The Hairdressing Trade - - - 1220
Australia in the World - - - 1222

NOTES OF THE WEEK - - - 1223

Parliament and the Future; Labour Loses New Zealand; Trouble in Nigeria; Free Trade Unions; Mr Morrison's Tune-up; Communist Doldrums; Dogs of Peace; Bad Manners at Bonn; Black Guards Behind the Elbe; Pruning the Information Services; Meat Elasticities; Soft Words on Hard Water; Arabs and the Clapp Report; Economics in Islam; Two Queues at Lake Success; Portugal's Picked Parliament; Honour and Office.

LETTERS TO THE EDITOR - 1231

BOOKS AND PUBLICATIONS 1233

AMERICAN SURVEY

Exploring the Economy - 1236
Diesels on Rails - - - 1237
Resignation of a Pioneer; Passengers on the Railways; Local Cornucopias; Roosevelt in Two Rings; Kaiser's Fairy Godmother; Shorter Notes.

THE WORLD OVERSEAS

Ruhr Steel and the Future - 1241
Nigerians in Committee; More Trouble in Argentina; Canada's Constitutional Changes.

THE BUSINESS WORLD

Rail Charges and Efficiency - 1248
The Sterling Balances - - - 1250

BUSINESS NOTES - - - 1252

Master of the Market?; Political Economy in 1950; The Engineering Wage Claim; The Cost of Making Films; Mr Rank's Prognosis; British Underground Gasification Trials; A Sheet Glass Factory for Canada; Bleaching Reorganisation; The FBI and Simplification; Grey Cloth Imports and Production; Rayon Staple Output Expands; Bridging the Macmillan Gap; Inflation in Latin America; Hallmark for Dawes and Young; TDR Switching Ending?; Austria Devalues; Buffer Stock for Tin?; ICCH Scratched; Terms of Trade and Devaluation; Oil Trade in Dollars and Sterling; Empty Pepper Pot; The Ford Scheme; Funds for Ultramar; Shorter Notes.

COMPANY MEETINGS - - 1264

INVESTMENT STATISTICS- 1270

STATISTICAL SUMMARY- 1271

Vol. CLVII No. 5545
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: WHitchall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Gloom or Obstinacy?

THOSE members of the Government whose weekly custom it is to blame their troubles on the press received a powerful recruit on Sunday last in the person of Sir Stafford Cripps. Speaking to his constituents (and the occasion may perhaps explain the language), he said

There can seldom have been a period when the majority of the press have set out to mislead and confuse the people of this country as they have done over the last few months.

Taken literally, this is an absurd charge. There are 144 daily, Sunday and evening papers in the United Kingdom, and it would be a figment of phantasy to suggest that 73 or more of them had deliberately "set out to mislead and confuse the people." Wild charges of this sort usually rebound on the heads of the politicians who make them; they sound far too much like empty excuses. The press is not perhaps a very popular institution in this country. But one might (without implying any close analogy) say the same of football referees, and politicians who persistently complain of the one are as little likely to advance their reputations as players who assault the other. It sounds too much like criticising the rules to excuse defeat; and the impression that Ministers create by their constant carping against the press is simply that they are getting rattled.

Sir Stafford has hitherto had less right than any of his colleagues to complain of the attitude of the press. When he first began to take hold of the national economy in the winter of 1947-48, there was hardly a reputable newspaper in the country that did not pay tribute to his courage and fidelity. It was the press, far more than the politicians, that built up for Sir Stafford the high reputation he enjoyed a year ago. This was broadly true until the early summer of 1949, when it became apparent to any newspaper with good sources of information that the very qualities of austere rigidity in Sir Stafford that had helped the country in 1948 were beginning to impede the flexibility of policy that is necessary in meeting an ever-changing situation. Even then, the press of the country, so far from "inventing or selecting the facts to make as gloomy a picture as possible" and being "careless as to whether this distorted version of affairs harms the country or not," hung back from that frank discussion of the possibility of devaluation which might be held to have been its duty to its readers. It is doubtful— to judge by the record of the past—whether Sir Stafford himself would have shown a like discretion had he been out of office.

Nevertheless, there is something more important than spleen behind Sir Stafford's outburst of irritation last Sunday. Others of his recent speeches show that he is a disappointed, and may even consider himself to be a badly used, man. He has, after all, carried through, with some courage, a major operation on the currency which, whatever its ultimate effects, ought to have greatly increased its short-run technical strength. He has also single-handedly forced upon his

reluctant colleagues a list of retrenchments which, whether or not they fitted the measure of the economic requirements, took a major political effort to put across. Yet for all this he gets no credit. There is reason to believe that sterling is, indeed, showing great strength—that is to say, that the reserves of gold and dollars are flowing back—yet the world prefers to fix its attention on the narrow, specialised and almost wholly unimportant markets where sterling can be observed to be at a discount. No wonder Sir Stafford seeks for an explanation of this persistent preference of the shadow to the substance. To the critics who complain that the £250 million of cuts form an inadequate reinforcement to the budget surplus, Sir Stafford could justly retort that there is hardly another Minister of Finance in the world who has a surplus to reinforce. Yet in spite of this surplus, the gilt-edged market, for a week or two, recorded nothing but sharp falls. Here again, on the substance of the matter, Sir Stafford is very probably right and the public market is (or at least was) wrong. The fall in gilt-edged was, beyond much question, overdone, and even the yield basis of about 3½ per cent to which British Government irredeemable stocks have this week rebounded may yet prove to be above the normal level of the future, as of the past.

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The Chancellor is thus quite right in thinking that some special reason is needed to explain why the public reaction to the devaluation and the “consequential measures” has been so much at variance with what he believes their real effect to have been. Where he is wrong is in finding his special reason in the malevolence of the press. There was no room at all for doubt about the genuineness of the public reaction to Mr Attlee’s presentation of the “consequential measures” a month ago. The nervousness in markets is real enough, and so is the head-shaking with which British economic policy is regarded abroad.

The special reason is a very simple one. It has been stated over and over again. Sir Stafford must know it. The markets of the world may be wrong to doubt the temporary relief that devaluation has brought to the British economy. But they are certainly right to hold

that the relief will be no more than temporary if devaluation stands as the sole concession to flexibility that the rigid mind of Sir Stafford will make. Ministers do not lag behind others in emphasising the gravity of the British economic problem; the President of the Board of Trade speaks of “Britain’s last chance” and the Chancellor himself on Sunday said “it’s a terribly tough job.” They cannot complain if the world puts their actions alongside words like these and draws its own conclusions. To devalue after repeatedly promising not to was tantamount to an admission that the previous policy was not proving to be effective; yet even the man in the street can see that devaluation is not so much a new policy as an old expedient.

It is perhaps too much to hope for bold new initiatives of economic statesmanship on the eve of an election. That is the chief reason why the election should be held as soon as possible, since it is now painfully obvious that the bold, new initiatives are urgently needed. Yet even on the narrowest electoral calculations, the Government are surely wrong in thinking that safety for them lies in simply standing pat. There is no confidence anywhere that the policies they have hitherto pursued provide a positive solution to the British economic problem. Even those who support the Government put the case no higher than that the country may just squeak through on a basis of permanent rationing and restriction, provided the Americans are generous and there is no bad luck. And the majority opinion of the world can be read in the markets—it amounts to a profound conviction that the present policies have exhausted their effectiveness and that there will be no permanent recovery until a new course has been set—with or without a change of steersman.

It is not the press of this or any other country that causes this widespread feeling of pessimism and alarm, but the obstinacy of a Chancellor of the Exchequer who can still say “I am not conscious of any change in my approach to our problems.” The only conclusion that the world can draw, and that the press can record, is that yet another crisis—political or economic, or both together—will have to be endured before British economic policy turns the corner on to the road of salvation.

Africa at the Assembly

THE claims and status of the native populations of Africa have, in the last week, been brought with considerable effect to the attention of the Assembly of the United Nations. The chief point at issue is the claim of the Union of South Africa to incorporate the former mandated territory of South-West Africa into the Union and the refusal of its Government to recognise the competence of the United Nations to pass judgment on the proposal. For the moment, the question has been shelved by the Assembly’s decision to refer the legality of South Africa’s scheme to the International Court of Justice, but the case gave rise to a new and possibly fateful precedent when the Assembly agreed to hear direct evidence on the hopes and fears of the natives in South-West Africa from their highly unofficial representative, the Reverend Michael Scott.

The case of South-West Africa occupied the fore-

ground of the delegates’ attention, but another issue, no less momentous in its possible implications, also came up for discussion. In the Fourth (Trusteeship) Committee of the Assembly, Mr John Fletcher-Cooke, the British delegate, repeated in the most uncompromising terms his Government’s determination to limit the interventions of the United Nations in the administration of colonial areas to the powers specifically granted in the Charter. This attitude was strongly endorsed in Wednesday’s debate on Africa in the House of Lords. The Trusteeship Council’s power to send commissions of inspection and make recommendations is confined to the areas formerly under mandate—that is, in substance, the former German colonies. For all other dependent areas, the metropolitan power is under the obligation only to submit technical information on economic and social matters. The British delegate

strongly attacked the claim of the Trusteeship Council’s Special Committee on non-Self-Governing Territories to extend its jurisdiction over all colonies into something comparable to that exercised by the Trusteeship Council over ex-mandates.

The fact that both of these issues were discussed against the background of riots and disorder in Nigeria only helped to underline a fact that no responsible European statesman can overlook—that the mood of world opinion, in so far as it is fairly represented at the United Nations, is hostile to the concept of colonialism and inevitably regards with suspicion much that is done by Europeans in Africa. America by tradition, Russia by ideology, the Asiatic and Arab states by memories of dependence, the South American republics by national self-consciousness, are all committed to the view that the dependence of one people upon another is an evil thing and can be tolerated only in the certainty that it will soon come to an end.

The recent proceedings of the Trusteeship Council and of its Special Committee on non-Self-Governing Territories provide plenty of evidence of this suspicion. The decision to hear Mr Michael Scott is one instance. The critical and in part tendentious report submitted by the United Nations Commission which visited Tanganyika earlier in the year is another. The European colonial powers are not unjustified in their fears that if the jurisdiction of the Trusteeship Committee of the United Nations is extended—and the pressure is steadily in that direction—they will find themselves in a position in which sound administration is impossible, in which they carry all the financial and executive responsibility for a colony while policy is constantly being made for them by outside bodies which in the nature of things are irresponsible.

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There is thus ample justification for opposing a blank negative to the claims of the United Nations. But is it wise? World opinion is strong and remarkably unanimous on the question of colonial status. It will not be shaken or modified by an unqualified refusal to take its views into consideration. Nor is a negative reply even necessary. The aims supported by world opinion—speedy development and final self-government in Africa—do not in anyway contradict the declared policies of the colonial powers. Least of all do they clash with those of the British Government which in the last four years have brought both Nigeria and the Gold Coast to

the brink of self-government. It hardly makes sense to repeat time and time again: “We support to the full your desire to secure development—economic, social and constitutional—in Africa, but we cannot tolerate any inspection by you to see if our deeds match our words.” The need for some affirmative reply seems evident. The difficulty lies in devising a scheme which ensures that outside inspection is responsible and constructive and not an occasion for purely partisan attack upon the colonial powers.

The trouble lies, surely, not so much in the fact of inspection as in the nature of the bodies which do the inspecting and in the way in which they go about their business. The colonial powers would be in a stronger position if, instead of refusing the United Nations the right to inspect and to receive reports on all colonies, mandated and otherwise, they laid down the conditions upon which they would be prepared to accept supervision. For instance, they could ask that the Trusteeship Council be reformed to include men of genuinely expert qualifications, comparable to those who formerly worked on the Mandates Commission of the League of Nations. They could lay down conditions for the examining Commissions, refusing to consider any recommendations based on less than two years’ study on the spot of the colony in question and requiring a percentage of reputable technicians and specialists among the Commission’s members. The danger today is from ill-informed politicians taking a trip at the United Nations expense under the illusion that a week in a colony’s capital together with three talks with a disgruntled chieftain constitutes a serious inquiry.

The colonial powers could also with perfect justification refuse to accept any commission on which Soviet Russia was directly or indirectly represented. A minimum amount of good faith is required from inspecting commissions and there is no point in preserving the fiction that the Russians aim at anything but sabotage in other people’s colonial territories. It is true that it is not only from Communists that biased and unreliable criticism may come. Indeed, neither Russia nor its satellites were represented on the Tanganyika Commission. But the safeguard of excluding the eastern bloc is nevertheless reasonable. In 1947, before Russia interested herself in the Trusteeship Council, the Council did good work and even sent out to Samoa a model Commission of Enquiry, whose recommendations were accepted by the New Zealand Government. The standard of objectivity declined abruptly with Russia’s

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participation in the Committee's work. Given the general reaction to Russian policy in the United Nations today, the colonial powers would probably have little difficulty in securing the exclusion of Russian or satellite representatives from all commissions of inspection.

Once these minimum conditions of objectivity had been secured, the responsible authorities ought surely to have little to fear from international inspection not only in trust territories but in non-self-governing areas

The Hairdressing Trade

ONE of the most obvious facts of a complex industrial society is the lack of knowledge which its inhabitants possess about the environment in which they live and move and have their being. Consumers in Britain spend a tenth of their whole incomes on "other services" about which official statistics reveal nothing, but some knowledge of which is essential to any complete picture of how the economy works. Of the minor industries which make up these "other services," hairdressing, in which perhaps 130,000 people are occupied, is one of the most important.

The demand for hairdressing—and indeed, every other aspect of the trade—is divided distinctly into the sections that cater for men and women. The demand for men's hairdressing has always—at least since the end of the eighteenth century—been relatively stable; hair-cutting is a strict necessity for most of the male population and there are obvious limits to over-indulgence. The numbers of men willing to pay to be shaved have declined sharply since the advent of the safety razor. The chief demand remains, on the men's side, for the regular quick despatch of a tiresome duty. Women's demand, on the other hand, shows all the fickle characteristics of a luxury trade, fluctuating with every change of fashion, of technical contrivance and of spending power. Twenty years ago the total trade was only half its present size, and the difference is due almost entirely to women's hairdressing. In Blackpool, for example, there were four women's shops in 1918, about 35 in 1925 and 180 today. The ugly semi-masculine "bob" which appeared after the first war created a great potential demand for something to soften its first austerities. Before time could restore the simple dignity of the "bun," professional hairdressing seized a market with the Marcel iron-wave at half a crown and upwards, which an expert could make to last over a fortnight, and with the first commercial permanent wave by Eugene at ten guineas. Nature has never since been able to compete.

The trade boomed. Apprenticeship premiums were fifty—even a hundred—guineas for seven years' training at a nominal wage. The capital outlay needed for an independent shop was small, and, between the two, the adult employee paid a full adult wage was squeezed out. Prices fell steadily, particularly those of permanent waving, and ever wider markets were tapped, until in the late thirties there was a considerable trade in the seven- and -sixpenny permanent wave, with cheap materials, few curlers, and often with poor workmanship, which produced a result all too reminiscent of the wool-curling from which it was technically derived. The war exposed the instability of the demand. It withheld customers by long hours of work and high prices from

as well. Certainly this should be unequivocally the case in British dependencies. The declared policy of Britain in its trusteeship agreements and elsewhere has been to secure the economic and political development of the native peoples in Africa and to prepare them for eventual self-government. Since the aim is clear and in many areas the degree of its realisation is impressive, what have they to gain by insisting without qualification that no outside supervision shall test the result?

visiting the hairdresser, and there developed a fashion for utilitarian "rolls," for artificial plaits, or for extending the life of a permanent wave for a couple of years by shoulder-length styles. The trade has tried hard to coax fashion back into more profitable channels, but there are limits to its influence.

There is at present one hairdresser's shop to approximately every 1,300 of the population in Great Britain; to every 600 in the United States, and to every 800 in France. The sample survey of the trade in Great Britain made by the Hulton Press gives women's shops as numbering 13,600, men's shops as 11,000, and combined men's and women's shops as 10,600—a total of 35,200 in all. Of these only 2 per cent (including those of co-operative societies) belong to chains of more than four shops, and about 88 per cent are completely independent. Staffs, including the person in charge, average only 3.5 per shop, and 10 per cent of the total are actually one-man establishments.

This small-scale character is attributed within the trade to the importance of the personal attention a proprietor bestows upon each customer. It seems more probably connected, however, with the fact that a new business can be started anywhere (except in the West End of London) with a relative low capital outlay, since the stocks required are small and second-hand tools are easy to come by. It seems also to suggest the absence of any substantial "pure" profit in excess of the value of the manager's skill as a craftsman. Such multiple shops as there are can often be accounted for by the advertisement value of a hairdressing service in other multiple businesses such as retail stores.

Profits vary with locality, with personalities, and (in the women's trade) with the seasons and the general level of prosperity. The typical suburban joint shop run by a married couple is often maintained less for the size of the profit than for the value of independence in a very independent trade. Men's shops make a small profit on a quick and regular turnover. Charges are highly standardised and overheads are small. It is estimated that the average operator spends about 13 hours a week in "waiting time." The business man "slipping out" in the middle of the morning, or the factory worker on Saturday afternoon is sensitive to delays. Custom is both casual and irregularly spaced and, for a big establishment, always to keep enough assistants ready to deal with a rush of work is expensive, and only in rare cases can the price be increased accordingly.

In women's shops, prices, profits, and the scale of

operation respond to quite different circumstances. Items of service are dearer and take longer; appointment booking is universal, and most customers judge service at least as much by the price charged, the atmosphere and personalities of a shop, as by the quality of the work itself. Here, though goodwill means more than in the men's trade, loyalty attaches to an operator rather than to a shop, and the chief requirement for independence in a small way is perhaps a couple of hundred pounds and a group of friendly customers. Hence, once again, the small scale of most women's establishments.

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It has been possible to assemble approximate figures relating to three widely different independent women's shops in London. Each is in no way remarkable, although to call them typical is perhaps to suggest a greater uniformity than actually exists.

	Annual Takings	Over-heads	Wages	Materials	Profit
	£	%	%	%	%
A. Good-class West End	10,000	32	40	17	11
B. Suburban middle-class	2,000	30	35	12	23
C. Working-class	2,000	31	45	15	9

The similarity between these three would be even more striking if the suburban shop were to promote one advanced apprentice to an adult scale. The consistent proportion of gross income expended on overheads and materials bears out the common opinion that higher prices must reflect, not only better workmanship, but better materials and appointments.

Prices in men's shops are fairly stable and rivalry takes the form of service and speed. The cut-price "tenpenny slasher" exists here and there, but there is so little room for sound economies that quality falls quicker than price. On the women's side, however, the price tends to be "what the traffic will bear." About 70 per cent of the turnover represents permanent waving; this usually subsidises the smaller items, such as trimming, shampooing, etc., which at popular prices barely cover their cost, but help to fill up the timetable. Attempts to sustain prices by trade organisations have all failed; well over half the master hairdressers in the country belong to none of the three national organisations, and defaults from voluntary agreements are hard to check. During the war these organisations, together with the leading manufacturers and wholesalers, pooled their efforts through the Hairdressers' Trade Association and succeeded in enforcing minimum prices because of general shortages and the effectiveness of blacklist boycotts. However, since less money has been chasing more goods the majority of shops have run well below the agreed scale of charges, and the strictures of the Resale Price Maintenance Committee last June coincided with the Association's virtual demise. Attempts by the biggest national organisation to revive price-fixing at lower rates and to disarm official wrath by removing defaulters from a "white list" instead of adding them to a black one, have stuck on the other horn of the dilemma—namely, protests in the trade at the organised endorsement of unprofitably low prices.

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The recently defeated Hairdressers' Registration Bill, disguised by irrelevant appeals to hygiene and public safety, only added one more failure to those of voluntary

organisations to establish a basis for a closed shop, although such legal registration is enforced in the United States, France, and Australia. Thus the market price, fixed by competition, is once more in the ascendant, and such freedom to fix his own charges as the individual operator may enjoy are the result, partly of such market imperfections as customer loyalty, and partly of real differences in standards of performance. Competition finds expression in efforts to increase quality rather than to reduce price. Local academies—a traditional name for hairdressers' clubs—exist in almost every district, and meet regularly to pool their knowledge. Experienced members demonstrate and experiment, and the younger ones learn. These evening academies, voluntarily conducted by working hairdressers with no direct financial motive, are the real means of maintaining skill, improving techniques, and training assistants, and are understandably sources of great pride and rivalry throughout the trade. It is a commonplace that the real concern over price fixing comes from the manufacturers, the wholesalers, and the less competent of the hairdressers themselves. The position contrasts strongly with that in France, where a united and powerful association has enforced a rigid pricing system, with effective reprisals against offenders.

The customer, beyond much doubt, is the gainer, at least on balance, from the competitive and unorganised nature of the trade. But the worker in the trade is often the sufferer. Several things stand in the way of an effective organisation for collective bargaining. There is the irrational human element that has attracted into the trade more bright elementary school girls, interested in their appearance and sociably inclined, than the trade can properly hold. The common practice of two or three assistants working side by side with the proprietor makes trade union organisation difficult, and less than one worker in ten is a member of a union. Consequently, before the war, wages of 30s. or 40s. a week were normal in the provinces (where tipping is insignificant) for trained workers, and hours were long. Some improvement in average earnings has resulted in the last decade from wartime prices and shortages of labour, and to prevent a reversion to prewar conditions a Wages Council order came into force on October 17th, which fixes minimum wages roughly at those then in force in shops with cheap working-class custom, that is from 95s. to 110s. for adult male workers. Apprenticeship terms are also now fixed. To the very cheapest shops, particularly in rural areas, the new rates will mean a loss unless some assistants are dismissed.

The very cheap services, therefore, will never return. Instead, falling prices will encounter a rigid cost item, comprising 35-45 per cent of all charges, while the limitation of one apprentice to every two operators will gradually reduce the worst effects of overcrowding and low standards. It is unlikely that the demand for hairdressing will stay for long at its present high levels, and the Order will not prevent quite sharp falls in earnings, especially in the more expensive sections of the women's trade. Even so, however, the trade will probably find itself in a healthier state than ever before, with still more than enough competition to encourage efficient workmanship. The losers will be those customers who will no longer be able to afford a price that covers the lowest cost; they will have to content themselves with the belief that "A Hat Makes All the Difference."

Australia in the World

THE general election in Australia on December 10th has an added interest in view of the Labour defeat in New Zealand last Wednesday. Public opinion polls in Australia were already showing a slight balance in favour of the Opposition—the Liberal and Country parties which have joined together against Labour—and the New Zealand result may tend to tilt the balance still further, since waverers like to think that they are going to be on the winning side. It may be that the Antipodes, after a decade of Socialism, are swinging back to the centre, if not yet to the right. But it would be a mistake to prejudge the issue; seen from London, the two sides appear to be equally matched and there is every indication that it will be a close fight.

The chief domestic issues are full employment and nationalisation. The Labour Party maintain that they have been responsible for the almost complete absence of unemployment since the middle of the war and that, while they intend to proceed slowly with nationalisation, the state must control the resources of the nation if it is to advance and expand as it should. They are, however, fighting the elections mainly on the merits and demerits of the personalities concerned. Their campaign has been vigorous and forceful, but, as the late Mr Beasley is reported to have said, such tactics only work once and the Labour Party has used them before in the 1946 elections.

The Opposition parties are also in favour of full employment, but it is probable that some at least of the voters are not convinced that they would defend it with quite such ardour as the Labour Party in the event of a depression. There is, on the other hand, no doubt about their attitude to nationalisation. Both the Liberal and Country parties are vehemently opposed to it and say that they will not tolerate any further restriction of the liberty of the individual or of the independent states. They have been helped in their campaign both by the fact that Dr Evatt lost the Bank Nationalisation case before the Privy Council and by the rash statements of one or two Ministers—particularly of Mr Ward, the Minister of External territories, who said that the Labour Party would in time abolish the Senate, the chief safeguard of the interests of the smaller states.

But beyond the questions of full employment or nationalisation, the election will probably be decided by the fact that Labour has now been in office for eight years. The belief in "fair shares" can be applied to political parties, and it is almost a tradition in Australia not to give any one party too long a period of the enjoyment of the fruits of power. There are also many Australians who doubt whether the principles of the Labour Party are those that Australia will need in the next stage of its development. Some form of welfare state there must be, but its rigidities fit badly to a country that is now expanding fast. Secondary industries are springing up, migrants are arriving in large numbers, and there is an urgent feeling that Australia should build up its strength and its population as rapidly as possible if it is to survive the potential challenge of a Communist China and a resurgent Japan.

The question is being asked whether socialist policies

are the best for promoting the rapid expansion which is believed to be necessary. The close control which Mr Chifley would like to keep over the Australian economy, the insistence on a high standard of social services, the elaborate machinery for dealing with any faint signs of unemployment, all mean a slowing down rather than a speeding up of the forces behind expansion. It may be that, without prejudice to what may be necessary in the future, Australia needs at the present time a government with a more liberal attitude towards economic expansion.

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Although in Australia itself, foreign affairs or Commonwealth relations are subjects of remote interest which barely enter into the calculations of the voters, a change of government in Australia might be a matter of some importance to the outside world. If the Opposition were to win, there would probably be a slight withdrawal at least from the limb on which Dr Evatt's energy as Foreign Minister has placed Australia. In all the major international consultations, from Bretton Woods to Uno, Australia's role, under the Labour Government, has been highly individual. Dr Evatt has been unwilling to follow the leadership either of Britain or of the United States. In spite of Mr Curtin's plea in 1942 for closer co-ordination among the Dominions, Australia has been the most strikingly independent member of the Commonwealth, at least in speech and appearance. And in the long series of economic conferences, to which American policy has attached such great importance, Australia has been a persistent dissenter. It might almost be said that while Canada has been aspiring to be the smallest of the great powers, Australia's wish has been to lead the Opposition to all the great powers.

During the postwar years, Australia has jumped into the limelight. Dr Evatt has made his government's voice heard in all the principal capitals of the western world. He has organised or broken up *blocs* with cheerful impartiality—and not always with a sense of responsibility. He has made himself the spearhead of the emotional forces against oppression and for peace—sometimes, as during the blockade of Berlin, almost to the point of advocating appeasement. He became the chief spokesman of the minor powers' right to have an equal say with the major powers. He sealed his career as a Foreign Minister by being elected President of the United Nations; and, as he himself once remarked, that was equivalent to becoming president of the world.

But from all this turbulence there has emerged a reasonably clear Australian foreign policy, wider and more definite than before. It falls into three distinct parts: it is intended first, that Australia should be the catalyst which will bring about a fusion between Asia and the West; second, that a ring of friendly buffer states should be created against possible threats from China and Japan; and third, that the prewar shape of the Commonwealth should be maintained as a source of military and economic strength for all its members.

The working out of this policy has involved the Australian Government in a number of angry disagreements with western powers. The chief bone of conten-

tion has been Indonesia, where Australia more or less openly took the side of the Republicans, although Dr Evatt was, for once, careful not to commit his government so far that they could not withdraw. The resulting clash with Holland did not improve Australia's relations with Europe, but the final outcome of the round table conference at The Hague and of the confidence which Australia has now won in most Asian countries has justified its actions. Australia also showed its new power at the Asian conference in Delhi last January; with New Zealand, it was one of the only two "white" countries represented, and its delegate succeeded in guiding the conference away from a too violent expression of anti-European sentiment.

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In Commonwealth affairs, the present Australian Government, in spite of its independence, has on the whole been more active in promoting the bonds between the Dominions than in weakening them. In economic matters, for example, Mr Chifley has been prepared to work fairly closely with Whitehall, and at Uno it was Dr Evatt who, by persistent lobbying, saved the day for South Africa when the question of South-West Africa

NOTES OF THE WEEK

Parliament and the Future

The House of Lords put Mr Morrison out of his agony on Tuesday by rejecting the Parliament Bill for the third time, thereby clearing the way for the measure to receive the Royal Assent under the Parliament Act of 1911. Thus Mr Morrison can now report to the Prime Minister that by Christmas the Labour Party's legislative programme will have been completed and Mr Attlee can continue to ponder upon the best date in the New Year for the election with at least this problem off his mind. The only other important Bills which remain to be dealt with this session are the Justices of the Peace Bill (which may indeed still be lost if there are lengthy arguments in committee) and the India (Consequential Provisions) Bill—a measure designed to adjust the legalities which will arise when India becomes a Republic within the Commonwealth in January.

When Parliament reassembles in the New Year, the Government will have to decide whether to keep MPs busy during the pre-election period by bringing forward some of the many minor Bills which Government departments keep in their pigeonholes for years, in anticipation of just such a quiet period, or alternatively whether they should begin the election campaign by devoting Parliament's time to a series of grand debates on general policy. Much will depend on the date of the General Election. If the election comes, as still seems likely, late in February or early in March, there would seem to be little point in rushing through a series of small Bills during the closing stages of this Parliament.

It is regrettable that the one major modification made in the constitution during this Parliament, the halving of the veto period of the Lords, should have to be considered primarily in terms of its impact upon election tactics; but that has been the fate of the measure throughout. It has always appeared as a gap deliberately cut in the existing procedure to enable the Steel Bill to be bundled through in time for the election; and so strong has the circumstantial evidence been for that view, that no amount of official disclaiming has persuaded anyone to think otherwise. The Parliament Bill will become law, with the now needless clause giving it retrospective effect to cover the Steel Bill included among its provisions as a curiosity and a reminder

was first raised. On the other hand, they have been against any formal strengthening of Commonwealth ties; they dislike the idea of a secretariat or of any body with supernatural powers—even though the suggestion first came from one of their former leaders—and they are determined to preserve their freedom to act as and how they think best over any particular question.

A change of Government should not be expected to lead to any sharp changes, of course, in Australian foreign policy. Much, of course, will depend on the personality of a new Minister. But none of the likely candidates—the choice would seem to lie between Mr Menzies himself and Mr Casey—has Dr Evatt's boisterous temperament, and the headlong rushes into situations where angels have feared to tread would be replaced by a suaver and more cautious approach. There would be more verbal emphasis on the unity of the British Commonwealth. But the main outlines of Dr Evatt's policy are not his personal creation and would not pass with him. Even if the Australian people should wish it (and they do not) they cannot retreat into the role of a dutiful outpost of Empire. For better or for worse, Australia is out in the world, with interests of its own to defend and dangers of its own to face.

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Labour Loses New Zealand

The defeat of the Labour Party in the New Zealand general election on Tuesday and Wednesday was not quite the landslide it at first appeared to be. The proportion of voters who swung from left to right was only about 7½ per cent of the total, but this was enough to give the conservative National Party a majority of 12 members in a parliament of 80, as against their minority of four seats in the last parliament. The new House of Representatives will contain 46 members of the National Party and 34 members of the Labour Party; all the 16 Communist candidates lost their deposits, and no independents succeeded in getting in. The National Party gains were chiefly in suburban constituencies and in electorates containing mixed urban and rural voters. The Labour Party kept its hold over the four Maori seats.

Mr Sidney Holland, who as leader of the National Party becomes the new Prime Minister, has therefore a good working majority; it will be a matter of great interest to see what he does with it. For, after fourteen years of Labour rule, New Zealand has become firmly established as a welfare state and, in spite of electioneering speeches, it is difficult to see what major changes Mr Holland will be able to make.

Almost the only real dispute between him and Mr Fraser, the retiring Prime Minister, was about price controls and import and export restrictions. While controls over trading within New Zealand can easily be relaxed, and probably with benefit to the community, the future of controls over external trade is a more complex matter. Mr Holland will have to be careful if he is not to lead New Zealand down the path which South Africa followed in 1947 and 1948. He is also likely to meet trouble on the waterfronts, and it is just possible that, in spite of his majority, he may have to go to the country before his full term is up.

From the point of view of the Commonwealth the loss of Mr Fraser in its deliberations must be regretted. He brought to the Prime Ministers' conferences common-sense and sound reasoning which will be missed.

* * *

Trouble in Nigeria

It has been known for some months, even for some years, that the situation in Nigeria was very tricky. Nationalist, anti-British feelings have been fed by a ceaseless stream of newspaper propaganda, particularly among the Ibos of the eastern provinces where trouble has now broken out. What is surprising, all things considered, is that the trouble has not, so far, taken a far worse turn.

The fact remains that twenty Africans have been killed by the police in suppressing riots. This is a serious matter for a colonial power at any time, and never more so than when, in the eyes of the world, it is on the defensive over its colonial policy—as is Great Britain even today. The prompt appointment of a commission of inquiry into the disorders, which includes two Africans, one from the Gold Coast and one from Nigeria, among its membership of four, is, therefore, greatly to be welcomed. Clearly, until it has reported, any comment on the disorders themselves should be withheld.

Their background is, however, instructive. Mr Creech Jones said in the House of Commons this week that the trouble at the Government coal mines at Enugu, where the rioting started, was not an ordinary industrial dispute, in the sense that there was no breakdown of negotiations for higher wages. The origins of the trouble seem, in fact, to go back two or three years when, owing to the lack of success of the African

trade union in the mines, a new one was formed under management sponsorship. Its leaders were promptly called management men by the disgruntled leaders of the displaced union. One of these, Mr Ogiyi, persuaded large numbers of workers not to follow the new leaders, and ever since there has been rivalry between him and his following and the officially recognised union leaders. Obviously, the best bait that both sides could use to attract more adherents has been a promise of higher wages. In this Mr Ogiyi has had a big advantage because the official trade union had not been set up when the Harrigan committee recommended higher wages, with considerable back pay, to civil servants and other Government workers; Mr Ogiyi, being the trade union leader at the time, is consequently regarded as the man who obtains for the workers their just claims. The claims of the rival leaders thus became wilder and wilder and more and more demagogic; and when it is considered that all this was taking place in an anti-British and anti-Government atmosphere, it is hardly surprising that the trouble should have spread. As so easily happens, a dispute that began between Africans was rapidly turned into an anti-British incident.

* * *

Free Trade Unions

It is now nearly a year since the representatives of organised labour in the western countries withdrew from the World Federation of Trade Unions, after a protracted quarrel between the "reformists" and the "revolutionaries." The formation of a new international organisation to speak on behalf of the non-Communist unions in the free countries is the logical result of the failure of east and west to find a bridge of compromise in the World Federation as in other international organisations. The impetus for a new organisation has largely come from Britain, the project having been initiated when British trade union leaders visited America last spring, and launched at a meeting last June in Geneva.

The conference of free trade union leaders now taking place in London is impressive both in its size and in the quality of its delegates. There are 245 delegates and observers who claim to represent over 45 million workers, not only in the industrial countries but also in colonial territories and economically more backward countries. One of the most encouraging signs is the keenness of the American delegates to make the organisation a success, a fact illustrated by the presence and co-operation of Mr William Green, president of the American Federation of Labour, and of Mr Walter Reuther, president of the United Automobile Workers and a powerful figure in the Congress of Industrial Organisations which has fought such a bitter battle in the past with Mr Green.

That there are certain stresses and strains within the conference was made clear on the opening day in discussion of the position of the Christian unions. With the exception of the French, none of the Christian groups has been invited, because of the opposition of the secular unions. A compromise solution has been accepted whereby the Christian unions will be included if they agree to withdraw from their own International, which claims nearly three million members.

The most difficult question upon which to achieve agreement is that of the emphasis to be put upon anti-Communism in formulating the views of the new organisation. It is agreed that Communism is the enemy, but the problem is to decide how far the new International should be aggressively anti-Communist; this means drawing in dubious unions from the extreme right. The AFL seems to regard anti-Communism as the main criterion. The TUC, on the other hand, and most of the west European trade unions, would rather see the stress laid on positive, social and economic advancement. The great advantage of the new organisation is that it is composed of men who are roughly like-minded and who are anxious to arrive at effective com-

promises. It is this that should prevent it from degenerating into the frustrated impotence that made the WFTU a meaningless and dangerous forum.

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Mr Morrison's Tune-up

Mr Herbert Morrison, generally the embodiment of sweetness and reason, appears to be working up to a pre-election pitch of uncharacteristic shrillness. His more usual vein was apparent, at Birmingham last Saturday, in his advice to the Liberal Party not to associate with the wicked Tories, not even to try to induce them to withdraw, here and here, to let the Liberals in, lest they should be eaten alive as the Liberal Unionists and Liberal Nationals before them. The spectacle of Labour solicitude for Liberal independence and survival is interesting; it indicates Mr Morrison's personal belief that a large number of Liberal candidates would, on balance, draw more votes away from Conservative than from Labour candidates (a fact which should be borne in mind when either Mr Morrison or other Labour spokesmen claim, as they frequently do, that the Labour Party is the natural heir of the Radical tradition).

When, however, Mr Morrison turned to the recent tax-free payments in consideration of which Mr Lord and Sir John Black undertook never to serve any other firm competing with those now employing them, an unmistakable election-year acerbity crept in. He had an important theme—restrictive covenants on the one hand, tax-circumventing devices on the other—on which much could have been said, and said strongly, outside the field of party politics. He chose instead to emphasise a quite farcically irrelevant parallel with the direction of labour, which (compulsory and uncompensated as it may be) is in his view far less of an infringement of individual liberty than that to which the two motor magnates have submitted. To draw so far-fetched and superfluous a comparison suggests that Mr Morrison has the direction of Labour heavily on his political conscience.

Electioneering shrillness, however, rises to its highest pitch in his repeated attacks on the advertising campaigns now being conducted by the sugar refiners, the cement makers and the industrial assurance interests who are threatened with nationalisation by the Labour Party's election programme. Mr Morrison suggested that the money spent on these campaigns should be reckoned as election expenses within the meaning of the law and charged against all candidates standing in opposition to the Labour Party. One would be tempted to dismiss this as a pleasantry of the hustings, if it were not for a rash of obviously inspired statements by the political correspondents of the newspapers that the Labour Party is seriously thinking of bringing a test case. If the law is really discovered to be quite so absurd as to prevent threatened industries from defending themselves, it will obviously have to be changed. But it is very hard to believe that the law is such an ass as Mr Morrison makes it out to be.

* * *

Communist Doldrums

Last week-end the British Communist Party held its 21st Annual Congress at Liverpool. Despite reports of tremendous enthusiasm and despite the fiery speeches, it is evident that the Communist Party has for the time being reached the political doldrums. In his report Mr Harry Pollitt, the general secretary, writes of the party's failure to make headway with an air of bewilderment and frustration which is unusual in such literature. "The main weakness of our work is that we have still not succeeded in leading the masses into action on the scale that is necessary." The party, according to Mr Pollitt, is too small, with a membership of 40,000, for effective action. Surprisingly, it also contains too many apathetic people, unwilling to master the party line—

"we tend to be content with laying down a line of policy, and then not taking every possible measure to see our membership is firmly convinced of the correctness of that policy"—and too lackadaisical about recruiting new members. This is to be overcome by cracking the whip over the more sluggish members and adopting a more militant attitude. The Communist in trade union or factory is now to fly his own colours and pay no lip service to social democracy.

On Monday the *Daily Worker* castigated the Sunday press, muzzled by its capitalist masters, for paying no attention to the Congress, but the truth is that the political activities of the Communist Party have at the moment little news value. The Communists will put up about one hundred candidates at the General Election, but it is more than possible that they will not return one member. In the Gallup Poll figures published this week in the *News Chronicle* the percentage of the popular vote not attributable to Labour, Liberal or Conservative stands this month at one per cent (it was as high as six per cent after the 1948 Budget), which since it must be shared with Independents and Independent Socialists, can give the Communists little hope of a Parliamentary party. Their sphere of action is in fact largely limited to causing trouble in industry, and it is significant that the London dockers come in for a fatherly pat on the head from Mr Pollitt.

* * *

Dogs of Peace

Having spent nearly eighteen months trying to coerce Tito's Yugoslavia by all means short of invasion, the Cominform has seen fit to issue the most belligerent resolutions in favour of peace that bitter and suspicious men could draw up. Meeting secretly near Budapest early last month, its delegates no longer enjoyed the assistance of the Bulgarian Vice-Premier, Kostov, now accused of trying to "physically annihilate" his late Prime Minister Dimitrov; or of the Russian Zhdanov, now dead; or of the Rumanian Foreign Minister, Anna Pauker. But such old survivors as Messrs. Duclos and Togliatti attended from France and Italy, and Mr Suslov came from Moscow to move the resolution which gives the party line for the winter.

The task set to Communists throughout Europe is to woo intellectuals and trade unionists into alliance against war, and to organise the "ideological stupefaction of the working masses." So the "peace campaign," which was declared last March to be not under Communist direction, is now avowed to be under the direct supervision of Moscow. The preliminary bombardment has already been completed at Lake Success by Mr Vyshinsky; it is now for the ideological infantry—600 millions strong according to the Cominform—to press home the attack. They will be armed with slogans that have been exhaustively tested for months: persons like Mr Herbert Morrison and M. Blum are the "bitterest enemies of the working class, the accomplices of warmongers and the

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lackeys of imperialism." War, they say, is being prepared to thrust Anglo-American domination on the whole world; the danger of war can only be diminished by mobilising opinion against the "humanity hating propaganda of the aggressors." "All democratic and patriotic forces" must be unified and consolidated and, says Signor Togliatti, a special effort must be made to work on Roman Catholics and to co-operate with their trade unions.

To the non-Communist such a programme and such a vocabulary are boring; but to the Communist both are exciting because they provide the outlet for frustration, hatred and the itch to agitate. Less boring and more sinister—though the power of the peace campaign should not be underrated—is the call for further effort against Tito. He, alas, has "gravitated definitely from bourgeois nationalism to Fascism"; and against Fascism no holds are barred. So the Cominform openly invites Yugoslavs who oppose Tito to work against him underground and revolt.

That such a blatant incitement to civil war can be combined with resolutions for a peace campaign illustrates once again how the meaning of words is being perverted by the cold war. The fight for peace means the advancement of Soviet interest; the warmonger is a person who calls a halt to that process. The universal desire to avoid war is being played on with the suggestion that it can only happen as a result of preparing resistance to Soviet policies.

* * *

Bad Manners at Bonn

For the last seventeen years the Germans have had no experience of parliamentary institutions and, even before that time, the Nazi minority had destroyed all sense of order in the conduct of parliamentary affairs. It was therefore inevitable that, when the experiment of restoring democratic institutions began at Bonn, the German politicians would show a certain lack of skill with their new and unfamiliar instruments of debate and discussion. Nor is it simply a question of having lived without parliament for nearly two decades; the Germans have also missed certain developments in democratic government which, in many countries in the western world, have only developed in the last ten years. The chief of these is a tendency, in all countries where there is no strong Communist Party, to move towards a certain unanimity in foreign affairs. The notion that the government and opposition ought, if possible, to work together in the foreign and diplomatic field has reached its fullest expression in the United States, where bipartisanship in foreign affairs is almost a principle of government.

This development has no part in German experience, and Dr Adenauer in his dealings with the western powers has taken little trouble to carry the largely Social Democrat opposition with him. He has made no formal arrangements for consultations and discussion, and he ratified the Petersberg agreements without reference to parliament at all. Whatever the constitutional rights and wrongs of the position, he certainly showed a considerable lack of wisdom in excluding the opposition altogether from a settlement of such crucial importance for the future.

It is possibly this failure to consult parliament that Dr Schumacher had in mind when, at the end of a stormy debate, he shouted out that Dr Adenauer was the "Chancellor of the Allies." Whatever the intention behind it, the propagandist phrase was entirely mischievous. Dr Schumacher's subsequent behaviour in refusing to retract in the slightest these foolish words has added to the growing belief that he has neither the calm nor the deliberation necessary to be a responsible parliamentary leader. The decision to suspend him for what amounts to twenty sessions is, however, too savage a censure, for if he is to be absent so long, how can he meanwhile accustom himself to parlia-

mentary manners? The winning over of the opposition to a sense of responsibility in foreign affairs should be one of Dr Adenauer's chief aims; but it seems unlikely that this sentence of banishment will do anything but widen the breach between the Christian Democrats and the Socialists.

* * *

Black Guards Behind the Elbe

There is every sign that the Russians are giving particular care to building up in east Germany a "people's democracy" strong enough to maintain its totalitarian character in any future relationship with the stronger and wealthier west Germany. Their supervision of the all-powerful Politbureau of the Communist Party through Herr Ulbricht shows through everything that is said and promised by the political spokesmen of the new "coalition" government. The tolerated "bourgeois" parties of Liberal Democrats and Christian Democrats find that all criticisms of Communist methods are ignored, in particular that only the most informal and perfunctory discussion of bills is allowed before they appear before the lower house of parliament for unanimous approval.

The high hopes of a real relaxation of Soviet control which reigned in October have faded into memories. The Soviet control commission has reaffirmed publicly that it intends to "supervise the implementation of the Potsdam Agreement," to supervise Herr Dertinger's conduct of "foreign policy" and, as regards foreign trade, to "ensure that Germany's obligations are fulfilled." General Chuikov has, to assist him in his work, not only a political adviser, Mr Semenov, but also a specialist on east European trade, Mr Semitchastnov. The political role of the diplomatic mission to Berlin under Mr Pushkin can be surmised when one recalls the role he played until recently as Soviet Ambassador in Budapest.

To brighten these rather bleak prospects, so strikingly different from those of the Adenauer government, official propaganda from Berlin and Leipzig points emphatically to a rosy future with "undreamt of vistas," including a "market from Brest Litovsk to Shanghai," and a Germany which, according to Herr Dertinger, is being "integrated into an economic area immune from slumps." Children all over the Soviet zone are now learning the new national anthem which ends with the words: "We must see to it that the sun shines again over Germany as never before." In the same category of romantic distraction falls the trade unions' appeal to all eastern Germans to work an extra hour this week, the payment for which will provide a tribute for Stalin's birthday three weeks hence.

There is much in all this which the western Powers can afford to ignore; what they cannot much longer ignore is the activity of such men as Dr. Kurt Fischer, the former Spanish civil-war commander Wilhelm Zaisser, and the former Air Force general von Weech. There is perfectly good evidence that these veteran military organisers will have ready by next spring between 35,000 and 40,000 highly trained and "politically reliable" men of the SS type. There is less reliable evidence that compulsory service for the "people's police" may be introduced for all men between the ages of 20 and 40. What is even more disturbing is the possibility that these armed "emergency squads" (*Bereitschaften*) already have a staff organisation capable of expansion and in process of building up its own communications network.

Doubtless the Russians are doing all this with open eyes; doubtless, too, there is some exaggeration in reports of airfields being handed over to the *Bereitschaften*. But there is no doubt at all that the crucial paragraph three of the Potsdam agreement—promising the "complete disarmament and demilitarisation of Germany"—is being ignored. This is a matter which Mr Bevin and his fellow Foreign Ministers should raise at the first opportunity with Mr Vyshinsky.

Pruning the Information Services

In the House of Commons this week, and simultaneously with the publication of the report of the Committee on the Cost of Home Information Services (Cmd. 7836), Mr Morrison announced that considerable economies would be made in the expenditure on home information, some of them as the result of the committee's recommendations. In the current financial year, 1949-50, the estimate of expenditure on the home information services is £5,168,050, but actual expenditure is likely to be nearly £700,000 less than this. Next year, according to Mr Morrison, the estimate will probably be £1,200,000 lower than this year's original estimate—that is, it will be about £3,968,000. These totals exclude, of course, all foreign and overseas information services, and the cost of the British Council, whose annual report was also published this week.

These economies, of £700,000 this year and a further £500,000 next, are welcome, especially in view of the big rise in annual expenditure on home information from the beginning of the war onwards. But one can surely ask, without being accused of treating the Central Office of Information and the information divisions of the various Government Departments as a perpetual butt, whether the economies could not be much bigger. The provision of Government information, in an age when the functions of government penetrate into every home, is clearly essential. The need for Government publicity, except in particular instances, is less obvious. Changes in rations and the implementation of the national insurance scheme are examples of the need for Government information. (But are the Ministry of Food's recipes really necessary?) The importance of Government publicity can be illustrated by the campaign for immunisation against diphtheria.

Even in these particular instances, however, the success of the home information services has varied greatly. The immunisation campaign has been successful. But how is it that even today so many people think that the cost of the health service is borne by their insurance contributions? It is hardly surprising, when the Government fails to get the right facts in a case like this into people's heads, that publicity on the general economic situation should, on the whole, have failed to do its job. And when publicity of this sort fails, it means that considerable sums of public money have been thrown away. The truth is that very little is known about effective methods of exposition and persuasion in a relatively abstruse field like economic policy. The Government assumed that methods applicable to commercial advertising would do the trick. They have not, and consequently there has been a certain waste of public funds. The Committee is, therefore, right to recommend that there should be much greater discrimination in the choice of subjects to which publicity should be given and in the choice of media to put the publicity into effect.

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Meat Elasticities

The Ministry of Food's intentions, as displayed in their current inquiry concerning the demand for meat, are obviously excellent. They are anxious to ascertain "the amount necessary to satisfy public demand under existing methods of selling and control of distribution, and under free trade." To that end they are asking the retail butchers for one readily ascertainable fact—the percentage of registered customers not taking up their whole ration (now increased by 2d. a week)—and two opinions: What value of meat (within the range of 1s. 4d. to 2s. 2d.) would, at present prices and quality, satisfy the requirements of all domestic consumers; and what would be the effect if cuts suitable to the business could be obtained by every butcher. For the enquiry to give the Ministry a reliable picture of what the public really wants, the butchers would have to display a miraculous insight into the elasticity of demand (price elasticity and

income elasticity, economists will note) for (a) meat in general and (b) all different types of cuts in particular. Even so, it is far from clear what action would follow. But in an era when the superior wisdom of Whitehall in regard to diet and almost everything else has acquired the dignity of a dogma one must hail with gratitude any evidence that the consumer's opinion is worth consulting at all.

The naïveté of this procedure, however, is really staggering. By what conceivable reasoning are the butchers supposed to reach their conclusions? In a freely working price system it would be possible to elicit from any dealer in a standard commodity an intelligent forecast, based on past movements, of the results of a small increase or decrease in price. Indeed, it is from the exercise of judgment in precisely this field that dealers make their livings. But to ask a body of dealers, who for ten years have been denied that light on consumers' preferences which is shed by free price movements, to estimate the volume of demand unsatisfied at present prices (which is what the inquiry amounts to) is about as near the ultimate in time-wasting procedures as bureaucracy can go.

Direct research among consumers is more promising. It is conceivable—just conceivable—that by taking a great deal of trouble, plaguing a great many busy housewives, and setting up a very large battery of calculating machines, there might be obtained data of real value for policy-making. It is possible, as witness the achievements of a number of gallant unfortunates, to write, paint, and generally manipulate one's environment with one's toes. But why, with two hands available, emulate the armless? Why, in seeking light on the preferences of consumers, boycott the price system?

* * *

Soft Words on Hard Water

The report of the Committee on Water Softening* is packed with information; useful ("in order to wash an article it must first be thoroughly wetted"); statistical (".32 of a gallon of water a day must be softened for washing and bathing"); or downright incredible ("within very wide limits washing is a desirable habit.") But even more striking than what the report includes is what it omits. No stupendous scheme of capital expenditure has been set out with the insistence that its immediate implementation is a matter of life and death for the community. No monstrous sums are demanded as the price of health and security. All is moderation. Hard water is, on the whole, rather a bad thing; the efforts some authorities have already made to soften it are, on the whole, rather a good thing; when there is some public money to spare, the Government should consider whether a further elimination of the rather bad by the rather good may not be among the projects worth undertaking. Such restraint, in these days, is a thing to be grateful for.

The whole project is permeated with sweet reasonableness. No prejudice is allowed to remain skulking in its den; all are dragged out and, as it were, scrubbed with the softest of water. Hard water and soft water alike are acquitted of the charge of being unhealthy. Tea is disposed of in a trenchant phrase: "We do not think that any strong argument for or against softening of water supplies can be based on tea." The spirit of dispassionate enquiry has presided over endless shaking of soapy water in bottles, solemn tasting of untold gallons of tea, minute peering into the furry insides of kettles. Would that all prejudices were susceptible to such treatment.

The chief surviving villain is the wastage of soap which hard water involves. It is estimated that it would cost the average user of hard water 8s. 2d. per annum—if he could get the soap. The tenuous web of hypothesis which supports this figure would make a metaphysician green with envy; but it is fair to add that all available data tend to confirm it. When the ground nuts finally reach the shores of Britain the public will be able to waste soap freely; will softened water by then take the heart out of this long awaited indulgence?

* HMSO. 1s. 6d.

Arabs and the Clapp Report

Arabs would not be Arabs if they had no complaints to make about the Clapp report on the future of their refugees. Their principal objection to it is, naturally enough, that it proposes to cut down the number receiving rations from 940,000, the Secretary General's estimate of what is necessary, to 652,000 on January 1st, 1950. Mr Clapp's argument is that rations are being distributed to 200,000 more people than ever came out of Palestine. The retort from Arab circles is that plenty of people who did not live in Palestine and are, therefore, not strictly speaking refugees, have lost their livelihood through secondary effects of the war. They advance this argument while ignoring the fact that considerable numbers of Bedouins, who never had much livelihood anyway, have joined the queue for free food and that the international organisations distributing it say they have been too under-staffed to check them. Only the Quakers in the Gaza strip have been able to do so effectively. Arab circles also point out, with a good deal of logic, that they cannot keep their peoples reasonably happy if they are forced to witness, or even to organise, better treatment to the refugees than they can afford to give to their own indigent citizens.

If the Arab States are to accept the Clapp report it seems possible that the sweetener offered to them may have to be more generous. Before they condemn it, or ask for more, they would do well to wait for its second part, which deals with long-term economic aid to Middle Eastern countries. It is possible that his plans will link up, at least so far as finance is concerned, with the Point Four schemes which the Assembly has already endorsed.

As the Point Four monies are not lavish and Congress has not yet voted the American contribution, it seems clear that Mr Clapp should keep two points in mind as he drafts the second part of his report. The first is that it should embody proposals which will enable the Arab governments to tell their peoples that there is some bounty coming to the local poor, and that everything offered is not just for the refugees. The second is to evolve a long term development scheme that does not fall victim to Uno's tendency to try to achieve a lot in a little time by employing a swollen international staff, that is cheap to run in terms of international donations, and that acquires the funds it needs on a basis of paying dividends both to the local government and to the foreign investor.

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Economics in Islam

The first economic conference ever to be held between Moslem countries is now taking place in Karachi. The idea of holding such a conference was first put forward by Mr Jinnah a few weeks before his death. His hope was that

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Moslem states could help each other a great deal even if their economies are similar rather than complementary. He discussed the subject with Mr Ghulam Mohammad, Pakistan's acute and downright Finance Minister, who is one of the strongest personalities in the new state. It is to him the present conference owes its creation.

Whether any startling results can be achieved is another matter. The meeting is being attended by representatives from north Africa, the Middle East, Turkey, Persia and Afghanistan. In spite of its huge Moslem population, the new Indonesia is apparently not represented. Simultaneously with the conference, an industrial and commercial exhibition—of Moslem products—is being staged in Karachi, and it is intended that both the conference and exhibition should become an annual event, taking place in each capital in turn. In opening this inaugural meeting the Pakistani Prime Minister, Mr Liaquat Ali Khan, urged Moslems not to put their faith in either western democracy or Communism. He spoke of Islam as a company of strategically placed communities, of considerable strength, in a world which wanted to use their products and their military position. He exhorted them to be strong enough to resist pressure from other large groups, to develop economic cooperation—beginning with banking, shipping and insurance—and to aim at raising standards of living through the application of Islamic principles.

The detailed work of the delegates will be to assemble information about the possibilities of greater trade between the Moslem countries represented; and some 55 commodities have been listed for study. But the wider question behind this whole meeting is, as Mr Liaquat Ali Khan's address suggests, whether Pakistan will be able to assume the leadership of widely flung peoples who, however much they may have in common, have hitherto been more noted for their "agreement to disagree" than for any effective co-operation. Pakistan undoubtedly has ambitions of this sort. If it achieved them, this might not only soothe Karachi's dangerous feeling of isolation in the shadow of India, but bring positive good to the Middle East. For the West, however, the danger could be that such a group would become exclusive and hostile, if treated insincerely and thoughtlessly. This experiment in the Moslem world should be watched carefully and tactfully from London and Washington.

* * *

Two Queues at Lake Success

The two rival queues of candidates for admission to Uno still show no signs of passing the door. The larger queue consists of those states whose claims are supported by a majority of the Security Council but vetoed by the Soviet Union; the smaller consists of those which have Soviet support but not that of a majority of the Council. Two years ago there was only Italy and Transjordan versus Rumania, Bulgaria and Hungary. Since then the lines have lengthened, until now there are nine in the one and five in the other. Only Burma and Israel have recently succeeded in jumping the queue.

Few other subjects have been so well aired at Lake Success—with so little success—or have been more persistently shuffled between the Security Council and the General Assembly. According to Article 4 of the Charter membership is open to all "peace-loving states" which accept, and are able and willing to carry out, the obligations contained in the Charter. But nowadays the word "peace-loving" is interpreted in the manner of Humpty-Dumpty: "the question is, which is to be master—that's all." A majority of the Security Council is firmly convinced that Albania, Bulgaria, Hungary and Rumania are not lovers of peace.

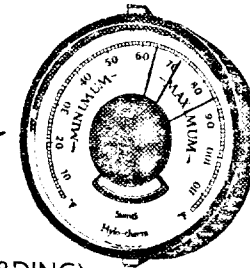
The Russians are concerned—quite understandably—not so much with the question of suitability as with the need

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to swell the pitifully thin ranks of their supporters at Lake Success. They, therefore, make their approval of the nine candidates with majority support conditional on the simultaneous admission of their own candidates. The Soviet delegate gave the show away when he stated that his Government considered Italy qualified to become a member of Uno, but opposed it simply because the Council had refused to recommend the admission of Bulgaria, Rumania and Hungary.

The veto should clearly not be allowed to apply to the election of new members. Britain and the United States have already recognised this and have both expressed their willingness not to use it when a majority of the Security Council favours the admission of any particular candidate. In the case of Israel, Britain has already observed this principle. As a last resource the Assembly has decided to ask the International Court whether the Assembly may elect new members, whether or not they have the blessing of the Council. To by-pass the Council in this way may be the only way out of the impasse; but the legality of such a move would be doubtful.

* * *

Portugal's Picked Parliament

With a minimum of ceremony Portugal's National Assembly—the fifth since it was established under the constitution of 1933, as democratic makeweight to the dictatorship—has begun sitting. The deputies are all National Union men and over 50 per cent of them are government officials. In a pre-election speech on October 20 Dr Salazar lamented that the leading figures in business and the professions pre-

Revolt in Cephalonia

By recent arrivals from the Ionian Islands, we are put in possession of the speech of the Lord High Commissioner to the Legislative Assembly of the United States of those islands on the 10th ult., and it mentions several matters which require to be made known, in order to enable the public to form a just opinion on the late occurrences in the islands. . . . It is pleasant to find . . . testimony both from persons on the spot and persons at home, the best calculated to give an opinion on the subject, bestowing . . . approbation on the prompt and energetic measures adopted by the Lord High Commissioner. Not daunted, too, by the apparent ingratitude of those who made his first act of clemency a means to provoke a renewed insurrection, he is hastening on the work of legislative reform. He goes cordially with the Legislative Assembly, in endeavouring to frame a constitution which will promote the common interest, and make the Ionians prosperous. He is anxious to give the Legislative Assembly control over the ordinary and extraordinary expenditure of the islands as fully as it is possessed by our own House of Commons; and he proposes to lay before it a budget for the next two years, and take the votes of the Assembly on every item. . . .

But while he (the Lord High Commissioner) has put down such a vile rebellion with a strong hand, he has shown himself sensibly alive to the wants of the country. He has hastened to heal the wounds inflicted by violence, and promote an increase of health and vigour by a new and liberal regime. The public will not tolerate cruelty or injustice, particularly in conjunction with a mere policy of restrictions to secure personal or party objects. Sir H. S. Ward is sensible of this, and though he has been constrained to act with severity, he has not overstepped the bounds of justice, and he has, as soon as possible, adopted an enlarged and liberal policy that will insure prosperity to all.

The Economist

December 1, 1949

ferred to stay out of this debating chamber. He also once again spoke wistfully of his desire for a licensed opposition to offer his cohorts of yes-men. But the authorities took good care in the elections of November 13 to see that the two opposition lists, of four men apiece, at Castelo Branco and Portoalegre were defeated. The liberal-democratic adversaries of the regime had again, as in 1945, refused to compete, on the ground that the dice were loaded against them. Instead, they are reported to have addressed a manifesto to Marshal Carmona setting out their grievances.

The critics complained, with some justice, that the electoral registers had remained closed, except immediately after the Presidential contest last February—when opposition morale was at its lowest—and that the regime had worked up a prodigious Communist scare; that the new electoral law issued in the first week of October effectively ruled out the non-Government scrutineers for whom General Norton de Mattos had pressed. The Government also possesses, it is true, wide powers to disqualify candidates and voters, which it has not scrupled to use.

The powers of this tame Assembly are certainly restricted. It is a Parliament only in a Pickwickian sense. That is to say, it votes year by year in December an enabling law in general terms, authorising the collection of revenue and formulating the general principles of the budget. But it may not initiate any legislation involving an increase in expenditure or a reduction of revenue. It is also expressly stated in the Constitution (Article 92) that laws voted by the National Assembly should be confined to a statement of general principles. The Government is not responsible to it, and Ministers never come before it to defend or explain the conduct of their departments. Dr Salazar's "Cabinet," in fact, proceeds habitually by decree-laws, which need to be submitted to the Assembly only when it is actually sitting, that is, four months in the year. Yet this "Consultative Assembly" has its uses as a place for airing grievances: there was a spirited debate on the administration of Angola last spring and shortly afterwards another on agricultural policy. What it does not provide is a vehicle of informed opinion which can aspire to control the executive. It is not surprising then that Dr Salazar, in his speech of October 20, foreshadowed a diminution of its constitutional attributes and a transfer of the centre of gravity of the regime to the Corporative Chamber.

* * *

Honour and Office

In a leading article in *The Economist* of last week entitled "Honour and Office" reference was made in a paragraph dealing with the personal integrity of Ministers to the recent imposition of a fine upon a junior minister "in connection with some piece of minor company malpractice," that is as a director of a company which failed to make annual returns to the Board of Trade. This referred to Mr Patrick Gordon-Walker, Under Secretary of State for Commonwealth Relations, and was justified on information publicly available at that time. However, on Tuesday of this week Mr Gordon-Walker made a personal explanation in the House of Commons, stating that he was in complete ignorance that he was in any way associated with the company in question, that he thought he had resigned his directorship more than three years ago and was then under the impression that the company was to be dissolved. Had Mr Gordon-Walker made his explanation immediately after the hearing of the case, the reference to him in last week's article would not have been made. Now that these fuller facts are available it is clear that the offence for which Mr Gordon-Walker was fined was barely even a "minor company malpractice" and that even the Victorians would scarcely have exacted for it the penalty of resignation from office.

Letters to the Editor

Soviet Semantics

SIR,—The euphemistic charm of Soviet vocabulary is as potent in the purely economic as in the political field, and demands an antidote as effective in the one as in the other. Nowhere does the need for interpretation press more urgently than in the "underdeveloped areas," where Point Four aid, by provoking an inevitable demand for more, may well have a political effect the reverse of that intended, unless the recipients appreciate that no economic system—not even that of Russia—can perform miracles. Dollars used to build up a really forceful publicity service which will not be ashamed to use the perhaps unorthodox methods of mass education called for amongst semi-literate peoples may prove in the long run to have been well spent.—Yours faithfully,

P. G. POWESLAND

19 Banbury Road, Oxford

Kashmir

SIR,—The British press is not usually slow or reticent in condemning political immorality. Yet we still await a full and frank examination of the "Kashmir incident." Possibly the reason for this omission has been the desire not to antagonise India, but it is not realised widely enough how prejudicial to our good relations with Pakistan this conspiracy of silence has been.

The Indian claim to Kashmir rests on the decision of its Maharajah to accede to India. She is, however, morally estopped from pleading this juridical right by her own actions in reversing by force the wishes of the rulers of Junagadh and Hyderabad. In these two cases India could and did argue that her policy had the support of the peoples concerned, and no one seriously doubts that a free vote in the two states would have resulted in a very large majority for incorporation with India. Conversely, it is common knowledge that a free vote in Kashmir in midsummer 1947, or even today, would be overwhelmingly in favour of Pakistan. Hence India's recent refusal of a plebiscite controlled by the United Nations, which Pakistan accepted.

For Pakistan it is not merely the impossibility of surrendering an 85 per cent Muslim majority area: Kashmir is a strategic and economic necessity. Strategically, Kashmir in alien hands exposes three-quarters of Pakistan's northern frontier. Under Pakistan's control it gives Pakistan an impregnable northern frontier in the Himalayas and a defensible north-eastern frontier along the Ravi opposite the Pathankot tahsil of the Indian district of Gurdaspur. Economically, the

ruler of Kashmir controls the waters of the Indus, Jhelum and Chenab. Already the Western Punjab has lost by partition the canal headworks on the Ravi and Sutlej and the hydro-electric station at Jogindanagar, which supplied industrial Lahore. It is essential for Pakistan's irrigation and hydro-electric development that she retain control of the other three rivers.

No such viral issue is at stake for India, unless she intends to encircle and strangle Pakistan. Her motives appear to be a combination of political and personal prestige (Pandit Nehru is a Kashmiri Brahmin). In these circumstances the uncritical attitude of the British press (and the publicity given to Pandit Nehru's recent bellicose press interview) does a great deal less than justice to Pakistan, where our "neutrality" is most cynically regarded.—Yours faithfully,

C. W. M. GELL

P.O. Rex, Rustenburg, Transvaal, South Africa

The Karens

SIR,—I cheerfully agree with the collective assessment made by *The Economist* over the past three years of Burma's true position in the scheme of things, though I must deplore the petulance with which you dismiss Burma as just a debtor owing £30 million to the United Kingdom.

I write because any increase in the mutual understanding between the peoples of the world must be desirable, and the Burmese today are rather sensitive to the British press. Although its traditions would allow Mr C. F. Grant's letter to be published, the Burmese would tend to regard his ill-informed out-of-touch prejudices as the representative opinion of the British people. I have no desire to emulate the devotion of the Karens to the West and Mr Grant, but since my grandfather, father and mother were educated in England, the eldest brother serving under Wingate, another in the RAF and myself in the RNVR, I should not be accused of being rabidly anti-British.

The Karens, according to British records, acted as guides, spies and auxiliaries in the three Anglo-Burmese wars of annexation. There can be no moral obligation on the part of the Burmese to honour the Karens. The Burmese have, however, forgiven all this, and agreed to share their birthrights with the Karens. The Karens were allotted more than their proportionate share of scholarships, cadetships, posts, sinecures, contracts, etc.; Karens were made commanders of the Army and the Air Force. There is no hatred of Karen Christians as such, my own nanny, my son's and those of many other Burmese were Karen Christians.



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Mr Grant by inference defines the rebelling Burmese Communists as anti-British. Now what would that make of the Government and the majority of the Burmese who are fighting the Communists? Perhaps just something that the Karens don't happen to like?

Mr Grant says that the Karens helped Wingate. Perhaps, but in the combat areas of Wingate's expeditions, there are no Karen villages—what local help he got was from the Burmese. He says again, that the Karens rebelled months after the Communist rebellion, but according to some of the British Sunday papers, who seemed to have been very sympathetic and well informed, the Karens had been hatching their plans and collecting arms for the previous two years.—Yours faithfully,

MAUNG KYAN THET

80 King Henry's Road, London, N.W.3

Propaganda for Savings

SIR,—Your note on the above in *The Economist* of November 5th and the letter in reply from Lord Mackintosh appearing in the issue of the following week, if read in conjunction with the weekly summaries of National Savings printed by you during the past few weeks, draw attention to the serious lack of interest by the ordinary citizen in the National Savings Movement.

Is the movement, as at present designed, a spent force? Or is the acute downward drift of net savings in recent weeks in the three main avenues of popular investment, viz., Savings Certificates, Defence Bonds and Post Office and Trustee Savings Banks, due solely to the general anxiety and fear of the future which seem to haunt the minds of so many people today?

As in the business world, advertising propaganda sometimes needs radical change of method and direction especially in the absence of sellers' markets, effectively to bring the products of industry to the attention of discriminating buyers if the sales are to be increased or even maintained. It would appear that some such change is needed today in order to repopularise savings by the individual both from the self-interest and national interest standpoints. In these critical days surely the nation-wide appeal should be to save for the security of the saver himself and of his country in the hour of crisis.—Yours faithfully,

CHAS. J. MILLS

15 Danson Mead, Welling, Kent

SIR,—While the recent history of small savings is not encouraging I think, nevertheless, that more emphasis should be placed on the fact that the *weekly* intake of small savings is being pitted against withdrawals from the massive aggregate debt accumulated over many years. Much of this withdrawal, no doubt, is quite "legitimate" for instance, to build or furnish a house or for some other capital purpose originally visualised by the saver. Whether the Treasury is wise in having such an appreciable portion of the National Debt at call is, of course, another question.—Yours faithfully,

ALBERT E. BURNS

194 Seacliffe Road, Bangor, Co. Down

Political Morality

SIR,—It was with great satisfaction that I read the final paragraph of the article in your current issue on "Honour and Office." It was with corresponding disappointment, therefore, that I read the note "Labour's First Shot" on page 1172.

The earlier part of this note gave me the clear impression that you considered the statements and claims in the "Speaker's Handbook" as being, shall we say, less than

frank and your comment is "This is, of course, good electioneering form."

It appears to me that the major cause of the present political bitterness and lack of courageous policy in the face of the nation's difficulties is the current low standard of political morality. The public seems to accept with amusement rather than indignation the fact that many politicians (there are of course brilliant exceptions on both sides of the House) make statements which they know or should know to be untrue.—Yours faithfully,

ANDREW R. DAVIDSON

41 Heriot Row, Edinburgh

British Biscuits

SIR,—I agree with the comments of your Canadian correspondent on British biscuits in *The Economist* of September 17th.

The biscuits are there—in every grocery store, in every hotel shopping centre and in spite of being approximately double the price of Canadian biscuits (before devaluation) they are bought. But they would be bought on an immensely larger scale if their presentation were more imaginative. In fact, they are concealed in the familiar crinkly paper packages without a picture even to reveal the nature of their contents. This practice suits the needs of the British housewife, whose grocer, if he is not equipped with a line of glass-topped biscuit tins along his counter, is only too ready to show her exactly what they are like. But most Canadian housewives shop at one of the large help-yourself chain stores where everything not in a carton or tin—joints, bacon, prepared vegetables, biscuits—is packed in cellophane. She helps herself and there are neither counters nor assistants. Naturally to her seeing is buying.

When it is vital to step-up dollar earning exports, surely British biscuit-makers could devise a means of packing pounds and half pounds in cellophane, interlarding the packages with crinkly to their hearts' content to preserve them in transit?—Yours faithfully,

DIANA MANSERGH

Little Paddock, Oxted, Surrey

Doctors' Pay

SIR,—Your Note on the subject might leave the impression that in the national health service a national capitation fee is paid. This is not the case. The highest paid area has a fee of 17s. 10d., the lowest one of 14s. 9d. When the Minister was recently challenged by Sir Ernest Graham-Little for an explanation of this apparent anomaly he replied that the difference was to be explained by certain prior charges on local "pools" such as the payment of basic salaries, emergency and anaesthetic fees and that the method of distribution had been agreed by the profession. It is difficult to imagine that the original negotiators on either side can have envisaged a development so glaringly unjust to many practitioners. There is no immediately obvious reason why the care of a thousand patients in one part of the country should bring to the doctor £150 per annum less than he would receive in another, with a corresponding loss of certain superannuation rights.

The Cornwall Executive Council pays its doctors at the rate of 15s. 6d. per head per annum. Examination of the figures shown in the council's statement issued to all practitioners on its list on October 1st indicates that even making full allowance for all the prior charges a further sum of about £25,000 would be needed to make the gross sum available if we were to be paid at the rate of 17s. 10d. less these charges. This makes the improbable presupposition that there are no prior charges whatever in the Shangri-La area in which the higher rate is actually paid.—Yours faithfully,

DONALD M. O'CONNOR

Castle Hill House, Launceston, Cornwall

Books and Publications

Dr Schacht Unfolds His Plan

"Mehr Geld, Mehr Kapital, Mehr Arbeit." By Dr. Hjalmar Schacht. Otto Meissner's Verlag. 119 pages

EXCEPT that he can express himself briefly, Dr Schacht is typical of his country. Even the obsession with his past exploits and the wrongs of Versailles which characterise this book are only exaggerated forms of a common German phenomenon. Dr Schacht's national egotism provides a standard against which to measure the progress that has, despite everything, been made elsewhere towards European co-operation since Mr Marshall launched his plan. For Dr Schacht it is a simple syllogism that Germany is the kernel of Europe's economy; therefore it is right for America to concentrate upon the restoration of German strength. Not content with the unassailable argument that a slum Germany damages the interests of all Europe, this reasoning proceeds to the conclusion that Germany can claim unique advantages now, since the rest will benefit later.

Dr Schacht takes as his starting point the sacred determination of Germany to regain sovereign rights. He argues that the economic path offers the best promise. The main German criticism of his scheme is, he says, that it would give the Bank of International Settlements some insight into German industry. As the man who hid Hitler's rearmament from the rest of the world, he is well qualified to reassure these critics. Other Germans with whom he contends are those who argue that Germany will in any case soon regain full sovereignty, so that there is no call for compromise; and yet others who believe that the quickest way to sovereignty is to assume democracy to please the occupation powers.

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BRITISH EUROPEAN AIRWAYS

over one-and-a-quarter million unemployed, and steel production has been cut owing to lack of internal demand.

Nevertheless, the scheme is inflationary, that is, it assumes that there are idle resources, both of labour and capital, and that there is a need for the potential products of these idle reserves, which only requires monetary embodiment to become effective demand. All these conditions existed in 1933 within Germany. The Schachtian inflation then initiated required to make sense only within the closed circuit of the German economy; international considerations came in only in so far as it was necessary to pay for increased supplies of raw materials. Even so it was on this aspect that Dr Schacht most nearly failed. He had to go to fantastic lengths of what we now call "Schachtianism" to solve his problem.

But do the conditions exist today? There are idle resources of labour. Yes. But of the other factors of production? In the properly balanced amounts? Hardly. And, this time, to close the circuit and repay the credits, additional goods would have to be sold, not internally to an all-devouring state, but externally in world markets, indeed, in hard currency markets. It would, of course, help Germany, as it would help anyone else, to have a large sum of dollars as circulating capital, constantly re-lent. But this would not solve any nation's problem unless it can be shown that there are markets—dollar markets too—waiting to be filled, as there was one enormous mark market in 1933.

Thus it is doubtful whether Dr Schacht's master plan (to which he attaches a proposal that Germany should be allocated an unspecified "empty land" to develop) makes economic sense. And it is certainly political nonsense.

Portrait of a Great Man

"Horace Plunkett," An Anglo-American Irishman. By Margaret Digby. Blackwell. 314 pages. 15s.

SIR HORACE PLUNKETT was one of the greatest men of his age. Dr W. G. S. Adams says, in the introduction to Miss Digby's biography, that Plunkett was the greatest man he had ever known. He bases this judgment on Plunkett's courage, consistency, concentration of purpose and unselfishness. Plunkett conceived his life work as the attainment of two objectives: peace in Ireland and the amelioration of Anglo-American relations. These two objectives were interrelated, because among the obstacles to Anglo-American friendship were the unsettled Irish agrarian and political problems. His record of constructive achievement in Ireland is quite remarkable. He was largely responsible for the foundation of the Agricultural Co-operative movement and the Department of Agriculture which, between them, laid the foundations of modern Irish agricultural progress. He believed that the Irish question was mainly economic, and that the removal of the agrarian grievances would weaken the demand for Home Rule. When the course of events convinced him that he was mistaken, he became a convert to nationalism and strove, as Chairman of the Irish Convention and founder of the Irish Dominion League, to find a compromise solution that would avoid partition. In his attitude towards Anglo-American relations he was almost prophetic. His residence for ten years in the United States implanted in him an intense admiration for American people and institutions. He seems to have foreseen that the freedom of Europe would, in the future, depend upon American aid. During the first world war his personal friendships with leading statesmen in England and the United States enabled him to play the part of trans-atlantic interpreter.

Miss Digby's biography of this remarkable man, which bears the apt sub-title, "An Anglo-American Irishman," is competent and comprehensive, though not without minor blemishes. The reference to "O'Connell's campaign for Home Rule" would surprise an Irish historian; the account of the foundation of *The Irish Statesman* is inaccurate in one important respect; and the reference to Lord Grey of "Fallowden" makes a bad impression.

A Polish Indictment

"Stalin and the Poles." An Indictment of the Soviet Leaders. By Dr. Bronislaw Kusnierz. Hollis and Carter. 309 pages. 16s.

THIS book, the work of a Polish lawyer with an endorsing preface by the former Polish Foreign Minister, Mr Zaleski, is a formal indictment of the rulers of the Soviet Union modelled on the indictment drawn up against the Nazi leaders at Nuremberg in accordance with principles of international law accepted by the Soviet Union for the purposes of the Nuremberg trial. It seeks to show—and it is not difficult to do so—that under the three headings of Crimes against Peace, Crimes against the Laws of War and Crimes against Humanity, Russia has committed against Poland over the past ten years crimes similar to those for which the principal defendants at Nuremberg were hanged. As regards the Nazi-Soviet pre-arrangement of the original attack on Poland, the fact was established beyond dispute by the American publication of the vital document in January, 1948, and the suppression of that document at Nuremberg was the worst blot on the conduct of the trial. Other matters covered by Dr Kusnierz include the Katyn Forest massacre and the mass deportations from Poland in 1940-41. With regard to the latter, which involved the removal of entire families to the total of not less than a million persons on no charge beyond police registration as "politically unreliable," Soviet official mentality is sufficiently indicated by the following provision (vigorously carried out in practice) in an NKVD circular to its branches:

As the majority of the deported men will be arrested and scattered over special camps, while their families will be sent to places assigned them in distant regions, the separation of members of families from one another must be carried out without any warning.

Such methods no doubt meet with approval in King Street, but what is left of the civilised world still regards them as atrocious, and even though the perpetrators are beyond the reach of justice, it is well to have on record so competent a statement of the Polish case against Russia as that which Dr Kusnierz has prepared.

French History

"France (1814-1940)." A History. By J. P. T. Bury. Methuen. 348 pages. 18s.

MR BURY'S survey of French history from the abdication of Napoleon I to the debacle of 1940 provides an excellent framework for reflections upon the destiny of modern France. If the work possesses the characteristic of indigestibility common to all university text-books so that the "average, sensual reader" is on the whole happier to put the book down than to take it up, it none the less covers a lot of ground with a fair measure of clarity. The transition from one field of events to another—from parliament to diplomacy, from economics to church affairs, literature, art and manners—is smoothly done.

Especially illuminating are the descriptions of French society in 1815, and again a century later, and the account of the bitter struggle between Right and Left throughout the life of the Third Republic. Speaking of its climaxes in the Boulanger and Dreyfus episodes Mr Bury comments: "This clash of principles led to an exposure of military justice, but, significantly enough in spite of this . . . it did not provide any general demand for a revision of French judicial procedure. To the end of the Republic the liberty of the citizen was to remain unprotected by any *habeas corpus* and at the mercy of a police endowed with arbitrary powers reminiscent of the *Anciens Régime*." The pull of abstract principles on French emotions remains something of an enigma. To be vitally interested in politics but not in their results is perhaps less a characteristic of present day Frenchmen than of their grandfathers. Yet the vision of the République laid up, as it were, in heaven is still more magnetic than the prospect of slow plodding reform. There is the story of the visit of a distinguished foreigner to a

French Socialist constituency. Mystified by the fact that the region was populated almost exclusively by individualist vine-growers the stranger inquired what kind of Socialism this might be. "Le socialisme?" came the answer "mais ça c'est l'avenir."

Latin America

"Brazil." By George Wythe, Royce A. Wight and Harold M. Midkiff. Twentieth Century Fund. 389 pages. \$3.50.

A REVIEWER of books on Latin America who has also spent a good few years there tends to breed an affection for the land and a cynicism for the literature. But this book is a sober and factual book, supported by a judicious selection of statistics and throughout exhibiting a very high degree of accuracy. It is, in fact, an excellent book—one of the best of its kind which has appeared since the war on Brazil, or indeed any Latin American republic. The Twentieth Century Fund is an American foundation for research on economic problems, and the volume is designed to give the facts necessary for a considerable expansion of American investment in Brazil. Whether the Council of Foreign Bondholders would take quite the same view of the possibilities as does Mr George Wythe is another question.

Finance is needed in Brazil for what are roughly known as public works on contracts awarded by the State or Federal authorities. Brazilian frozen credits in Europe may be used for some of the necessary equipment, but much will have to be bought in the United States, and many technical services will be sought from there. That is the main finding of the volume.

Some of the miscellaneous facts, taken at random, give food for thought. Over half Brazil's population was under 19 years of age in 1940, as against one-third in the United States. A bag of cocoa from Bahia pays nine taxes before it gets put in a

Making American Glass

"The Development of the American Glass Industry." By Pearce Davis. Harvard University Press. London: Geoffrey Cumberlege. 316 pages. 32s. 6d.

THIS, the eighty-sixth of the Harvard Economic Studies, is an exhaustive survey of the growth in the United States of the four industrial branches of glass-making—the manufacture of window glass, plate glass, glass bottles and containers, and pressed and blown glass. The ordinary reader will probably find that the concluding chapter tells him all he wants to know about the subject, and he may be disappointed that there is no mention of those specialised aspects of glass-making which catch the public imagination, such as the giant lens for the new observatory in California or the beautiful Steuben products. The technician, also, even when his interest is industrial rather than scientific or artistic, may regret the lack of any account of the important advances made during the last twenty years; the book does not go beyond 1925.

The study will probably be most valuable to the economic historian, since it deals not only with the development of glass-making itself from a craft to a highly-mechanised, mass-production industry, but with the growth of the glass workers' unions, a significant chapter in the American labour movement, and also with the detailed effects of the tariffs on glass. Here is a clear example of how the protection justifiably given to an infant industry persists, and indeed is strengthened, long after that industry is able to stand by itself, not only on its own feet, but also on those of its foreign competitors.

Articles in the December issue of

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AMERICAN SURVEY

Exploring the Economy

(From Our American Staff)

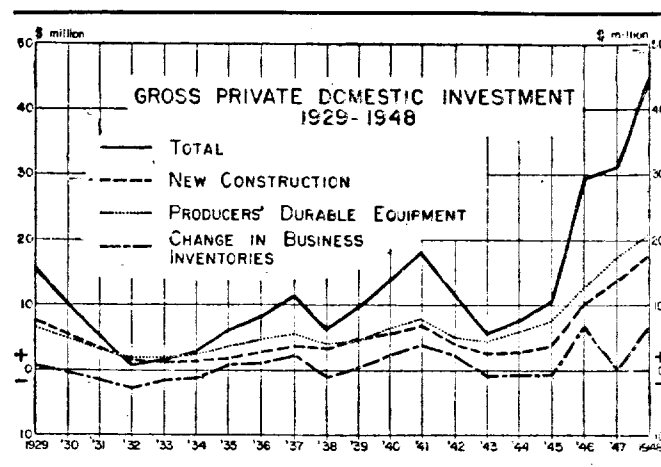
UNDER the Employment Act of 1946, the Congressional Joint Committee on the Economic Report, the legislative counterpart of the President's Council of Economic Advisers, is required to study the trend of the national economy in general, and the promotion of maximum production, employment and purchasing power in particular. Last March, in order to carry out this responsibility, the Committee recommended that a thorough study of investment should be made. Congress authorised not only this undertaking, but also related studies of monetary, credit and fiscal policies; of low-income families in relation to economic instability and of unemployment trends and their significance in current economic analysis. Separate sub-committees are dealing with these four problems and are supposed to report to Congress on December 31st. Whatever the nature of the report—and unhappily, the history of the Joint Committee's final reports is so far one of division along strictly party lines—the studies and hearings have been exceptionally interesting and the net has been cast very widely. As much as any past Congressional inquiry, this one on the stability of the economy has had the scope and general interest of a Royal Commission.

Each of the sub-committees has already produced some highly worth-while material. In August, well in advance of starting its hearings, the sub-committee on monetary, credit and fiscal policies circulated two questionnaires. The one sent to officials in government, and quasi-government, financial agencies contained not only questions on general financial policy but on organisation and procedure within their agencies, and on inter-agency relationships: for instance, "When there are differences of opinion between the Secretary of the Treasury and the Federal Reserve authorities as to the desirable support prices and yields on government securities, whose judgment generally prevails?" A more general questionnaire, sent to bankers and economists across the country, was no less searching: for instance, "What changes, if any, should be made in the reserve requirements of member banks? . . . What power, if any, should the Federal Reserve have relative to the reserve requirements of non-member banks?" Collected under the title of "Monetary, Credit and Fiscal Policies," the replies were available to committee members before the hearings. They have helped to give cohesion to the questioning of witnesses, many of whom had submitted full answers to the questionnaires.

The sub-committee on investment, which Senator O'Mahoney, chairman of the entire Joint Committee, is heading himself, has issued a report on "Factors Affecting Volume and Stability of Private Investment," 235 pages of closely printed text and statistics prepared by different groups within the government. Its eight major sections deal with the depression of the thirties, with investment theory, with the sources and uses of investment funds, with the question of debt versus equity, with the problems of small business, with the effects of taxation, with depreciation, and with miscellaneous proposals. Though the various sections are

of varying quality, the report presents a truly vast array of information assembled from many sources.

The review of the big depression helpfully summarises a variety of views, and concludes on the popular theme of Professors Burns and Mitchell of the National Bureau of Economic Research, by saying that "the boom of the twenties which culminated in 1929, and the subsequent depression of the thirties, when considered together, cannot be explained by any single factor. . . ." The review of theory uses Mr Harold Moulton's "Controlling Factors in Economic Development" and a quotation from *Fortune* magazine to state the case that consumption determines investment. It relies mostly on Lord Keynes and Professor Hansen for arguments that investment is the key economic variable, and largely on Mr Paul Douglas (now Senator from Illinois and a member of the Joint Committee) and the Council of Economic



Advisers, to state the prime importance of the relationships between prices, wages and profits—in which the degree of monopoly is relevant. No conclusion is attempted.

The section on the financing of investment, after a useful summary of national income data on savings and investment and of data on sources and uses of corporate funds, examines the present situation in some detail. On business equipment expenditure, it finds that "aggregate outlays are well above the secular trend . . ." but that "the backlog of demand which existed at the end of the war" has not yet been exhausted. Despite many assertions to the contrary, equity capital is not considered to be seriously lacking, though a variety of "striking changes" in corporate finance are noted. Small business, which makes up 92.5 per cent of US business establishments, employs 45 per cent of the country's workers, and handles 34 per cent of its volume of business, is found to have difficult financial problems arising from poor access to capital markets, from volatility of profits, and from taxation. The highly complex problem of depreciation tax policy and its impact on investment is treated very fully.

The two other sub-committees, on low income families in

relation to economic instability and on unemployment trends, have done part of their work together. The former has produced a report on "Low Income Families and Economic Stability," which reviews in very considerable detail the factors contributing to low income and the circumstances in which low income families live, in cities and on farms. The latter has issued "Employment and Unemployment" which describes and assesses the data used for statistical estimates of both, and the concepts behind them. Jointly, the two committees have assembled information on "Selected Government Programmes which Aid the Unemployed and Low Income Families."

DISTRIBUTION OF MONEY INCOME OF US FAMILIES, 1948

Range of Income \$	No. of Families* in Each Income Group	
	In Millions	As % of Total Number of Families
Under—1,000	4.0	10.6
1,000 — 2,000	5.6	14.5
2,000 — 3,000	7.9	20.6
3,000 — 4,000	8.0	20.7
4,000 — 5,000	5.0	12.9
5,000 — 6,000	3.1	8.1
6,000 — 7,000	1.8	4.7
7,000 — 8,000	1.1	2.8
8,000 — 9,000	0.6	1.5
9,000 — 10,000	0.3	0.8
Over 10,000	1.1	2.8
ALL INCOMES	38.5	100.0

* Excluding about 8 million "Single-person families."

The information made available in these documents is certain to find wide use. Still more important is the amount of serious thought which preparation for these hearings has inspired in the country's financial community among, for example, officers of large and small banks through the forty-eight States; economists in industry, in government and the universities, and government officials, have all made their contribution. The preliminary questions have started discussions at meetings of trade associations and other business groups, and encouraged comment in memoranda and in letters. Economic theory will always remain mysterious to many people; but these hearings are adding to the number by whom the mysteries have been at least tentatively explored.

Diesels on Rails

[FROM OUR AMERICAN STAFF]

MR. JOHN L. LEWIS, leader of the coal miners, has again justified his informal title of "the best salesman the diesel makers have." During the latest spell of idleness in the coal mines, lasting for six weeks, the Pennsylvania Railroad was amongst those which were told by the Interstate Commerce Commission to take 25 per cent of their coal-burning locomotives out of service, because coal stocks were dangerously low. As the miners went back to work, for the moment at least, the Pennsylvania Railroad announced that it had given orders for 226 new diesel-electric locomotives, to replace coal-burning steam engines.

The shift from steam locomotives to diesels, which turn oil into electric power, started around 1929. In that year there were twenty-two diesel units operating in shunting yards. They were humble bits of mechanism, 600 horse-

power strong, looking like a shoe box set on a flat car, but proving themselves flexible, efficient and easily handled. They did not have to be warmed up before use, they collected no ashes which had to be dumped, they boasted no boiler tubes to get clogged, worn parts could be replaced without retiring them to an engine shed for rest and grooming. They looked rather funny and had none of the romantic appeal which steam engines have collected, but they were economical to run and to maintain.

In the depth of the depression they caught the eye of a railroad genius named Ralph Budd who, noting the loss of passenger traffic to the private motor car, the bus and the airplane, planned to get it back by making trains as attractive as were the newer forms of transport. He went to an automobile manufacturer for help and in 1934 he had a light, high-speed, four-car train with plenty of "eye-appeal," drawn by a 600 horsepower diesel-electric locomotive, the first to be put to main line working. Thus the motor car was married to the railway with all the fanfare of which American publicity experts are capable. The new train—the Burlington Zephyr—made its first run from Denver to Chicago, sliding down the eastern slope of the Rocky Mountains and across the Mississippi Valley for over a thousand miles—a trip for which 26 hours was normal time. The Zephyr did it non-stop in half that time, pulling its stainless steel cars onto a special stage at the Chicago World's Fair just 13 hours and 5 minutes after it had left Denver.

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The ugly duckling had turned into a speedy swan, and the public flocked to see and to ride. The next step was to convince railroad men that the diesel was as strong as it was fast. American railways cover a varied territory, with the high mountains and great plains of the west presenting problems very different from those of the narrow valleys in the east. The need for speed, strength and endurance had traditionally been answered by the building of engines that grew heavier as loads increased. Britain's opposite answer, its devotion to trains that were fast and light, seemed unsuited to American conditions. Moreover, the traditional railway fuel in the United States, as in Britain, was coal. Until Mr Lewis's miners began demanding ever higher wages, coal had been cheap as well as abundant, and for many railways it provided freight revenue as well as fuel. At first the diesels found their best friends near the oil country rather than in the stubborn coal regions.

Not until 1941 were diesels put to handling freight trains in the east. That year the New York, New Haven and Hartford Railroad (a New England railway which covers territory between New York and Boston), needing additional motive power with which to handle the traffic produced by Britain's war needs, bought 60 diesel engines, each capable of developing 2,000 horsepower, or twice as much if run in tandem. It now has 298 of them, and expects to have more; 116 of these carry double loads, pulling de luxe passenger trains by day and mile-long freight trains by night. A table of relative costs which this railway compiled during March, 1946, on the basis of actual experience, tells the tale. The 678 trains pulled by steam were reduced to 662 pulled by diesels. The

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

fuel cost was cut by a third, the repair cost by two-thirds, the use of pusher engines up heavy grades was abolished, and the total cost of the month's operations cut from \$240,000 to \$128,000.

The increase in the use of diesels all over the country has, to a large extent, been a wartime and postwar phenomenon. In 1939 the ICC reported that 639 diesel-locomotive units were in service; by 1945 there were 4,301, and today more than 8,000 diesels work the marshalling yards and run the main line tracks. In 1948 the Class I roads (that is, those which have a million dollars or more of operating revenue each year) bought 1,481 locomotives, and of these 1,397 were diesel-electric units. Half the passenger traffic and almost three-quarters of the freight are today drawn by diesels.

The cost of replacing so large a share of the country's motive power in so short a time has not been light. The Pennsylvania Railroad's 226 new diesels will come to about \$38 million, which means an average of \$167,000 apiece. A bargain in an 800 horsepower shunting engine can be had for only \$86,000, but the 4,500 horsepower giants are expensive. The financial outlay was met during the lush war years by resort to provisions of the income tax law which permitted railways purchasing emergency defence facilities to amortise the purchase price by 20 per cent in 1943 and 1944, and by 60 per cent in 1945. This amortisation privilege made it possible to buy new equipment at a fraction of what it would have cost in normal times. As a result many of the railways emerged from the war with their motive power in better shape than when they entered it.

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The competition for diesels among railways was made more curious by the competitive situation between the manufacturers. The first shunting diesels were produced by the American Locomotive, the Ingersoll-Rand and the General Electric Companies in combination. The first main line diesel was produced by the General Motors Corporation and the Budd Manufacturing Company. During the war the entire output of diesel engines by the older group was taken by the Navy for submarine and other uses, leaving the locomotive field open for exploitation by the General Motors Corporation, who were primarily automobile manufacturers. This made it possible for them to enlarge their facilities so satisfactorily that out of 2,394 diesel electric units produced in 1948 by the four companies now making them, 1,322 were built by the Electromotive Division of General Motors, 566 by the American Locomotive and General Electric Companies together, 355 by Baldwin Locomotive Works, and 151 by Fairbanks, Morse and Company. General Motors now produces eight each day.

Steam engines are still being replaced by diesels, though not at the wartime and early postwar rate. It would be too much to say that replacement will become complete: while many of the replaced steam engines are being cut up for scrap, some are being sent to Europe and others will be stored by thrifty owners who believe in providing against rainy (or oil-short) days. Nevertheless, the keeping of water tanks, ash pits and engine-houses in order for a few remnants of the old regime is an expensive business and, as the new diesel-electric units continue to prove their economic worth, the tendency to withdraw entirely from the older system becomes more marked. It is a development which could only be contemplated by a country possessed of oil supplies in great quantity, and convinced of its ability to keep them up by whatever means may become necessary.

American Notes

Resignation of a Pioneer

The resignation of Mr David Lilienthal from the chairmanship of the Atomic Energy Commission is the latest, and one of the most melancholy, demonstrations of how difficult it is for the government to retain the services of able men. In the case of the resignation of Mr Clark Clifford, one of the President's aides, a man with three children to educate, the fact that the rewards of private work in the United States are so much larger and more certain than those of public service was the chief factor. But Mr Lilienthal has spent nearly 20 years in government service, 16 of them in pioneering two vast new federal enterprises, the Tennessee Valley Authority and the atomic energy programme, and up to now has found the satisfactions of governmental trail-blazing compensation, not only for niggardly pay, but for a constant barrage of criticism and insinuation. A model of the new type of administrator required by big government, he will not be easy to replace.

Mr Lilienthal is leaving during the temporary lull which succeeded his exoneration by a strictly party vote from the charges of "incredible mismanagement" brought by Senator Hickenlooper. But the ink of the President's deeply regretful letter of acceptance was hardly dry before Senator Johnson—another member of the Joint Committee on Atomic Energy—had accused him of a "nefarious plot" to convey atomic information to Great Britain. This diversion is accounted for by the Senator's discomfiture at having himself succumbed to television temptations and divulged to the whole world what he boasted at the time were "top secret" atomic revelations. But it is a sample of the virulent and irresponsible attacks from which Mr Lilienthal has suffered in the past and which he would have had to undergo again in June when his appointment would have required reconfirmation.

Mr Lilienthal's troubles with Congress may be due as much, or more, to dislike of the extension of government activities as to a suspicion that he treated Congress and its instructions with a touch of intellectual arrogance. But at a moment when the agreement governing the sharing of atomic information must be renewed (it expires this month) and American policy on international control is being reassessed, an administrator who has lost the confidence of a substantial minority of Congress has also lost much of his usefulness. The risk is that a non-controversial—and timid—successor may be appointed to appease the critics.

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One of the compensations for the loss of a gifted public servant is that Mr Lilienthal, freed of specific responsibilities, will be freer to discuss, and campaign for, certain causes dear to his heart: the more rapid exploitation of the peaceful uses of atomic energy, the relaxation of excessive secrecy, the wider sharing of atomic developments with friendly nations, and, perhaps, a revision of the Acheson-Lilienthal proposals which formed the basis for the American plan for international control of the atomic bomb.

Mr Clifford's departure is a more private grief to the President and his party. It was, in large part, Mr. Clifford who, in the dark summer of 1948, not only convinced the President that he should campaign for a Fair Deal, but wrote many of the speeches which, by revealing Mr Truman in all his homespun humanity, clinched the victory. At the Department of the Interior, the substitution of Mr Oscar Chapman for Mr Krug is a victory both for merit and devotion. An able and sincere official, Mr Chapman campaigned enthusiastically for Mr Truman while Mr Krug resigned himself to a Dewey triumph.

Passengers on the Railways

From now on intending railway travellers, if they did not join the recent stampede for tickets, will find, in some cases, that it is cheaper to go by air, and only half as costly if they are willing to put up with 'bus travel. The Interstate Commerce Commission has granted an increase of 12½ per cent in passenger rates for railways east of the Mississippi and north of the Ohio and Potomac rivers. Fares in this area are 44 per cent higher than they were in 1946, and 50 per cent above prewar rates. Including the 15 per cent federal excise tax imposed during the war and not yet repealed, fares have reached the record level of 3.9 cents a mile.

Passenger revenues today amount only to an eighth of freight revenues; in the days when railways enjoyed a near-monopoly of transport they accounted for twice as large a share. But a \$560 million loss on account of passengers in 1948 cannot be ignored by an industry which earned only 4.2 per cent on its invested capital. Traffic has been falling off since the war, but the number of passenger miles carried is still almost twice what it was in 1939. The deficit—the largest on record—is the result, first, of the steep rise in labour costs; second, of unprofitable handling of mail and express shipments; and finally, of empty trains on many branch lines. Here, the worst enemy of the railways is the private motor car, whose use is increasing again, after the decline during the war, when production was suspended. Yet when the railways try to shut down these unprofitable services, they are opposed both by their own employees and by the communities served, which like to have a stand-by service in case of bad weather.

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This fourth postwar increase in passenger rates does not arouse universal enthusiasm. The ICC was divided 6 to 4, and one Commissioner, Mr Mahaffie, believes that lower—rather than higher—fares are the railways' salvation in their struggle with airlines, 'buses, and private cars. Railway executives themselves differ over the usefulness of the increase, though no railway is likely to take advantage of its right to refuse to adopt it. A loss of 2 per cent in traffic is expected, and a revenue gain of only \$37 million compared with losses last year, in the eastern region, of over \$250 million.

One Commissioner has suggested a subsidy, and though the word is distasteful, the railways probably would not refuse more adequate compensation for carrying the mail. It is a sore point with them that the airlines, beside receiving handsome mail subsidies, share with 'buses and lorries the benefit of other government expenditures on highways and airports. Mr Sawyer, the Secretary of Commerce, in his forthcoming report on transport policy, is expected to recommend co-ordination of all federal transport programmes. This might open the way to increases in airline and bus charges designed to distribute revenue more equitably. Mr Sawyer may also recommend studies to determine whether the government should impose new charges on airlines, motor carriers and shippers for the federal facilities they use.

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Local Cornucopias

Each November American voters have a chance to speed or retard the flow of schools, hospitals, highways, sewage systems, voting machines and other amenities which pour from the cornucopias of their State and local governments. In 1947, they celebrated the end of the enforced niggardliness of wartime by approving a flood of \$1.1 billion in loans for such projects; last year the figure was up to \$1.2 billion and this year it exceeded \$1.5 billion. Voters all across the country evidently want the welfare state in their own city and county halls as well as in Washington.

Californians were, however, less lavish than usual last month. On second thoughts they modified considerably the extravagant pension scheme which they approved last year and which endangered the State's solvency not only by its generosity, but by the number of old people which it was attracting to the Golden West. The age of eligibility for a pension will once more be 65, instead of 63, and the restrictions on permissible independent income will be tightened; about \$60 million a year will be saved and, more important, control of the details of the pension scheme has been restored to the State Legislature. The attack on the "senior citizens," who were living in excessive comfort at the expense of their grandchildren's education, was led by parents and teachers. They even turned the tables by obtaining approval for a loan of \$250 million for much-needed schools in poor districts.

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New York voters on November 8th approved a stock issue of \$300 million for slum clearance. But New Jersey, swimming against the national tide in this as in its choice of a Republican Governor, rejected both a public housing loan and an ex-servicemen's bonus. Neighbouring Pennsylvania, on the other hand, approved a stock issue of \$500 million, a record for this purpose, to give bonuses to all the State's veterans, up to a maximum of \$500. It is the eighteenth State to provide such gratuities since the end of the war; the total is nearing \$2.5 billion and other States are thinking of adding to it—as are some members of the federal Congress.

Thirteen States are financing these bonuses entirely by borrowing, and it is noteworthy that, of the five bonus proposals rejected by the voters, four specified the taxes by which the money would be found, instead of comfortably postponing the day of reckoning. But the propositions on the ballot papers each November seldom contain such direct reminders that it is the voters themselves, as taxpayers, who must to a great extent refill the horn of plenty which, in their alternative roles as beneficiaries, they are so ready to empty. It is doubtful also whether the voters realise how much more expensive their welfare states will be, in the long run, if the cost includes debt charges.

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Roosevelts in Two Rings?

Mr James Roosevelt, the late President's eldest son, has just, to no one's surprise, tossed his hat into California's political ring and is challenging all comers for the right to sit in the Governor's chair in 1951. The preliminary rounds, within the Democratic Party itself, will be decided in June, the finals, against the Republican and any other champions, next November. Mr Roosevelt is unlikely to have a walk-over in either contest. He has been in training in California for nearly ten years, a long time by western standards, but not long enough to silence suggestions that he is an itinerant political boxer. Another weakness is his approval of the excessive pensions for California's old people, which the voters have just decided to modify. This will be cited as evidence that he is the prodigal son of a prodigal father, but it should also mean that the pensioners will be cheering—and voting—for him next year.

A more serious flaw in Mr Roosevelt's defence is his persistent pushing of General Eisenhower for the Democratic presidential nomination last year. This the State party organisation professes to find hard to overlook, but the Democratic National Committee has now decided to forget, if not to forgive, and to put its money on Mr Roosevelt. His father's name is his greatest strength, but he has also inherited his charm and political ability; his enthusiasm for the Fair Deal gives force to his attack in the State with the highest unemployment in the nation. The Republican Governor Warren's

liberal programme has been blocked in the State Legislature by the opposition of his own party, and he is not certain of the Republican nomination should he decide to enter the fight once again. Furthermore, he lost his reputation for invincibility last year, when he failed to win the Vice-Presidency, and he also lost the non-partisan disguise which in the past has brought him both independent and Democratic votes.

Mr James Roosevelt is the present favourite in the California fight for the obvious reason that he is thought to have the best chance of winning. This is also why the odds are shortening on the chances of his younger brother, Representative Franklin D. Roosevelt, being the Democratic champion for the New York Governorship next year. He has as large, if not a larger, share than his brother of his father's political legacy. His Congressional success proved his vote-getting ability in New York City and his recent activities on behalf of Senator Lehman showed that he is also attractive to New York State; support from both is essential to victory in a State election and so far there is no other Democrat in sight who has this dual appeal. Mr Franklin Roosevelt has kept his hat firmly on his head so far and the White House is unlikely to encourage anyone to toss it into the ring for him, now that his brother is getting warmed up in California. Even Mr Truman could hardly hope to escape from the Roosevelt shadow if that shadow became two substances, one on each coast, one in each of the largest States of the Union—for at last California has more citizens than Pennsylvania.

* * *

Kaiser's Fairy Godmother

The foundation of Mr Henry Kaiser's impressive reputation as an industrial wizard was laid in 1939, when he submitted the lowest bid for cement for the Shasta Dam without owning a cement plant. He won the contract, built a cement plant, completed the job on time and made a profit. With government war contracts and government loans, the legend and his enterprises grew to include ship-building, magnesium (from which he has now withdrawn), steel plants, and aviation. Since the war he has invaded the fields of housing, aluminium, steel pipe and, with less success, the highly competitive automobile industry. The envious allege that the Kaiser magic lies as much in government relations as industrial technique; they felt justified, as well as indignant, in October when the Reconstruction Finance Corporation, the government lending agency, authorised a \$44 million loan to the Kaiser-Frazer Corporation, which, after a bold beginning that made it, in three years, the fourth largest producer of cars, lost \$8,000,000 in the first half of 1949.

In the eyes of Mr Kaiser's less favoured industrial sisters, the RFC seems to have adopted the permanent role of fairy godmother to his Cinderella; there is a suspicion that, once involved in Mr Kaiser's complicated, overlapping empire, the RFC will have to go on performing miracles of aid. The murmurs at the latest waving of the wand have prompted Mr Kaiser and the RFC to make a clean breast of their financial relations. All told, over \$250 million of government money has been lent to Kaiser enterprises, though not all has been outstanding at any one time. At present, aside from the new loan, all Mr Kaiser owes the RFC is \$96 million on account of his Fontana steel plant, which he built with government loans during the war. (Not all his persuasiveness and persistence induced the RFC to scale this debt down to the nominal sum he desired.) This amounts, however, to over 20 per cent of all the RFC's loans to business, and alone makes Mr Kaiser the largest recipient of RFC aid. Another \$54 million is owed the government on account of purchases of war plants, including Willow Run, where Kaiser and Frazer cars are made.

The new loan is really two: a short-term one of \$10 million

to finance the wholesale, but not retail, distribution of Kaiser-Frazer cars, and \$34 million to provide working capital and finance retooling for the new cheaper "people's car" the company hopes to have in its showrooms next year. High prices, caused by small-scale production and the difficulty of securing supplies on as favourable terms as other companies, have been the corporation's chief embarrassment; the RFC hopes the new loans, combined with lower material costs, will make the venture profitable again. The RFC is authorised to make loans to small business which cannot obtain capital elsewhere and to take account of a firm's contributions to employment, business stability, and the public interest. Kaiser-Frazer is only small in comparison with the automobile giants, and to them the new loans smack of subsidised competition, particularly at a time when the government is pursuing an anti-trust suit against the General Motors Corporation. Coupled with the loans to the Lustron Corporation, makers of prefabricated houses, they suggest to some Senators that the time has come for a close scrutiny of the lending policies of the RFC and tighter drawing of the terms of its charter, if not the transfer of its functions to some other agency.

Shorter Notes

No new contract for the coal miners had emerged by midnight on November 30th out of the suspense in which their leader, Mr John L. Lewis, has been keeping not only Washington journalists but also the members of his policy committee assembled in New York. At the time of going to press the men, taking it for granted that the three weeks' coal truce had expired, were once more leaving the mines, with a reluctance which may induce Mr Lewis to send them back. President Truman, on holiday in Florida, is apparently equally reluctant to carry out his undertaking to invoke the Taft-Hartley Act, which would postpone the strike for eighty days.

*

The trial of Miss Judith Coplon and Mr Valentin Gubitchev, a Russian employee of the United Nations, on charges of espionage, has been postponed until December 27th to allow the latter's counsel to familiarise himself with the case, including 9,000 pages of testimony from Miss Coplon's earlier trial. Mr Gubitchev refused to arrange for legal aid at first in the fear that doing so would prejudice his claim to diplomatic immunity—though this is rejected by the court and the United Nations. By a stroke of poetic justice the retrial of Mr Alger Hiss, now in its third week, coincides with the trial of Mr Parnell Thomas, former chairman of the House Un-American Activities Committee. The charge is that he defrauded the government by padding his payroll and demanding a share of the salaries so obtained; on the third day of the trial, he withdrew his plea of not guilty, and threw himself on the mercy of the Court. It was the House Committee which first unearthed Mr Whittaker Chambers, the chief witness against Mr Hiss, whose revelations forced the government to prosecute the former State Department official, nominally for perjury but in fact for supplying confidential papers to the Communist underground.

*

Combat aeroplanes will no longer be allowed to use the National Airport at Washington, D.C., in order to guard against a repetition of the recent collision between a fighter plane and an airliner, in which all the fifty-five passengers lost their lives. In October this terminal, the only civil airport serving the capital, handled 13,500 flights; at rush periods there are as many as 33 arrivals and departures each hour.

THE WORLD OVERSEAS

Ruhr Steel and the Future

(From Our Special Correspondent)

WITH the decision taken at the Petersberg, and announced last week, to reprieve the August Thyssen works and six other steel plants, the Ruhr gained its second triumph of this fateful year. The first came in August, when the return of the conservative Adenauer government removed the fear of nationalisation. Now the German steel industry can begin to plan with more certainty.

The picture which the industrialists see around them would discourage men with less determination. True, the past four-and-a-half years have shown an extraordinary recovery, for which the tenacity and endurance of the Germans, managers and workmen alike, are in the main responsible. Without this human factor the economic forces, such as the currency reform of June, 1948, and the flow of American and British relief imports, would hardly have produced the same results. From the utter prostration of 1945, the German steel industry has worked its way up in 1949 to a position where it is the fifth largest producer in the world. If the Saar were included in the German instead of French economy, Germany would occupy fourth place in the world after the United States, the Soviet Union and Britain. By the end of this year, western Germany's total output will probably be slightly under 9 million tons, compared with less than 6 million tons in 1948.

So far, so good; but before the war Germany came second to the United States with a production, at the height of rearmament, of 22½ million tons, the overwhelming proportion of which was in what is now Federal Germany. Furthermore, the steel industry has not recovered to the same extent as overall industrial production in western Germany. The general industrial index has now reached 92 per cent of the 1936 level, whereas steel output, after touching 66 per cent of the 1936 output in August, fell—owing to a deliberate cut—to about 60 per cent in October. The general index reflects the fact that many industries that were greatly expanded since 1936 are now producing very much more than in that year. The steel industry, on the other hand, once Hitler's full armament programme came into operation, was neither greatly expanded nor modernised. New plants were mainly erected, not in the Ruhr, but in Austria and the comparatively "bomb-free" territories occupied by the *Wehrmacht*. This handicap is one to which the attention of the Ruhr industrialists has frequently been drawn by investigating American steel experts.

Target for World Markets

The Ruhr has, therefore, still comparatively far to go before it reaches either the general level of western German production, or the permitted maximum of 11.1 million tons of ingot steel a year. In these circumstances the main questions which the German experts have been studying are whether the rise can go on, what production Germany needs and, above all, how much can it sell in conditions of world surplus.

It is assumed by German steel planners that, sooner or later, the limit imposed upon them by the Allies will be raised. This assumption has for a long time past been taken as the basis of calculations; and who will maintain that

German optimism is misplaced? Technical hindrances to a continued rise, such as lack of coal or power, are no longer considered serious possibilities. What, therefore, should the target be? In a land of ruined cities and out-of-date railways the internal demand for steel would seem unlimited. On this argument the German steel propagandists are accustomed to base their pleas for production running to 15 or 16 million tons a year. In practice, however, this potential demand is limited by the vast impoverishment of the nation, as well as by minor factors such as the lack of skilled labour, machines and materials. Since currency reform, consumers of steel have been starved of capital. Nothing could better point the lesson that steel production is at present limited, not by lack of coal or power, dismantlement, decartelisation, or demilitarisation, but by lack of effective demand, than the fact that the steel companies voluntarily cut their output in September and October, because crude steel had outrun orders for semi-finished and finished products. In particular, the railways, which are by far the largest consumers of steel had failed to replenish the order books.

Rationalisation and US Capital

If then, the Ruhr cannot sell its present output, why should it demand the capacity, and the right, to produce double the amount? Some industrialists, indeed, admit that it would be economically more advantageous to work to full capacity the 13.5 million tons which was left before the Bonn agreement, rather than add another 2 or 3 million tons of capacity. However, the Ruhr looks at the problem from the point of view of Germany's national strength, in a competitive world of surplus steel. That a surplus is coming the Ruhr fully realises. In the Organisation for European Economic Co-operation the Marshall nations have presented plans for expanding steel capacity which, according to expert estimates, will considerably exceed the world demand in 1952-53. Shall Germany enter this race with its feet tied by limitations on capacity and production? The Ruhr is determined that this shall not be so. If, as the German industrialists envisage, the OEEC evolves into a new international cartel and production is restricted, the figure from which German output would be cut must be (in the view of the Ruhr), not 11.1 million, but 15 or 16 million tons. A start in this direction has been made by the Bonn decision which raised capacity—after dismantled works have been "re-mantled,"—by something like one million tons of iron and steel of various types. The next steps are to secure permission to produce above the present limit, and to rationalise production with modern equipment in order to meet competition in the export markets. Then, should protective barriers in western Europe be removed according to the American desires, the Ruhr, a cheap producer economically well-situated, could look forward to the collapse of plans for establishing steel industries in such countries as Italy and Norway.

"Rationalisation" was the sign under which the meeting of steel technicians known as the *Verein der Eisenhüttenleute* was recently held in Düsseldorf. As in the '20's, all the skill and energy of which the Germans are capable will now be turned on to this campaign.

Clearly, however, all plans for modernisation are dependent upon the capital being available. So far, the steel industry—with its almost worthless Reichsmark capital cut to less than a tenth by the currency reform—has helped itself by using short-term credits for long-term purposes. The German representative in the OEEC has presented an investment programme, though as yet without detailed projects of new plant, for scrutiny. The German steel industry—though varying in its estimate of the possibility of buying the equipment and the number of years needed to procure it—agrees that several thousand million D-marks are required for modernisation.

A proportion of the required funds will be obtained as long-term credits from the D-mark counterpart fund from ERP imports, which has risen automatically through devaluation of the German currency; but the Ruhr is anxious to obtain American capital direct. Hopes have faded that the US bond issues which financed nationalisation in the 20's will be repeated, and attention is concentrated on efforts to secure American investment in new share capital. A model scheme of the kind was drawn up by the Vereinigte Stahlwerke, and presented by Dr Adenauer to the three Foreign Ministers in their November talks in Paris. With the mistaken idea that France's fears would be quietened if some of the new shareholders were French, its backers suggested French (as well as American and British) participation in the Vereinigte Stahlwerke, knowing that the capital would have to come from the United States in the first place. The idea has, however, met with a chilly reception in France. All such proposals are, moreover, blocked by the existence of old foreign debts on which no decision has yet been taken, and by Law 75, which prohibits any change in ownership until the coal and steel combines of the Ruhr are broken up and regrouped.

Plans for Reorganisation

Law 75 was first promulgated by the British and American Military Governors in November, 1948. No more important and controversial economic measure was ever taken by the two occupation powers. Partly because it appeared likely to lead to nationalisation of the Ruhr, the law was backed by the British, because it was intended to settle the question of ownership and clear the way for fresh capital, it was approved by General Clay. The French objected outright to the clause which granted the German Government the right to decide upon ownership of the Ruhr, and they maintain this stand. The American bondholders and British "Standstill" creditors have protested against the law, since it disregarded their legal rights. (It is now being re-examined with a view to clarifying and amending this point.) The Germans viewed it at the outset with suspicion, which has in the meantime melted. The Ruhr steel industry is now inclined to take the Military Governors at their word when they declared the object of the law to be reorganisation of the German heavy industry upon lines of maximum efficiency.

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Last September, a Trustee Association of German technicians and labour representatives was finally appointed to draft a plan of reorganisation. Though the plan will, according to the law, be subject to Allied approval they will have a free hand to regroup the decartelised companies combining, say, a coalmine belonging to one trust with a steel plant belonging to another, so long as objectionable concentration of economic power is avoided. What will emerge from the work of the trustees cannot yet be predicted. In particular, it is too soon to say whether the German experts will try to reconstruct the system whereby the coal mines were owned by the steel trusts, which ran them at a loss in order to sell the finished steel products at a profit. The British in Germany have hitherto contested this system; and the French and Americans are now combined in an attack on artificially cheap German coal. German views are divided, but it can hardly be supposed that a structure will again emerge such as that of the Vereinigte Stahlwerke, a conglomeration of largely fortuitously combined interests, which, through one subsidiary (the Gelsenkirchen Mining Company) owned twenty per cent of the Ruhr coalfield. Two years, however, will elapse before the trustees expect to finish their draft reorganisation.

In the meantime, the prevailing uncertainty about the ownership of the Ruhr affects the shareholders, the creditors, and plans for fresh financing; but it seems in no way to hamper the output of steel. The annual report of the Vereinigte Stahlwerke, presented last September, was significantly optimistic. Though the operation of ten companies had been removed from the company, and its plants accounted for no less than 80 per cent of the dismantlement programme, the report stated that the concern still produced 15 per cent of west German steel.

Nigerians in Committee

[BY A CORRESPONDENT]

NOTHING could have been more unfortunate—if only from the point of view of timing—than the recent outbreak of violence in the coal mines of eastern Nigeria. The actual disturbance in the mines, which resulted in the shooting of a score of workers, had nothing to do with politics; it was not even, as a Note on page 1224 points out, a straightforward industrial dispute. But in Nigeria, any sort of trouble very soon takes on a political flavour, animosity is directed against the white man, all sorts of old grievances come into the open, and—before you know where you are—a major row is on.

The other unfortunate aspect of this affair is that it comes at a crucial moment in the novel constitutional review in which Nigeria has been engaged since last March, and may well upset the apperect. Only two years ago Nigeria inaugurated a new constitution, which had been elaborated by the then Governor, Lord Milverton. It marked a good step forward, and had the merit of recognising that the three strongly distinct regions of Nigeria—north, east and west—could not be lumped together. Regional Houses of Assembly were therefore introduced, and the regional principle has, on the whole, worked very well. But the Milverton constitution was tainted from the outset, because it was imposed without "consultation." Dr Azikiwe and some of his colleagues refused to take their seats after election, and in 1948 they came in a delegation to London to put forward a constitutional blueprint of their own. Although they were refused, and later decided to enter the Legislative Council, it was clear that the constitution was not popular. A new Governor and Chief Secretary were appointed to Nigeria and announced that a complete review of the constitution would take place. They called on the public to put forward proposals as to how this should be done.

One of the suggestions made, both in Britain and in Nigeria, was that a constituent assembly be called rather than entrust the power of constitution-making to an appointed committee (as was done on the Gold Coast) who might be written off as Government "stooges." But it was not easy to discover a practical form for this constituent assembly which would be acceptable to everyone. Nigeria is sharply divided between the feudal Moslem north (where about half the population, some 12 million people, reside and are of Hausa stock), and the south, inhabited by the very different Yoruba and Ibo peoples who may be Christian, Pagan or Moslem. The south itself is divided—bitterly divided—between the western Yoruba kingdoms with their traditional and powerful rulers and councils, and the Ibo east where there is no tradition of chieftainship. Any method of election to a constituent assembly which would satisfy the north would not appeal to the south, and even between the east and the west the divergence of approach seemed insuperable. When the matter was eventually brought before the Legislative Council last March, all the stress was laid on techniques, and the council was asked to appoint a select committee which would concentrate wholly on the question of how to carry the thing through.

Four Sets of Proposals

This select committee, surprisingly enough, reached complete agreement within a fortnight. It was able to do so because it plumped immediately for the regional method of discussion. Let the north, it suggested, have its own constitutional conference, the west its own, and the east its own—and Lagos its own, too. Then let the four sets of proposals come before a central drafting committee to be welded into a whole, and only then be brought before a general conference of the country, whose members would be elected by each of the regional conferences. The suggestion went even further

and proposed that, before the regional conferences met, there should be discussions in the villages and provinces, and the views of all should be taken up to the regional conferences.

The select committee's report was approved by the Legislative Council and the constitutional discussions were immediately set on foot. For the last few months villages, divisions, provinces and regions throughout Nigeria have been discussing the composition of executives and legislatures, the division of power between the centre and the regions, electoral systems, franchise and reserved powers. The completeness of the discussion and the general interest aroused have varied greatly in different parts of the country. Some dissatisfaction has been voiced, here and there, about the composition of the regional conferences. Some have said that the lead given by Government officials was too strong; some that it was too weak. But in the east and the west and in Lagos the composition of the conferences was entirely African, including everyone of outstanding calibre and embracing all points of view. In the north many officials participated, but that was not objected to. In Lagos, where party strife is at its most intense, Dr Azikiwe's followers (who were outnumbered) walked out altogether, but the conference proceeded unmoved.

The three regions and Lagos have now put forward their recommendations, and the drafting committee (again all African except for three key British officials) is meeting to reduce them to a unity. One glance at the four sets of proposals show the extraordinary complexity of the task before it. On one basic point all regions are agreed—they all want a federal system of government, allowing each region a measure of internal autonomy. But then the trouble begins. The western region no longer wants a governor, but a governor-general as president of the legislature; Lagos wants a speaker, and a governor whose power of veto has been radically clipped. The east and north suggest continuing

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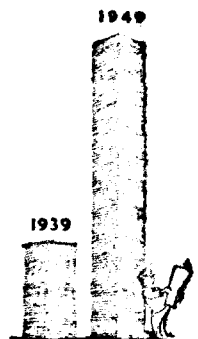
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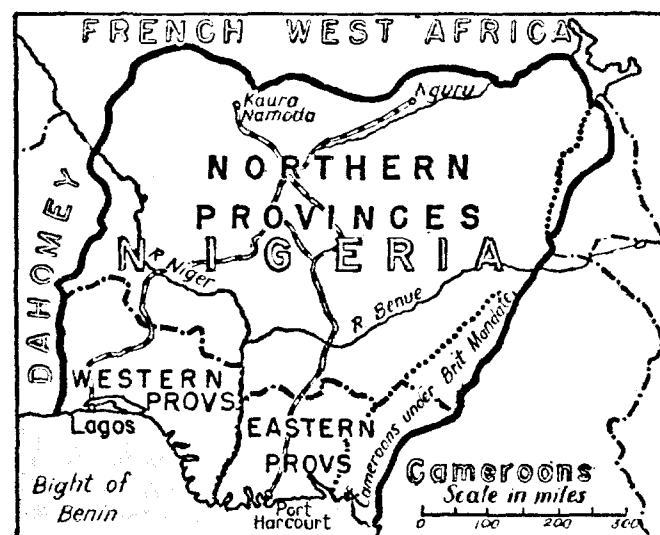
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with a governor. The north insists that the number of representatives on the central legislature from the west and the east should together not exceed the number from the north—this is, of course, not agreed by the others, Lagos going so far as to say that each region should have an equal number of representatives, irrespective of population. There are strong differences about the number of officials who should



be allowed seats on the legislature—the north would have all the governor's principal technical advisers, the west only six, and Lagos would have none unless they are members of the board of ministers. There are also wide differences of opinion as to the electoral system—the north wishes to continue the present system, the west talks of electoral colleges, the east of election from divisions, insisting that the basis of representation be the same throughout the country, and Lagos suggests election on a provincial basis. The north would give the franchise to male adults of 25 years or more, resident for three years; the west and Lagos mention tax qualifications; the east adult suffrage. All, except the north, want a secret ballot.

Split Between North and South

The proposals for the central executive differ equally widely. The north sees it as an advisory body only, with a powerful official element and an unofficial majority selected by the governor. The west, on the other hand, speaks of a responsible federal cabinet consisting of a governor-general, a prime minister and ministers elected by the federal parliament. The east envisages an executive, consisting of governor, six officials and twelve elected members appointed by the governor; and Lagos calls for a governor and a board of ministers of ten, including seven Nigerians elected by the central legislature from among themselves. But perhaps the most exciting controversy will arise over the north's financial proposals; it calls not only for the receipt of the full amount of the direct taxes collected in that region, but wants a share from other Nigerian revenues and even from imperial grants and loans on a *per caput* basis—which would mean that almost half the total funds of Nigeria would be devoted specifically to the north.

The drafting committee is now grappling with all these contradictions, and the difficulties, particularly with the north, have been formidable. The problem has, in fact, been to prevent a complete split in the country. The east, too, which mainly stands behind Dr Azikiwe, has been restive. Zik has resented from the start that his own 1948 blueprint, the freedom charter, was not adopted, and it will be remembered that many of his supporters boycotted the constitutional conference in Lagos. The hoped-for compromise is to go before a general conference of 53 Africans under a British chairman

in January; and the plan is for the final recommendations to be debated, first in the regional houses and then in the legislative council before submission to the Governor of Nigeria; only then will it be submitted to London.

It is at this moment, with the drafting committee in the thick of its attempts to bring together a host of conflicting viewpoints, that a state of emergency has had to be called and the country plunged into a new political crisis. It is extraordinarily bad luck for the many Nigerians—sincere nationalists themselves—who have devoted themselves to the constitutional review; and a bad setback for sorely-tried officialdom.

More Trouble in Argentina

[FROM A CORRESPONDENT IN BUENOS AIRES]

MOUNTING labour demands for higher wages in Argentina reflect the fact that Perón and his advisers are still without a policy for the country's economic ills. After four years of lavish promises and benefits to the workers and grandiose expenditure on state development projects, Argentina finds itself without the means to buy goods from abroad, unable to face foreign competition in the home market and in constant danger of pricing itself out of world markets.

When Señor Miranda disappeared from the stage last winter, even the novices who took his place recognised that Argentina's condition called for major surgery. A brutal reversal of inflation was the overriding necessity, and to be effective it had to be accompanied by firm resistance to the political temptation to raise labour costs. The collapse of the sellers' market has made such action unavoidable, but meanwhile the regime refuses to face facts and prefers instead to jump from one stopgap expedient to another.

Since the summer, when most of the food subsidies were jettisoned because the state trading monopoly, IAPI, could no longer scrape together the required funds, labour has become more and more restive. Workers have demanded increased wages, and these have usually been granted—those to railway and other transport workers alone ran into astronomical figures. Employers have been unable to afford the new increases, and on many occasions the Government has reluctantly been forced to step in and pull a new rabbit out of the hat. Current labour disputes involve the pharmaceutical trade and the flour, meat-packing and sugar industries.

Firmer Line with the Workers

The prevailing labour unrest springs not only from the pressure of rising living costs; it is in great part the result of government labour policy in the last few years, which encouraged the workers to believe that wage increases could always be had for the asking and that production was a secondary consideration. Constant stoppages, together with a mounting rate of absenteeism reduces production and thus contribute their quota to the inflationary spiral.

When at the beginning of October, the Minister of Industry and Commerce announced that the prices of certain consumer goods would be frozen, he also stated that no wage-freezing policy was contemplated. But of late the Government has shown a tendency to take a stronger line in dealing with fresh wage demands. Whether this indicates any real change of policy remains to be seen, since previous reluctance to grant wage demands have in the long run given way to political considerations. Perón's cabinet is composed of conflicting elements pulling in opposite directions, and in the end the various forces neutralise each other. The result is a deadlock and the matter is taken for decision to a high level, where Mrs Perón's influence—a very potent one—is invariably against any resolute stand on the wages issue.

In fact, given the financial policy adopted by the Argentine Treasury, spiralling wages have become inevitable. It was widely suggested that in abandoning the 25 per cent gold and foreign exchange backing of the currency, the regime's object was not only to keep within the letter of the Central Bank's charter, but, with this statutory embarrassment removed, also to set the stage for further monetary expansion; and nothing in the record of the present government gives any reason to suppose that it will neglect this opportunity to further its political ends. At the time when the gold-backing clause was suspended in September, the argument invoked by the government economists was that present-day conditions and modern economic theory called for the freeing of currency from the ball-and-chain of gold so as to secure a greater degree of flexibility. Flexibility, indeed, has been the one prevailing characteristic of Argentine monetary policy since the present regime came to power. But the flexibility has been all in one direction—that of further expansion. The note issue stood at 2,830 million pesos at the end of 1945 and by September 15th of this year had risen to over 8,000 million pesos. Gold and foreign exchange holdings fell over the same period from about 5,700 million pesos to 1,677 million pesos. Current holdings are, however, largely fictitious, since they include credits granted to Spain and other countries which are unlikely to be repaid.

Hand-to-Mouth Trade Policies

In the sphere of international trade the behaviour of the Argentine Government shows the same hand-to-mouth methods as those employed on the domestic front. What was needed from IAPI under present circumstances was an aggressive selling campaign abroad; instead it now appears to be floundering in a jungle of exchange rates which might well confuse even the ingenious Dr Schacht. With few exceptions, export prices since devaluation last month have been raised, particularly against sterling area buyers.

In part the explanation is that government officials are still living in the phantasy world of 1947 when sellers' markets were the only markets. It is probable, too, that domestic events are an important consideration in trade policy. One motive behind the price changes lies in the desire to window-dress IAPI's balance sheet at the end of the year by writing up peso assets and thus presenting a more attractive picture to offset the large sum owing to the banks. At the end of 1948 IAPI's debt to the banks was 6,496 million pesos and it is probably much higher now.

The effect of the new prices on the working of the Anglo-Argentine Trade Agreement is obvious. Britain is not bound to buy if prices are not suitable. But if Britain does not buy from Argentina, the Agreement is so much waste paper. Argentine policy since the pact was signed has given serious grounds for doubting if, in fact, there was ever any intention on the part of the Perón government to implement it. IAPI's new prices can only give further grounds. At every point the Argentine policy-makers appear to be ramming their heads not only against a brick wall but against the same brick wall—the crippling discrepancy between the country's needs and its resources. Nowhere is this clearer than in the field of imports. The nation is in urgent need of imports, both of capital equipment and even more, of consumer goods. A normal inflow of consumer goods would help to check rising prices, an operation which is beyond the administrative talents of the local enforcement authorities. But at the same time the Government dare not permit a recovery in imports for two reasons: industrial unemployment at home would inevitably follow since Argentine industry is in no fit state to withstand foreign competition, and, in the second place, the nation's reserves of foreign exchange are rapidly reaching the point where they are barely adequate for conducting day-to-day business.

Perón, a professional soldier turned politician, understands

little of economic affairs, though this fact does not prevent his making use of pseudo-economic jargon when addressing his followers. He has the added advantage that since his government turned the face of the economic barometer to the wall over a year ago by suppressing official statistics, figures quoted by him are usually the only available ones. But as a politician, he is undeniably astute. And if his policy has lost him the support of the middle class, that only provides an additional incentive to conciliate at all costs both Labour and the Army, either of which might unseat him. Right-wing nationalism and proletarian class-war can, however, be uneasy bedfellows. It may well be that Perón will soon be confronted with the need to choose between them.

Canada's Constitutional Changes

[FROM OUR OTTAWA CORRESPONDENT]

WHEN the British Parliament in 1867 enacted the British North America Act giving effect to the union of Canada (including what is now Ontario and Quebec), New Brunswick and Nova Scotia, it left the new Dominion with a federal system demanding a clear division of powers between the federal and provincial governments. More than 60 years later, when it was sought to give legal form to the independence of the Dominions, Canada found itself with no machinery of its own to replace the British North America Act. To fill this need, it was provided in the Statute of Westminster that: "Nothing in this Act shall be deemed to apply to the repeal, amendment or alteration of the British North America Acts, 1867 to 1930, or to any order,

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rule or regulation made thereunder." Since then, therefore, Canada has had to continue to go to Westminster whenever it wanted to change its constitution.

There have been eleven such applications since 1867, but no rule has ever been laid down either in Canada or at Westminster about the method to be used. It has in fact been done by joint addresses of the two Houses of the Canadian Parliament, sometimes with, but more often without, consultation with the governments of the provinces. Whatever was done was open to criticism, and was usually criticised.

This position led to the curious anomaly that while certain provinces might feel that the necessity of going to Westminster provided some guarantee of their rights, there was in fact no "prescribed legal protection for the fundamental provision of the Constitution." The words quoted are those of Mr St. Laurent, the present Prime Minister. He has been much criticised, particularly in his own province of Quebec, for stating some years ago that there was nothing to stop the Federal Parliament from asking Westminster to abolish the right to use the French language. He was perfectly right, but it was a fact that few people wanted to face.

This is one of the things which has introduced an emotional element into the constitutional problem. The people of Quebec have no affection for the United Kingdom which would make them want to live under the government of Westminster. On the contrary, they are traditionally suspicious of all imperial ties; but the very remoteness of the Westminster parliament and the Judicial Committee of the Privy Council provided some feeling of security about the provisions of the British North America Act which safeguard French-Canadian rights. However little legal justification this feeling had, it has been competing with a growing conviction that Canada should take responsibility for its own constitution, and that appeals to Westminster, whether for legislation or judicial decisions, should stop. Mr. St. Laurent's government, with an overwhelming majority, is at last tackling the question.

No Appeals to the Privy Council

The first move is to get Parliament to pass an amendment to the Supreme Court Act making the Supreme Court of Canada the court of final resort and abolishing all appeals to the Judicial Committee of the Privy Council. The power of the Federal Parliament to do this has been upheld by the Judicial Committee itself. Next, the Federal Parliament is sending an address to Westminster asking for the British North America Act to be amended by the insertion of a new clause as Clause 1 of Section 91, which enumerates the powers of the Federal Parliament. This move has been opposed by opinions which range from the extreme "compact theory" of the Premier of Quebec and others to the more cautious attitude of the federal Conservative party, which holds merely that it would have been wiser to consult the provinces first. (The "compact theory," which the government refutes, is the theory that the British North America Act gave expression to a compact between the participating Canadian colonies which cannot be altered without their consent. Neither legally nor historically is it easy to support, but it has its passionate followers.)

The new clause which Westminster is being asked to insert will give the Parliament of Canada the right to amend the Act in everything except three classes of subjects. The Government originally proposed two exceptions, but later accepted a third proposed by the small Socialist party called the Co-operative Commonwealth Federation. The first is "matters coming within the classes of subjects assigned exclusively to the legislatures and the provinces." The second is "rights or privileges by this or any other constitutional act granted or secured to the legislature or government of a

province, or to any class of persons, with respect to schools or as regards the use of the English or French language." The third exception provides that Parliament must meet every year and that it shall not prolong its own life beyond five years except in "times of real or apprehended war, invasion or insurrection," and then only by a two-thirds vote of the House.

The government's basic assumption, as Mr St. Laurent explained, is:

that there is a line (between federal and provincial jurisdiction), but that it would not be fair for us (the Federal Government) to attempt arbitrarily to draw that line. We shall have it declared in general terms that we have the power to deal with the things that are on our side of the line. If it is felt that we attempt to do anything which anyone feels crosses the line or impinges on something that is outside our jurisdiction, there will be the courts to decide whether we are right or wrong.

The courts, it must be added, will no longer mean the Judicial Committee, but the Supreme Court of Canada.

Consultation with the Provinces

The Federal Government and Parliament have gone thus far on their own. But the final step in transferring the Canadian constitution to Canada demands consultation with the provinces. A Dominion provincial conference will meet in January to deal with the whole class of subjects in which both federal and provincial governments have an interest. Most crucial of these, perhaps, is the division of taxing powers, but there is also the whole field of subjects covered by the phrase "property and civil rights," which as a result of a series of Privy Council decisions now covers a very wide range, including labour legislation and social security. Jurisdiction over these is assigned to the provinces. Before the Federal Government could institute a scheme of unemployment insurance, for example, an amendment had to be sought to the British North America Act: it was made in 1940 after all the provinces had given their assent. A similar procedure might be necessary before the Federal Government could start a contributory old age pension scheme on a national scale. If agreement is reached at the conference, it will take one more Address to Westminster to transfer the whole of the Canadian constitution to Canadian hands. At the same time it will become possible to provide fundamental legal guarantees of provincial, language and education rights which are not guaranteed now, simply because it has never been agreed who shall have the power to ask Westminster to change them.

The prospects of agreement, however, do not look good. M. Duplessis, the Premier of Quebec, is promising intransigent opposition to all that the Federal Government is doing, and telling his followers that the rights of the French-speaking province are endangered. It is fortunate, indeed, that the Federal Prime Minister is a French Canadian and that he has the support of nearly all the Quebec members of the Federal Parliament. This gives the Government the opportunity to take action which, had it been taken by a Government headed by an English-speaking Prime Minister (even one so sympathetic as Mr Mackenzie King), might have evoked a cry that the English-speaking majority was trampling on the rights of the French-speaking minority. In the existing circumstances such a cry will be difficult to raise, and it is clearly the conviction of Mr St. Laurent's government that if M. Duplessis is too intransigent they will be able to appeal to the people of Quebec over his head and perhaps even break his hold on the provincial government.

(The British North America (No. 2) Bill, which gives Canada the power to amend its own constitution, was due to have its second reading in the House of Commons on Friday this week.)



In two darning needles lay...words

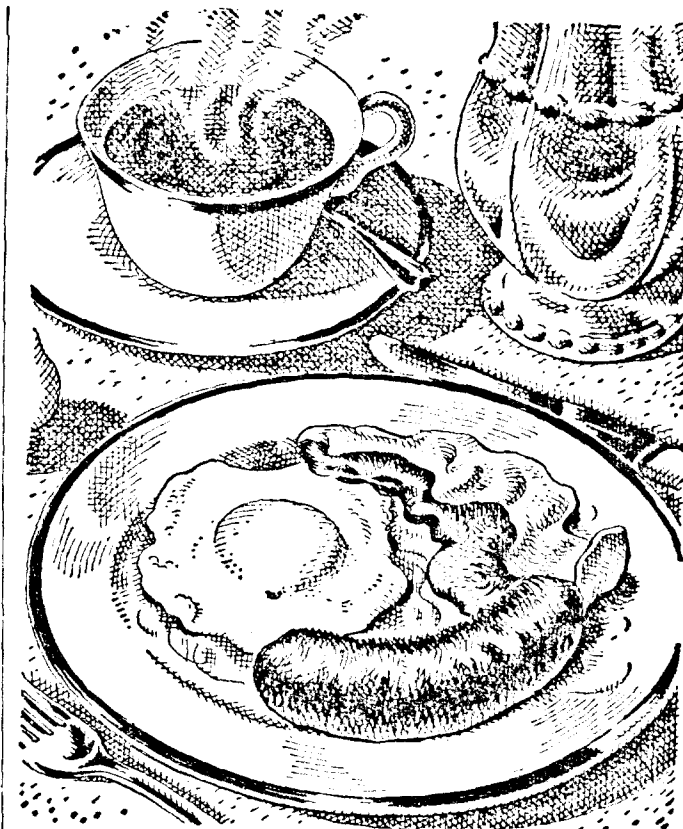
TELEGRAPHIC communication became possible in 1837, but at first messages could be sent only by Morse code. A Welshman, David Edward Hughes, a Professor of Music living in the United States, sought to invent an electrical apparatus that would transmit typed messages. One evening in 1855 he borrowed two darning needles from an old lady and began to use them as vibrators . . . Thus was born the telegraphic type-printer — the forerunner of the modern teleprinter.

The inventive spirit of Hughes is still alive in Britain today.

The electricity industry, for instance, is continually developing new appliances which increase the output of our factories and farms and make life easier in the home. On the electricity supply side, too, marvels are being done to overcome the post-war power shortage. Already electricity may be used freely at all times except at peak hours. Soon the nation will be able to enjoy even greater benefits from the new electrical age.



The Electrical Development Association explores and advises on methods by which work on farms can be made easier by the application of electricity. Consult your Electricity Service Centre, or write to E.D.A., 2 Savoy Hill, London, W.C.2

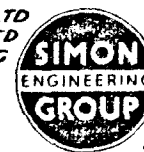


FOOD

What has engineering to do with breakfast? The answer is in the modern provender mill. Maximum production of meat, milk and eggs and the breeding of healthy beasts demand scientific livestock feeding; what is right for fattening pigs is wrong for store cattle, and the diet that gets the most work out of horses will not get the most milk from cows. The cheap and efficient manufacture of scientifically balanced rations, cattle cubes, poultry pellets and so forth for animals of all types—breeders, growers, fatteners, milkers and workers—sets many specialised engineering problems in plant design and equipment. Henry Simon Ltd are the world's leading firm of provender milling engineers, and in a dozen or more countries, from Britain and Europe to Australia and South Africa, Simon provender milling machinery is helping the farmer and stock breeder to feed a hungry world.

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THE BUSINESS WORLD

Rail Charges and Efficiency

THURSDAY'S debate was intended to provide an occasion for the public audit of the work of the British Transport Commission in 1948, but it turned inevitably into a review of the reasons which have led the Commission to seek an increase in railway charges. It is less than two years since the Commission took up their duties, so there was plenty of scope for the familiar criticism that nationalisation is a guarantee of higher costs, higher prices, and lower efficiency. If the issues affecting transport were as simple as this, there would be far less to worry about. The point of real importance is that the Commission, being confronted with a large deficit, may be diverted from their long-term job of making transport efficient by the immediate exigencies of having to pay their way.

British Transport's predicament was described in *The Economist* last week. Briefly, railway takings are £7,500,000 down, with eight weeks of the year still to go. This suggests a fall in traffics of at least £10 million. A deficit several times greater than the £4,733,000 recorded in last year's accounts was already clear from these figures. On Monday, the Minister of Transport disclosed that the Commission's activities as a whole are likely to show a net deficit of more than £20 million; the estimate for 1950 might be as high as £30 million, and of course the deficits for the railways alone would exceed these net losses.

The Commission's views on the widening gap between revenues and costs were set out at length in the 1948 report, and were examined in *The Economist* of September 10th. Briefly, they argued that a general increase in railway charges was excluded because it would bring no net benefit to railway traffics and revenues "and would tend to increase costs of production." On the other hand, it would be intolerable if the railways had to pay more for wages and supplies and were not allowed to increase their charges. The Commission were evidently thinking in terms of a selective increase, and one which came close to matching the increase in railway costs since 1939 with the increase in prices and costs generally.

The terms of the application which the Commission have made to the Minister for authorisation to increase charges for merchandise by railway and dock and canal dues do not pursue these principles very strictly. The Commission are seeking an increase of one-sixth in the existing level of railway freight and merchandise rates by goods and passenger train. This increase, if granted, would raise the general level of railway freight rates from 155 per cent of the 1938 level to 181 per cent. According to an estimate given by the Minister of Transport on Monday, the weighted average of the railways' costs is now 220 per cent of the prewar level. An increase of 81 per cent in freight rates (passenger charges are to be kept at 55 per cent over the prewar rates) will be thoroughly unpopular; it will without

question increase the level of industrial costs; it will set in train consequential increases in the prices of coal, steel, farm produce, and any number of staples and industrial products. Yet, on a bare comparison of railway charges and railway costs, the increase which is being sought cannot be called rapacious. That an application was not made earlier must have been due largely to the fact that the Commission were preoccupied with the problem of settling in and acquiring their road interests, and the Railway Executive with the problem of answering union claims for increases in wages which were hopelessly beyond the earning capacity of the railways.

But it will not do to brush aside this increase as if the railways are fully justified in increasing their charges in conformity with increases in the general level of costs. Mr Barnes came near to expressing this point of view when he contrasted the 55 per cent increase in charges with the 120 per cent increase in costs. It was not, he said, a question of efficiency, but of brutal fact. This argument is quite inadmissible. It is very much a question of efficiency; the increase in charges to which the Commission are entitled is not any predetermined figure based on costs in other industries, but the lowest increase which, coupled with the maximum of efficiency, will enable them to fulfil their obligation to meet all their proper revenue charges, taking one year with another, to retire their debt and to set up a general reserve fund.

Here lies the danger of an application for increased charges at this formative stage of the Commission's work. Its success or failure is bound up with the reformulation of transport charges for different classes of railway traffic and for road haulage. Two years were allowed in the Transport Act for the complex task of working out charges schemes; already the Minister has had to use his power of extension for a further two years (to August 1951) and it is doubtful whether the task will be completed then. Charges are indeed the key to effective integration; but schemes cannot be worked out in a hurry, much less before experience has been gained in road haulage operation. But the application which is now before the Minister has nothing to do with integration or the dovetailing of different forms of transport to provide the most efficient service. It is frankly designed to get the Commission out of a hole—to find another £27 million in 1950 (if the Minister is prepared to sanction the increases from January 1st) towards meeting the expected £30 million deficit.

This explains why the application is being dealt with under the transitional provisions on charges which apply until charges schemes are in force. Section 82 of the Transport Act provides that

The Minister may . . . if he thinks it expedient so to do with a view to ensuring a sufficient revenue to the Com-

mission . . . by regulations authorise the Commission . . . to make charges additional to those in operation under (statutory) provision:

Provided that before making any regulations . . . the Minister shall consult with, and consider the advice of, the permanent members of the Transport Tribunal, acting as a consultative committee.

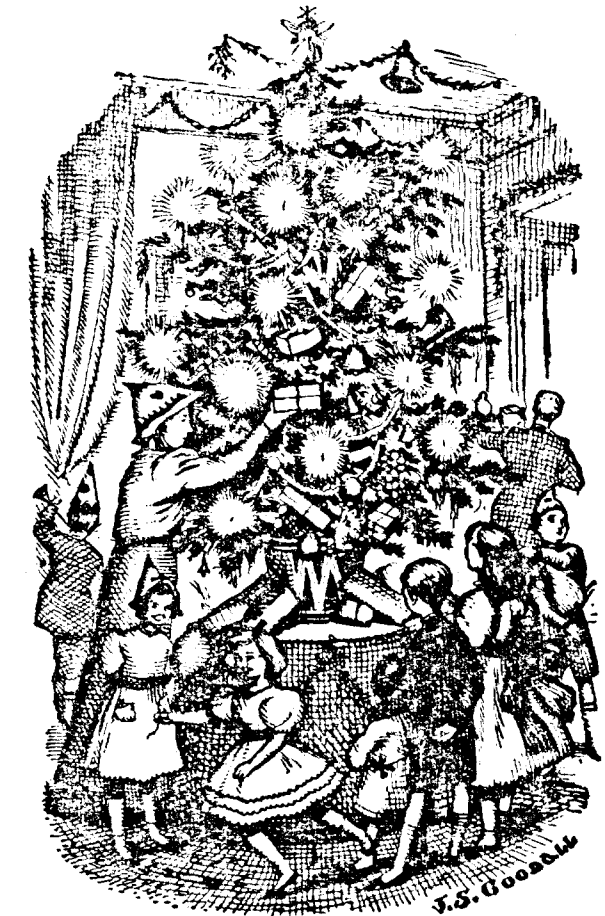
It is not clear whether the members of the Transport Tribunal, acting informally in this way, would hear representations from traders in public, as they did in their former capacity as members of the Railway Rates Tribunal, nor whether their advice to the Minister is to be published. Mr Barnes has expressed the view that the consultative committee "will no doubt think it desirable to consult with such representative bodies of traders as they think fit and take their views into consideration."

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The question, then, turns on whether the consultative committee will limit their review to the formal application which the Commission have made to the Minister and to the comments on that application which are made by "representative bodies of traders" or whether they will range more widely into considerations of efficiency and competition in transport. The Transport Tribunal, when formally constituted, have the full authority of a Court of Law, but the transitional provisions set out above suggest that when the members form a consultative committee, they will be acting as advisers rather than in a full judicial capacity.

This is a point of substance. In the first place, there is no body, unless it is the Transport Tribunal, which can pronounce upon the question whether the Commission and the Executives are efficient—as the Railway Rates Tribunal used to pronounce, after being duly satisfied, upon the efficiency of the railways before the war. There are several signs of improving efficiency on the railways—the wartime bloat of staff is being reduced, and the movement of goods traffic is being more economically handled. It would be less than fair to the railways to ignore the steady improvement in operating efficiency which the monthly statistics reveal. But they are far less efficient than they ought to be. A deficit has at least some negative value as a spur towards greater efficiency and economy. But complacent agreement to wipe out a deficit by increasing charges would do infinite harm in removing that spur. The Commission are, in effect, asking for the full deficit to be made good, without first proving beyond doubt, that it is impossible for them to do anything to help themselves. They appear to hold that, despite the economies which are being made now and can be expected in the future, operating results as a whole will show no improvement.

This is defeatism. Indeed, it is worse; it is a failure to give a convincing account to the public of the reasons which prevent any improvement from within. How far are the troubles of the railways due to their inability to go out after traffic because the Commission are exercising control in detail instead of control in principle? To what extent do they arise from the over-addiction to "functional" management on the Railway Executive itself? How far have costs been increased by the centralisation of services at the Commission, with the result that they are increasingly concerned with day-to-day affairs at the expense of being diverted from their proper duty of laying down broad lines of transport policy?



December

December is balance month. The last few days of the year make heavy demands upon the staff of the bank, for every account must be "balanced" and checked. Modern office methods, involving the use of mechanized book-keeping systems and of photographic records in accountancy, have reduced the time spent in searching for the proverbially elusive penny, but even so, hard work by every officer is required at "balance time". You will soon have an opportunity of studying the balance sheet of the Midland Bank; it is clothed in conventional form, but behind its figures lies the story of great achievements by customers large and small.

MIDLAND BANK LIMITED

What advantage has been gained from splitting off the Docks and Hotel Executives, and what additional costs have been incurred? Questions such as these are the very stuff of efficiency. Can the Commission claim that their activities, either direct or delegated to the Executives, are being run with maximum efficiency?

There remains, finally, the question of competition. It has never been possible to quarrel with the words used by the Commission or the chairman, about the "C" licence. The Commission's report observed that the increase of "C" licensed vehicles "is a circumstance which vitally affects the policy of the Commission in planning, in fixing charges and in the eventual integration of their services." This might mean that the number of "C" licences would be taken into account in reaching decisions on these matters; or that steps might be taken to curtail their number. Sir Cyril Harcourt, the chairman of the Commission, stated several months ago that he did not approach the problem of the "C" licence in a mood of despair or in a threatening attitude; his instinct was to accept the challenge of competition from the "C" licence and "see how we come off." This shows a proper attitude, for the preservation of this element of competition in transport is quite vital to the public interest. It is not a view which is widely shared

by Labour supporters, and an increase in charges will reinforce the demand for curtailment from these quarters. It must be strenuously resisted.

This application for increased charges, therefore, is the first test of the Commission's behaviour towards the public and of the Minister's ability or willingness to protect the public interest on an issue which involves the monopoly powers which Parliament has given to the Commission. It is not sufficient to seek an increase in charges merely on the evidence of a deficit. The question which has to be answered is: What factors determine the size of the deficit? Many of them are beyond the Commission's control; to that extent there is a good case for granting an increase in charges, on the ground that railway charges are unduly low in relation to costs generally. But those factors which are within the Commission's control are more important than either the Commission or the Minister has yet been disposed to admit. Unless this line of distinction is carefully drawn, the public will be over-charged, the Commission and their Executives will remain less efficient than they ought to be, and a damaging precedent will have been created which will inevitably affect the scientific working-out of the charges schemes which the Commission have a duty to prepare.

The Sterling Balances

THE overseas sterling balances are probably the most persistent enemy of external confidence in sterling. Every foreign banker, merchant or politician who seeks to assess the position of sterling looks not merely at the profit and loss account—that is, at the current balance of payments—but at the balance sheet. And in the latter his eyes fasten on two items: the overseas liabilities payable on demand on the one hand, and the available cash reserve on the other. Britain's sterling liabilities, on the latest available evidence, amount to about £3,200 million; the gold and dollar reserve, even when written up in terms of devalued sterling, amounts to only about £500 million. How can there be confidence in a banker whose financial position looks as precarious as this?

It is easy to impugn the logic behind this argument. A great part of these sterling balances is not in fact payable on demand, but is immobilised. There is no immediate and direct link between these liabilities and the gold and dollar assets held in the sterling area's centralised reserve. The main backing behind these sterling balances is not the gold reserve but the productive and exporting power of Great Britain. Unfortunately, however, these refinements of the argument tend to be ignored or discounted abroad, where the massive burden of sterling debt is currently regarded as a millstone around the neck of sterling, a source of strain on the economy of Britain, and an important contributory cause of the recurrent crises in this country's balance of payments since the end of the war.

In cold fact, there is much to be said for this view. The sterling balances accumulated in the abnormal circumstances of the war have admittedly been liberated on too generous a scale. These balances touched the immoderate figure of £3,700 million at the end of 1946; they were down to £3,233 million by the middle of 1949, and if interest is added to repayment it would seem that

Britain has paid out some £550 million on these debts in two and a half years. This rate of service, and the consequential volume of unrequited exports which it has financed, has played a large part in maintaining high-priced, soft currency markets for British exports and in thus diverting resources which should have been employed in filling the gap in the hard currency balance of payments.

It is, however, one thing to acknowledge this fact; but quite another to believe that anything spectacular and heroic can now be done to tackle the fundamentals of the problem—as distinct from exercising a vigilant control over current releases. The time for any spectacular action was immediately after the end of the war. Then it might conceivably have been possible to have drawn a line across every overseas sterling account and, waving aside contractual obligations in the heat and fervour of victory, to have informed Britain's sterling creditors that, while any new accumulations of sterling would be freely expendable (subject to existing exchange control) balances acquired before VJ Day would be made available only after specific negotiations. Even in 1945, however, any such procedure would have caused immense strains and difficulties.

The balances differed very widely, in the character both of their growth and of their ownership. Some arose largely from military expenditure, incurred with the usual wartime disregard for cost accounting. Others were the product of normal commercial transactions, many of them conducted at prices dictated by the British authorities and depriving the exporters of what might have been the full fruits of their sales abroad. Again, some of the balances were held almost exclusively by the central banks and currency authorities of the countries concerned, and were thus in the form necessary for any scheme of agreed partial

cancellation and funding; whereas others were held in thousands of individual private accounts and would have defied any equitable measure of centrally negotiated immobilisation or cancellation. Even at that time, moreover, any attempt to immobilise accumulations of sterling might have dealt a serious blow to the trade of countries which depend on their sterling balances for working capital. In other words, even in 1945 a spectacular attack on the problem of sterling balances might easily have caused political frictions which would have done far greater harm to Britain and the sterling area than the good to be extracted from any equitable reapportionment of liabilities incurred in a common cause.

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This was probably also the only moment at which any attempt to shift some of that burden on to the shoulders of other countries—notably, of course, the United States—could conceivably have had any chance of success. In some of the conversations which preceded the Bretton Woods Conference the American expert, Mr Harry White—author of the plan for a Stabilisation Fund from which the International Monetary Fund was subsequently spawned—had suggested that ways might be devised of transferring to such a fund a part of the burden of these exceptional debts accumulated by Britain. Mr White and his colleagues at the US Treasury saw clearly enough that the weight of these debts would put such an intolerable strain on sterling that there could be no question of its early return to complete convertibility with the dollar—a return for which all American officials most earnestly hoped.

It has been argued that Mr White's proposal never had much realism behind it. Even at the time it was made, the United States was showing the greatest diffidence in committing itself to a generous treatment of its postwar creditors. When the time came, in 1945 and 1946, it responded fittingly to the need of the hour and the Lend-Lease slate was wiped clean. But it is doubtful whether any US Administration in 1944, even that of President Roosevelt, would have found it possible to persuade the American public of the equity and advantage involved in their taking over a part of Britain's wartime monetary obligations. On the other hand, it is still true that no attempt was made at that time by British representatives to pick up the ball which had been thrown, perhaps half-heartedly, into their court. That was still a period when the postwar economic potential of Britain was being viewed through rose-coloured spectacles, when the burden implied by these debts was being minimised or was regarded merely as a useful guarantee of the maintenance of full employment in Britain. At that time, too, there was a school of thought in this country which strongly resented the slightest intrusion by any foreign country or international institution into the domestic affairs of the sterling family—this school indeed is not dead yet. Whatever may have been the reasons, and whoever was to blame, the fact remains that the tentative proposal to shift and redistribute the burden of these debts was never followed up.

American interest in the problem became evident once more in the American Loan negotiations of 1945. The same theme of convertibility of sterling ran through this renewed interest. The United States experts rightly judged that there could be no hope of restoring convertibility of sterling within a year of the loan agreement

unless the greater part of the abnormal sterling balances was immobilised or cancelled. This belief found expression in those clauses of the loan agreement which specified what treatment should be meted out to the balances; part should be cancelled, part should be funded, and part liberated for expenditure in any currency area in the world. Britain signed the Loan Agreement, but it has done very little to implement this particular part of it. It is true that attempts have been made in negotiations with individual creditors to immobilise a part of their claims in so-called No. 2 accounts. Arrangements are now in force involving such immobilisation, subject to agreed releases, with no less than nine countries—Brazil, Ceylon, Egypt, India, Iraq, Israel, Pakistan, Sweden, and Uruguay. But the laxity of these agreements may be gauged from the fact that during the first nine months of this year the sterling releases to these nine countries amounted to £206 million. It is quite clear that any continuation of releases on this scale would undo much of the good that may be derived from the Government's domestic disinflationary measures—such as they are. The Chancellor of the Exchequer has in fact accepted the principle that these releases must be considerably curtailed—and his announcement has already brought in a flurry of complaints from the creditors concerned.

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The September negotiations between the United States, British and Canadian Finance Ministers raised yet another hope of the partial shifting of this burden to wider shoulders than those of Britain alone. The communiqué issued at the end of these triangular talks stated that this problem of sterling balances, "including the necessity to provide capital goods for development," was discussed by the experts of the three governments and that it had been agreed that this was one of the subjects which concerned countries other than Britain and would require further study. It is just possible to read into this communiqué a readiness on the part of the United States and Canada to bear a share of the burden of these debts. It might conceivably be done through the participation of those two countries, the United States in particular, in the development of under-developed countries under President Truman's "Point Four Programme." It is conceivable, too, that if the dollar were called in to redress the injustice represented by these balances the creditors might be more willing to accept some scaling down of their claims. A dollar in the hand might be worth more than twice as much as blocked sterling in the bush. It would, however, be unwise to pin undue hopes on the prospects of such a deal; the problem is much more likely to remain the sole responsibility of Britain and its creditors.

If this is so, there are many reasons why Britain should hesitate in seeking any spectacular solution. The first of these reasons is that any such solution would have to be generalised. This would be necessary to avoid the appearance of unfair discrimination between the various creditors. It would, however, probably be impossible—and it would certainly be undesirable—to apply uniform treatment to the balances accumulated here by, say, Australia, Palestine, India and Eire.

Secondly, any solution that would involve the definite funding of a large part of these debts would probably entail the payment by Britain of an appreciably higher rate of interest than the $\frac{1}{2}$ per cent per annum which

is now being paid on the bulk of the balances. Given Britain's present difficulties, the yearly outgoing on this indebtedness is more important than the total debt which the books may show to be outstanding.

A third reason for not seeking a spectacular and generalised solution is that the rigid releases, whether in sterling or in the form of hard currency allocations, which must go with any funding agreement might have some drawbacks. They would commit Britain to specific, defined obligations, and thus sacrifice the elasticity of the present arrangements. That elasticity has admittedly been abused. There have been excessive releases at a time when the British economy and the interests of the

sterling area as a whole would have required them to be minimised. But there is something to be said in favour of intelligent elasticity, of leaving matters in as fluid a position as possible.

The arguments for and against a frontal attack on the sterling balances therefore seem to lead to the unheroic conclusion that there is not much case now for doing anything about them other than to reduce the rate of release. The Chancellor of the Exchequer has promised that he will do so. In this, as in all the other "consequential measures" to underpin the position of devalued sterling, it remains to be seen how far his intentions are translated into action.

Business Notes

Master of the Market?

Sir Stafford Cripps must feel well satisfied with the results of his speech last week-end at Bristol, for his intervention has worked almost as well in the gilt-edged market as the winks, nods and bullyings of his predecessor. Indeed, at many points his words more or less paraphrased the familiar speeches which Dr Dalton was wont to make on the "true value" of gilt-edged securities. They were, admittedly, a little more polite—the financial commentators did at least earn the description of "these portentous and serious writers," whereas they were formerly described as "persons not of representative quality, given to irresponsible babblings."

Sir Stafford was right to claim that the Government was justified in stepping into the market three weeks ago; the narrow markets at that time were vulnerable to quite moderate genuine and speculative selling, and showed obvious signs

devaluation, and there are only a few pence between the yield comparisons over the past eleven weeks in such long-dated issues as 3 per cent Savings Bonds, 1965-75, Transport Stock and even Gas Stock.

The Chancellor's view of the market prospect has obviously played a major part in this week's further recovery:

I hope now there will be no recurrence of the fall, for there is no reason whatever in the financial or economic facts which could in my view justify even the present low-level of gilt-edged securities.

But it will not have escaped his notice that the advance in gilt-edged has also been associated with evidence of an improvement in Conservative prospects at the general election, and with the fact that a Socialist Government has been defeated at the polls in New Zealand. And the improvement has occurred despite his distinctly cool references to the gold and dollar reserves—the forecast, again repeated, that at the end of June next year the reserves "should not be lower" than they were at the end of September, coupled with the statement that it will take "years" to build up the reserves to a safe level.

Naturally, the improvement has been welcome to those institutions which in the middle of November were obviously concerned about the appearance of their end-year balance sheets, and to the underwriters of the unsuccessful South Africa issue, which has improved to $\frac{1}{2}$ discount. It also provides encouragement for the success of the Port of London Authority cash-cum-conversion operation, which still remains open. But the great question mark still hangs over the market. Is the Chancellor now effectively in charge? He has produced no evidence for his opinion that gilt-edged should go higher; under present conditions the mere fact that he holds and expresses such an opinion is enough for the market to do a good deal of work for him. Perhaps already the recovery has gone far enough to exhaust his powers of moral suasion.

Political Economy in 1950

One reason for the strength of the gilt-edged market this week has been the well-merited interest widely aroused by an article, signed by Messrs C. F. Carter and R. C. Tress, in the latest "Bulletin" of the London and Cambridge Economic Service on Britain's economic prospects during the coming year. Summarised press comment has naturally emphasised the conclusion drawn in this survey that the Government's economy measures are a good deal less inadequate than the harshest criticisms have suggested. This is indeed the drift of the argument, but on a careful scrutiny of the whole article the grounds for optimism which it seemed

to offer prove to be much less substantial than has been widely supposed.

Rather unexpectedly in an analysis which comes from academic circles, the whole approach is inspired by what the authors regard as political "realism," so that the recommendations are mainly such as might be feasible within the existing compass of Government policy. Thus, although the article admits that maintenance of the present level of employment is possible only in a "prosperous and static" community, the policy it advocates presupposes that

a tentative deflation, creating some transitional unemployment while trying all the while to minimise it, is the strongest policy one can reasonably expect.

Moreover, no allowance is made for the need for "incentive" reliefs in taxation. The survey's verdict on the Government's programme is, therefore, to be tested against this "limited objective"—indeed, the limit may have been even more narrowly drawn, so as to exclude even transitional unemployment. Beside this objective, the Government's programme is judged to be "somewhat, but not gravely, inadequate." It is considered that

if the action already taken were moderately extended, and backed by a higher rate of interest and by evidence of Government determination, we might, in 1950, achieve a precarious balance without excessive encouragement to price and wage increases, and without more than reasonable transitional unemployment. This will not of itself stop the wage inflation . . . but it might hold it within reasonable bounds.

Yet, even if these conditions are fulfilled and if the policy succeeds thus far, the consequence would be merely that the dollar position would be "just manageable." In other words, Britain might for twelve months avoid recurrence of another dollar crisis—but would do so with reserves "quite inadequate to secure us against any large decline in United States activity," and in the knowledge that "any present precarious balance is only ours because of Marshall aid, the closing date for which draws frighteningly near."

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In short, the apparently optimistic tone of this survey lies on the surface only. Indeed, if the "Bulletin" is "realistic" in its assessment of the scope for further economies—which it expects to be needed "at the 1950/51 Budget or before"—the prospect is surely at least as sombre as the most gloomy commentators have predicted. It believes that an extra £50 million or so might be saved on Defence and that £25 million might be secured from administrative economies (on which the Government "appears to have made a good first attempt"). But, in the opinion of those responsible for this survey, these minor savings seem virtually to exhaust the scope for feasible economy. It is actually argued, indeed, that, so far from there being any scope for reduction in subsidies, the Government might have done better to increase them; that an extension of the principle of charging for National Health Service prescriptions could not yield much revenue without injustice, and that "it will be difficult enough to prevent further increases in the Health Service estimates"; that it will not be "tolerable" to save much on cash Social Security payments; and that it will be difficult to keep educational costs down. In short, if there is to be any retrenchment, it must be found within the investment programme—and, in this direction, the "Bulletin" shares the general doubts about whether the Government's intentions will in fact be made really effective.

All of which looks like a formula for keeping the whole economy frozen almost solid in its present shape. This may be "realism"—if by that is meant devising a policy which will cause no affront to cherished political beliefs. But it is also a prescription for collapse as soon as trans-Atlantic subventions end.

The Engineering Wage Claim

The largest of the wage claims to have arisen since the White Paper on Personal Incomes was presented this week by the Confederation of Shipbuilding and Engineering Trade unions; it asks for a general wage increase of £1 a week which would apply to some 2,750,000 workers. The inconsistency of this claim with the general policy of restraint which the Trades Union Congress has adopted hardly needs to be stressed. Something needs, however, to be said about the arguments by which the confederation's representatives supported their claim on Wednesday. One argument concerns "productivity": by relating the index of production for shipbuilding, engineering, and electrical goods to the manpower figures for those industries, the unions arrive at a "productivity index" (average for 1946=100) of 133 for the second quarter of this year. This kind of misuse of crude statistics stresses the need for a definition, and a standard of measurement, of productivity. To use 1946 as a base year is in any case indefensible; are the material shortages, the dislocations, and the inefficiencies of the first postwar year to set the standard for the future economics of British production?

Other arguments concern the high level of engineering profits and the supposed failure of the employers to exercise the restraint which public policy demands. The figures quoted for profits are after deduction of repairs, depreciation, administrative and other expenses, but before deduction of taxation. They do not refer to distributed profits, with which the White Paper policy of "restraint" was concerned. Indeed, Mr Brotherton, as spokesman for the confederation, made this plain when he told the employers:

Your letter seems to regard it as morally and ethically right to make as huge a profit as possible, in order that the Chancellor may have greater scope for taxation. How can this square with your protestations about the absolute necessity for restraint if the country is to be saved?

The general drift is simple. Assume that output goes up, that the volume of trade increases, and that profits rise. The unions' doctrine appears to claim not merely a reasonable reward for extra effort and for permitting the better use of its members' skill. It appears to claim the share which the Exchequer at present takes in taxes, the share which at present provides the greater working capital which increased trade (and a greatly increased money turnover) require, and in addition, any share which the consumer might hope to get by way of lower prices or better service.

Industry

The Cost of Making Films

The report of the working party on the costs of film production, which was published this week (HMSO, 9d.) is in one way disappointing. A year has passed since the working party was set up, and some hopes of clarifying the issues which confront this distressed industry had been pinned on its labours. But, after so much time has gone by, the report finds it necessary to say, in effect, that neither its powers nor the information placed before it were enough for a really thorough and authoritative examination of the subject. Information about the cost of films was collected by the Board of Trade, which obtained returns from 16 companies of the cost of 43 first-feature films, and presented the working party with an analysis of the results. But the report observes:

We must, however, frankly admit that neither the Board of Trade report, nor the additional figures we obtained later, provided by themselves a basis on which to form a judgment of the main factors leading to the present high level of production costs, and our general survey of cost problems has

GROSS REDEMPTION YIELDS (PER CENT)

Stock and Redemption Dates	Cheap Money Peak Nov. 14, 1946	Gold Reserve Crisis June 27, 1949	Eve of Devaluation Sept. 15, 1949	Post-Devaluation "Lows" Nov. 19, 1949	Week Ago Nov. 23, 1949	Latest Nov. 30, 1949
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
11% Exch. Bds., 1950	1 5 6	1 15 0	1 2 3	0 14 9	0 12 0	0 9 11
2½% Nat. W. Bds. 49/51	1 7 8	1 17 0	2 3 0	1 17 3	1 14 9	1 12 4
Middles						
3% Nat. Def. 54/58	1 18 7	2 11 11	2 10 9	2 15 4	2 8 4	2 5 9
3% War Loan, 55/59	1 19 8	2 12 7	2 13 0	2 16 3	2 11 7	2 9 0
4% Consols from '57	3 8 9	3 15 7	3 17 0	4 1 10	3 18 11	3 17 9
	2 4 1	3 2 6	3 7 9	4 7 4	3 15 7	3 10 8
Medium Longs						
3% Sav. Bds., 55/65	2 0 11	3 1 4	3 0 10	3 9 11	3 3 9	3 1 0
4% Funding, 60/90	2 4 5	3 0 8	3 3 1	3 14 10	3 7 6	3 4 0
Longs						
2½% Sav. Bds., 64/67	2 3 9	2 17 9	3 1 9	3 6 3	3 2 3	2 19 0
3% Sav. Bds., 65/75	2 5 11	3 2 4	3 7 5	3 13 11	3 8 7	3 5 11
3% Trans. Stks. 78/88	...	3 4 1	3 8 7	3 16 0	3 10 5	3 8 6
3% Gas Stks., 90/95	...	3 4 7	3 8 9	3 15 10	3 10 9	3 9 3
Undated						
3½% Conv. Loan, 1961	3 0 11	3 9 2	3 12 8	3 19 3	3 15 10	3 13 11
	2 5 8	3 7 7	3 17 11	4 16 11	4 7 3	4 1 11
3½% War Loan, '52	3 4 8	3 10 0	3 13 10	3 19 6	3 15 11	3 14 5
	2 1 0	3 9 8	5 5 7	8 0 2	6 7 11	5 13 4
2½% Consols	2 10 6	3 6 10	3 9 1	3 13 9	3 11 0	3 8 5
2½% Treas. Stks., '75	2 10 0	3 7 5	3 10 9	3 17 3	3 12 4	3 10 3

(a) To earliest date. (b) To latest date. (c) Flat yield.

of rapid demoralisation. Given such market conditions, equally modest intervention was bound to produce results as spectacular as the previous descent. So, by the middle of this week, the gilt-edged market as a whole stood almost exactly where it did on the eve of devaluation. "Daltons" were then yielding £3 10s. 9d. per cent; after falling to a yield basis of £3 17s. 3d., they have now recovered to £3 10s. 3d. per cent. The shorts and the ten-year stocks are, indeed, standing higher than they did on September 16th before

been based to a much larger extent on written and oral evidence received from both sides of the industry than on detailed analyses of the expenditure of individual companies on particular films.

The employee representatives, in an appendix, add that apart from the full information put in by both sides on wages and conditions of work, the information "has not been sufficient to facilitate the examination of the details of the cost of any single named film."

This is an absurd situation, and it is hard to avoid the conclusion that the President of the Board of Trade, when he appointed the working party, would have done well to make more sure that it had the powers and access to the information which were required for its task. But, given these unfortunate limitations, the report does probably represent (as the chairman claims) "the greatest common measure of agreement between the two sides of the industry" on the question of how to reduce costs. The producers' view is recorded that reduction of costs cannot by itself put the industry on an economic basis. But it is not disputed that costs can be reduced, and this is a point well worth establishing at a time when the industry is asking for help from the State.

The report indicates many points at which economy is needed. An attempt has been made to scale down the salaries of executive staffs, but the working party is plainly unconvinced that the expenses of management cannot be further cut. Studio staffs expanded in the years immediately after the war, and their increase "was not matched by a corresponding increase in output, quality for quality." The five-day week which was introduced in 1947 has not been followed by the smooth consultation on overtime which is necessary if a five-day week is to pay its way. The producers submitted "many examples of the apparently nonsensical situation" which arises in the studio from the demarcation of duties between workpeople, too rigidly applied. There is a clear need for better and more flexible labour relations, and some suggestions are made to bring this about. Inadequate planning of production, over-refined insistence on retakes, and failure to keep to timetables, tend to waste time and money in the studios; something has been done on this front, but more needs to be done. This is no more than a summary account of the points made; but it is enough to show that the industry has a long way to go before it can prove its claim for State support.

* * *

Mr Rank's Prognosis

The report, accounts, and chairman's statement of the Odeon group left room for further explanation on a number of points—notably on production policy and the method of valuation of films. The annual meeting of Odeon Theatres Limited on Wednesday was, however, untroubled by articulate curiosity on the part of shareholders; and Mr J. Arthur Rank used his speech as chairman not to satisfy any desire for knowledge about the company's affairs but to state once more his case for a reduction in the Entertainments Tax. The case is familiar. Mr Rank gave the example of *Henry V*, which cost about £500,000 to produce in 1943 and 1944. The film "has won great academic honours, and many millions of people of all nations have seen it." It has collected more than £400,000 in Entertainments Tax. But "it was only some four weeks ago that this great film had recouped the cost of its negative." In a tactful reference to *A Streetcar Named Desire*, Mr Rank pointed out that a stage play produced by the producer of *Henry V* had to pay no tax at all.

Mr Rank's material point was that the tax is so graded that its incidence increases disproportionately as the price of seats goes up. Therefore, the exhibitors cannot now get 1d. more from the public on the 1s. 3d. or 1s. 9d. seats without having to charge 3d. more and pay the remaining 2d. in tax

No doubt there is something here that needs examination. But in the actual state of box-office receipts in Britain at the present time, there is little support for any suggestion that an increase in the price of seats would increase the gross revenues at all; more probably it would merely keep people away. The trade (and perhaps the Odeon circuit also) therefore wants not a reform of the tax but a straight reduction.

Mr Rank's remarks on the National Film Finance Corporation are well worth quoting for the view of the prospects for film production which they reveal. The corporation cannot (he said) solve the industry's production problem because the corporation makes loans and is obliged to ask for its money back. Only if the producer or distributor were unable to find the money would the corporation have to stand the loss. "The losses, therefore, which I foresee as probable, fall on the industry"; and the basic problem remains unsolved. This Mr Rank defined as "how to establish a sound industry which can make films which audiences want to see and which yet will not bring financial disaster to those who produce them." It is a cheerless prognosis.

* * *

British Underground Gasification Trials

The Ministry of Fuel and Power is proposing to fire a coal seam at an opencast site at Chesterfield early in the new year to see if the possibilities of controlling the combustion process and the gases so obtained are sufficient to justify further experiments on a larger scale. The principle of underground gasification is to bring air down through a borehole to the coal face, ignite the seam, and bring the gases to the surface through another borehole to be used in the normal way. There must be a free passage of air between the two boreholes along the coal seam; this is provided either by a fissure induced by heat, or by a bored gallery.

The principle is suitable for seams, and only for those seams, which would not repay mining by ordinary methods whether for reasons of their chemical composition, their thinness or the angle at which they lie. In practice the possible complications of deep boreholes are also likely to restrict it to shallow seams. It is estimated that more than half the known coal reserves of Britain fall within this category. In Russia, where gas has been produced commercially by these means since 1931, the cost of the gas is said to be one-third lower than that of producer gas. Belgian experts think the figure could be brought down to one-sixth. Other claims made are that gasification greatly reduces the number of underground workers required and makes possible the recovery of 80 to 90 per cent of the coal as against 60 per cent by ordinary deep mining. This last estimate may be correct in theory, but the limited experience which has been acquired suggests that at least half the coal will remain un-gasified after treatment.

The gas obtained has not a very high calorific value, even when it is enriched by increasing the oxygen content of the air with which it is burnt. Many fuel experts considered that while other coal reserves were plentiful, underground gasification would be economic only when integrated with synthetic chemical plants which can put low-grade gases to special use. There may, however, be a new significance in the process now that it is known that gas turbines can be built on a scale large enough for electricity generation. Gas turbines burning diesel oil cannot compete for base load operation with steam turbines operating on coal. The day when gas turbines can burn coal is a long way off, but they could run on the hot, low-grade gas likely to be obtained from underground gasification.

Experiments in the United States, Belgium and Italy, which were started in 1947, have produced evidence to show that gas can be obtained from igniting the coal seam, but they have not shown whether the process can be controlled closely enough to produce a reliable supply. The British trials are

intended specifically to obtain this information. If they prove at all promising, the equally serious questions of the best layout for the process, the methods of obtaining maximum combustion of the coal, and the risks of subsidence will be the subject of trials on a larger scale.

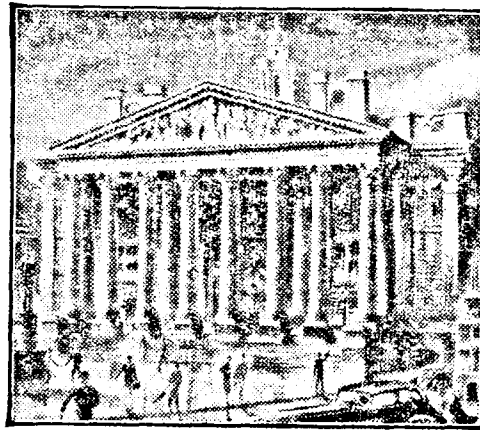
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A Sheet Glass Factory for Canada

The largest makers of sheet and plate glass in Britain, Pilkington Brothers Limited, are to build a factory in Canada at a cost of about \$3,000,000. The firm is responsible for almost the whole of the British flat glass exports, which exceeded £4,250,000 in 1948 and had already passed £4,500,000 by the end of October this year. Canada is the largest market for British glass of this type, and takes nearly a quarter of the total exported. South Africa, India and New Zealand are also large importers.

Canadian output is small, and Canada relies mainly on imports to meet her requirements. These imports in 1948 were valued at \$C6,500,000, \$2,317,602 from the United States and \$1,842,403 from Britain. The trend has been moving this year in favour of British glass; to the end of August, imports from the United States were valued at \$1,534,626 and those from Britain at \$1,396,502.

Pilkington Brothers have for long had interests in Canada, and at one time before the war were proposing to start production there, but changes in the Canadian tariff altered the market prospects. The new factory, on the outskirts of Toronto, should be in production by 1951. Its capacity has not been announced, but it will only meet a part of the demand; it will, however, be able to serve a part of the Canadian market with a heavy saving in freight rates. In the same year the company expects to start production in South Africa, where a flat glass factory is now being built.



A Great Elizabethan

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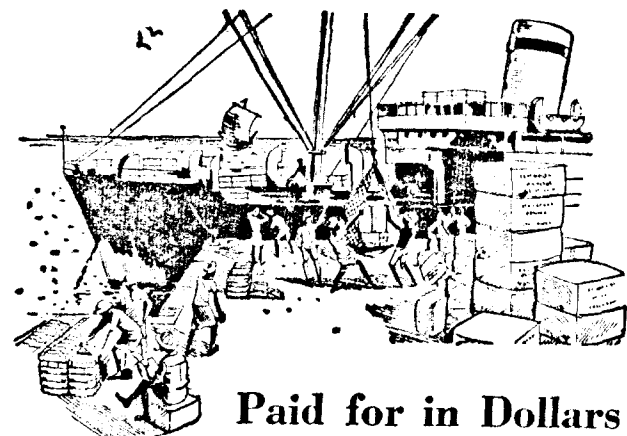


Flat glass making tends to be concentrated in industrialised countries because of its specialised nature and the heavy capital investment in machinery. The competitive position of Pilkington Brothers is strengthened by the firm's possession of an engineering department which produces equipment for sheet and plate glass production. It is one of a select number of British firms which since the war have decided upon a full-scale production project in Canada—as distinct from less ambitious plants for the assembly of lighter products—in the belief that the growing Canadian market justifies the investment.

* * *

Bleaching Reorganisation

A new company, Bleaching Trade Reorganisation, Limited, has been formed to buy up and immobilise surplus capacity in the piece-goods bleaching trade. While the cotton industry as a whole is afflicted by redundancy of plant (in the sense of technological redundancy, which the Cotton Working Party defined as "a condition in which the plant is too extensive to be worked by the available labour force") the condition grows more acute at the later stages of manufacture. Thus, if the spinning mills were fully employed there would still be redundant weaving plant, and if the spinning and weaving plant were fully employed there would still be redundant finishing plant. The Cotton Working Party urged a reduction of the total amount of plant in the cotton industry, with help from the Treasury, to supplement the measures of re-equipment and reorganisation which it proposed. But the Government help should be given (it held) in the same proportion in each section of the trade; therefore the finishing section, being greatly out of balance with the other sections, would have to pay for most of its own redundancy. It recommended that the



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finishing section should be given three months to formulate plans; that was in 1946.

The bleaching trade, which among the finishing trades is perhaps the most out of balance, has now decided to carry out its own concentration without any outside financial help. An agreement, which will come into effect when it has been executed by an agreed majority of firms, provides for a levy on the continuing members of the trade to furnish the funds out of which assets are to be bought up or placed under restrictive covenant, and retiring bleachers are to be compensated. Certification by the Board of Trade under the Finance Act, 1935, to permit the levy to be treated as a trade expense for income tax purposes, is another necessary condition of the agreement's entry into force. The Board of Trade was consulted at an early stage, and expressed its willingness in principle to consider the scheme; its final decision has now to be made. Success from that point onwards will depend on the terms to be negotiated with the retiring bleachers. Some of the plant to be bought out has been unemployed since the concentration of the cotton industry during the war.

* * *

The FBI and Simplification

The Federation of British Industries has arranged for the authors of the Anglo-American Productivity Council report on simplification to visit various towns to discuss their report in detail with the trade associations there. It is felt that the report itself does no more than indicate broad possibilities, and that discussion among small groups is needed to elucidate the prospects of simplification in individual cases. Conferences may be held in London and in other principal towns.

The main purpose is to persuade manufacturers of the extent to which overheads are swollen by the insistence on variety and range. The members of the team feel that the innumerable small lines made by many British manufacturers are the result less of market demand than of acquiescence over the course of years in the salesman's insistence on a product to match each product of a competitor. Some American trade associations carry out surveys to show how much business is attracted by each of a manufacturer's lines. The results invariably show that all but a few could be dropped without serious detriment to turnover or to the customer, even if the consequent benefit of lower production costs and lower prices is ignored. Unfortunately, few similar surveys have been made in Britain; the team hopes that they are one of the lines of action which trade associations will adopt. One paint manufacturer, however, did conduct his own investigation. He was marketing 15,000 different lines, and found that if 10,000 of them were dropped, his total turnover would be reduced by no more than 5 per cent. Yet all his products were based on British Standards. The team does not think that standardisation is immediately essential to reduce production costs; these will come down simply by reduction in the number of lines carried. Standardisation is a separate question. The productivity team intends, with the FBI's blessing, to spread the gospel of simplification as the quickest and least disorganising means by which production costs can be lowered.

* * *

Grey Cloth Imports and Production

British imports of Japanese cotton grey cloth were stopped in July, when the size of the Japanese balance in the trading account between Britain and Japan threatened the British Government with the prospect of a settlement in dollars. This action has caused a good deal of anxiety in the British cotton trade, since the British finishing industry can

still handle, and the merchants can still sell, substantially more cotton piece goods than the Lancashire mills can weave. The new trade agreement with Japan, which was discussed in *The Economist* last week, reopens the prospect of grey cloth imports and (if it may be assumed for a moment that the pattern of trade envisaged will be realised in the event) renders the possible dollar reckoning more remote.

The speech of Mr R. M. Lee at the annual meeting of the Calico Printers' Association this week underlines the importance of these imports. Mr Lee said that the supply of loom-state cloth from Japan had become, "in the prevailing conditions, an essential raw material to our industry." Re-exports of Japanese grey cloth after printing and finishing in Britain "have been the medium by which Lancashire has preserved its connections in finished goods with many markets." They are, therefore, "vital to the preservation of our export trade."

The consequences of the wartime decline in the output of the Lancashire weaving industry have never been more bluntly stated. Weaving output has lately taken a slightly more encouraging turn. The weekly average output reached in October a total of 41.58 million linear yards of cotton cloth and 12.74 million yards of rayon and mixture cloths. This is a useful increase over the weekly average of September, when the total of cotton, rayon and mixture cloths together was 48.75 million yards a week. It is the highest output achieved in any month since the war. But it is necessary to remember that the previous highest output since the war was achieved as long ago as last May, when the weekly average for cotton cloths was 41.32, and for rayon and mixture cloths 11.76. The intervening months have all been to some extent holiday periods; but the figures show that the increase is neither as steady nor as rapid as the cotton trade needs. If the comparison is carried back to before the war, the result will still be something of a shock to many people: weekly average output of cotton, rayon and mixture cloths together in 1937 was 79.3 million yards.

The industry is therefore obliged to import grey cloth from, among other sources, Japan in order to meet its export requirements and supply the home market. Even with such imports, it has little hope for the present of being able to meet the whole of the demand. The consequence of this is that foreign markets are competing for the Lancashire output, and in this competition it is the soft-currency markets which tend to get served. As for the dollar markets, it is worth noting that grey cloth was, before the war, a substantial element in the British export of cotton goods to Canada. Today the Canadian buyer of grey cloth has to compete against the Lancashire finisher, who has a struggle to get enough cloth to occupy his plant. The recommendations of the Cotton Manufacturing Commission, which have now been finally approved by both sides of the trade, are the best immediate hope of making possible a greater weaving output to correct this deficiency.

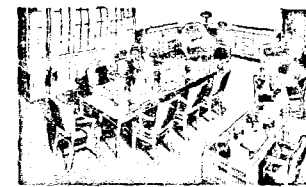
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Rayon Staple Output Expands

The rayon industry's expansion programme has begun to produce results, particularly in the increasing supply of staple fibre. During the year Courtaulds, Ltd., who produce more than 90 per cent of the rayon staple made in Britain, have continued to install new capacity at their viscose staple plant at Greenfield in North Wales, and this is now approaching full operation. Total output of staple has risen from 7.5 million lb. in January to 12.4 million in September. The September figure is close to the full rate of output which is at present contemplated. Production figures in October showed a slight decline, but this reflects little more than the difficulty of installing new equipment without hampering the performance of plant already at work. It was stated at the annual meeting of British Celanese last week that expansion of the Spondon cellulose acetate and chemical factory

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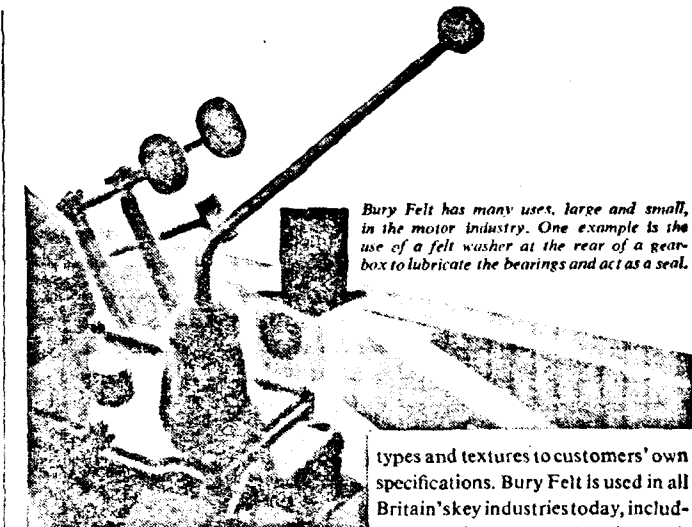
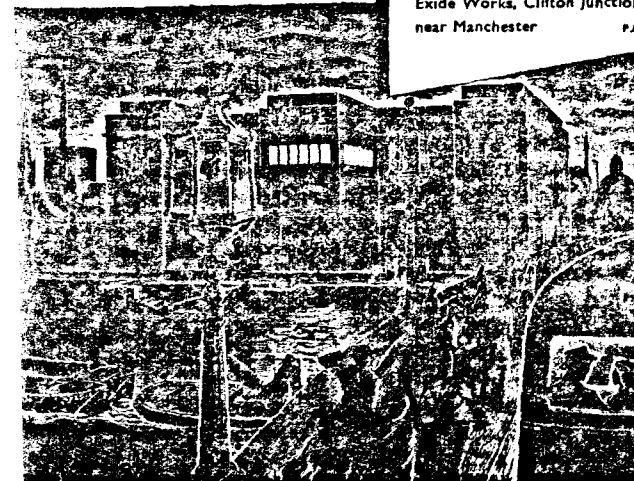
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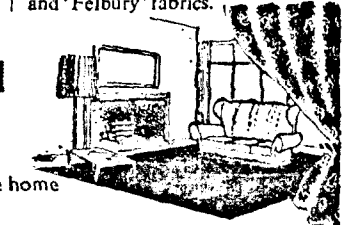
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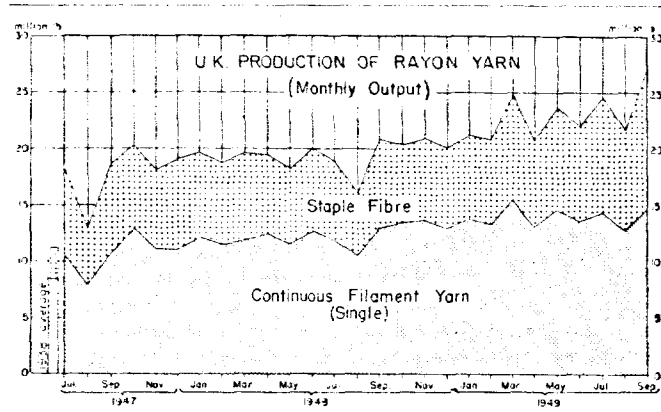
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was now nearly complete. Some of the extra capacity is for the production of more acetate staple.

Output of continuous filament yarn this year has moved, by comparison, gradually. Output in March—15.48 million lb.—was the highest yet recorded. In September, a good month, it was 14.6 million lb. Courtaulds are making progress with their new plant in Northern Ireland which will use the American process for continuous spinning, the rights of which Courtaulds bought in 1945. At a cautious estimate,



the plant will be completed by 1951. Its capacity has not been announced. By 1952, and possibly sooner, total British production of artificial fibres is expected to have reached 410 million lb. of yarn a year. Out of this total, 10 million lb. will be nylon and 150 million lb. will be rayon staple. The balance will be continuous filament rayon. Neither of the new fibres, "Ardil" or "Terylene," is expected to be in commercial production by that date.

Finance

Bridging the Macmillan Gap

It is a matter for debate whether the so-called "Macmillan" gap was as significant in 1931 as it was then believed to be; but there is no doubt that the slow strangulation of private sources of finance by war and postwar taxation has widened it. The Industrial and Commercial Finance Corporation, the smaller of the institutions set up in 1945 with the object of filling the gap, was therefore presented with a stimulating challenge in a largely untried field. The fourth annual accounts of the Corporation show that it cannot fairly be accused of falling either into the trap of undue subsidisation of uneconomic experiments or into the still more insidious trap of undue caution towards unestablished enterprises.

It is, however, fair to say that it is still straddling rather uncomfortably between both dangers. In the twelve months to September 30th ICFC made a profit (before tax) of £149,000, compared with one of £85,000 in the previous year, and with losses aggregating £84,000 in its first two years. The experience in the six months of the latest period was, however, much less satisfactory than these comparative figures suggest. The accounting date has been altered to March 31st, and the formal accounts now presented for the six months to this date show an operating loss of £26,000, after provision of £250,000 for bad debts—a provision mainly required for finance extended to an agricultural engineering firm. The provision made for the six months to September 30th (i.e., the first half of the new accounting period) is £90,000, bringing the cumulative provision to £605,000. The past year's experience, occurring at the very outset of the change-over from postwar boom conditions to those of increasing risk, is a little disconcerting.

The year's profit has been achieved after some stiffening of loan rates (the average rate charged apparently bears a

close—though unintended—correlation with the yield on Consols) and after some switch in the method of financing away from secured and unsecured loans (in 1948 72 per cent of the total) towards the holding of ordinary and preference shares (in 1949 44 per cent of the total). On the other hand, the Corporation's policy has evidently been more selective. Its outstanding loans and investments now aggregate £15 million, or only one-third of its potential resources of £45 million; 39 per cent of the money invested is in advances and investments of £50,000 or more. Most of the Corporation's loans have a longer life than 15 years, and the majority of requests now made to it are to augment working capital rather than for the purchase of new equipment. The Corporation has apparently become a sort of partner to the joint stock banks in this respect. Indeed, the chairman declared that, since a bank will not normally allow its advances to any one customer to go beyond a certain proportion of that customer's floating assets, concerns in need of working capital are coming to the Corporation to provide better cover for their bank advances.

* * *

Inflation in Latin America

The sixteen countries in which the Bank of London and South America carries on business have reacted to devaluation in so many different ways that the revaluation of the bank's assets and liabilities for its 1949 balance sheet, dated September 30, must have given its accountants some bad headaches. The figures now published show that the bank's profits are down slightly (after three exceptional bumper years), that deposits have been relatively stable, that there has been a switch in the financing of foreign trade from documentary credits to bills for collection (reflecting the onset of the buyers' market) and also a switch in general lending policy from advances to loans against promissory notes.

As usual the bank's accounts are accompanied by an informative review of the South American economic scene by Mr Francis Glyn, the bank's chairman. Once again the dominant theme in his review is that of mounting inflation. The republics of Latin America seem to have discovered a formula for perennial suffering from this malady. If the markets for their staple exports are booming (as is the case with Venezuelan oil), they run a large export surplus and the high incomes created by this generate a wild excess of demand over supply. On the other hand, when the markets for staple exports dwindle, the various republics are forced to restrict imports. Since they are unable, for political reasons, to reduce internal monetary circulation and wages at the same time, this restriction of supply makes inflation much worse. During the past year the fall in the world price of such Latin American exports as cocoa, maize, wheat and base metals, has caused several countries to relapse from the first (or hard currency) type of inflation into the second (or soft currency) type.

Such a relapse necessarily brings with it pressure on exchange rates but, since straightforward depreciation would raise the internal price of essential imports and thus make inflation look worse to the workers, many Latin American republics have tried to run away from reality in 1949 by twisting their already distorted patterns of multiple exchange rates still further. This pattern has reached its apex of absurdity in Argentina, where the rate applied to Britain's meat purchases is now 9.40 pesos to the £ and the rates applied to the imports which Argentina should be taking from this country average at least 18 pesos to the £. In effect, therefore, if 9.40 pesos to the £ is in any way a realistic rate, there is now an import duty of nearly 100 per cent levied on British goods entering Argentina. Mr Glyn believes that if multiple exchange practices were viewed by the British Government in this light, official protests about them might be a little more vigorous.

Hall-mark for Dawes and Young

During the third reading of the Distribution of German Enemy Property Bill Mr Glenvil Hall confirmed some earlier but less positive pronouncements that holders of the German Dawes and Young loans would rank for a dividend in the share-out of German assets. Indeed, he went out of his way to record that "Dawes and Young loans are in a particular category and worthy, if possible, of prior consideration." But Mr Hall would not say at this stage in what order of priority the two loans, commercial debts and standstill creditors will rank. The practical significance of this Hall-mark of prior consideration for the two loans thus remains to be established by one of the numerous orders in council envisaged under the bill. The Financial Secretary's statement does, however, confirm the market view that Dawes and Young loan will rank before Konversionskasse.

While the share which may finally be earmarked for Dawes and Young loan bondholders should clearly go towards paying off arrears of interest and possibly of amortisation, it is much more debatable whether the capital portion of the loans (after excluding amortisation arrears) should rank in the distribution at all. (The sterling issues of the two loans outstanding amount to £16,553,900 in German External Loan, 1924, 7 per cent sterling bonds—the Dawes Loan—and £11,174,300 in International 5½ per cent sterling bonds, 1930—the Young Loan). But some of the parties most interested in the share-out find it impossible to reconcile Government estimates—that claims on all scores will be between £100 million and £120 million—with their own calculations, except on the assumption that the official figures include the whole amounts of these loans.

As it stands now, the Bill is hardly more than an enabling measure, for the Government has rejected all the more important amendments sought during the third reading. On almost every question of importance, the intentions will not be clear until the various orders in council are made. Mr Hall has persisted in his refusal to publish details of the assets held by the custodian, and even on points of procedure there has been obscurantism. From the terms of Mr Hall's reply to a question, bondholders might have been led to believe that their claims will not rank in the share-out unless they were lodged before January 24, 1949. In fact, it would appear that there is to be a later opportunity for the submission of claims. Yet not even this point has been put beyond doubt. Many headaches await the administrator, the advisory council and claimants before the relatively modest sum of £15 million now held by the custodian is distributed.

* * *

TDR Switching Ending?

This week, for the first time since mid-July, when the Treasury began to switch its floating debt borrowings from Treasury deposit receipts to "tender" Treasury bills, there has been a resumption of net borrowing on TDRs. Of the week's cash requirements—enlarged by the need to provide for the half-yearly dividend of 3½ per cent War Loan—£10 million was raised by net borrowings on bills and £30 million from TDRs. This change in tactics does not, of course, imply any reversal of the underlying policy, but it does suggest that, for the time being, the switching process is nearing its end. For eight weeks now, the weekly offering of tender bills has been stabilised at £230 million, compared with the "basic" level of £170 million which obtained until last July. Given this stability—at a time when, in the past, the issue has usually been increased for seasonal reasons—and given, too, this week's recourse to TDRs, it appears that the authorities are at present reluctant to raise the tender offering any further. If this is so, the maximum level for the total issue of tender bills becomes £2,990 million, compared with the present level of £2,960 million.

In other words, so long as this limit is maintained, the switching operation cannot reduce the TDR issue by more than an additional £30 million from its present level of approximately £725 million. This does not mean, however, that the TDR issue is not likely to fall further. Indeed, unless the authorities decide to repay the 1½ per cent Exchequer Bonds merely by re-borrowing on floating debt, there will certainly be another very steep fall in the TDR issue in the first two months or so of the New Year. In 1948/49, aggregate borrowings on TDRs and on tender bills were reduced by no less than £468 million between end-November and early March. Repayment on a comparable scale in the next three months, if applied wholly to TDRs, would reduce the outstanding issue below £300 million.

Meanwhile, the monthly banking figures are now reflecting virtually the full effect of the switching policy. The clearing banks' return for November shows a further decline of £56 million in the holding of TDRs and an almost corresponding rise in the bill portfolio. Thus the banks' money market assets (call money and bills combined) have been raised to the very high level of £1,764 million, bringing their ratio to deposits to the unprecedented figure of 29 per cent, while the TDR ratio, at only 11.3 per cent, is now little more than one-quarter of the peak figure reached in 1945. Thus the switching process has radically altered the shape of bank balance sheets: the ratio of relatively inflexible assets (TDRs, investments and advances) is now down to under 61 per cent, which compares with an average of 69 per cent for the whole of last year and a peak of over 80 per cent at the end of the war.

Other items in the banks' statement showed only minor changes last month. Advances have risen by a further £8,000,000, but since the Government was on balance moderately reducing its indebtedness to the banking system, "true" bank deposits declined slightly—by just under £4,000,000—and are now less than £9,000,000 above their corresponding 1948 level. This tendency of the volume of credit to become stabilised is well illustrated by the seasonally-adjusted index compiled by Lloyds Bank, now revised to a "net" basis (i.e. excluding items in course of collection from the deposit figures as published). During the past month the revised index (1938=100) has declined from 261.9 to 261.6, which compares with 261.2 twelve months ago and 249.1 in November, 1947.

* * *

Austria Devalues

The devaluation of the Austrian schilling last week in effect merely acknowledges a depreciation which had already occurred in the free markets. In an attempt to avoid increases in the cost of living, Austria did not follow sterling last September; but the pretence of the official rate could not be maintained for long—its effect was virtually to paralyse the whole mechanism of payments. In the hope of lessening the impact of devaluation on internal prices, Austria has now introduced (with the approval of the International Monetary Fund) an extensive system of multiple rates. The basic rate for the dollar has been raised from Sch. 10.14 to Sch. 14.40, but in addition a premium rate of Sch. 26 has been introduced. Austrian exporters have to sell only 40 per cent of their exchange earnings at the basic rate. The remaining 60 per cent they may either retain to finance imports or sell at the premium rate. The new effective rate for exporters is thus Sch. 21.36 to the dollar.

The new basic rate for sterling is Sch. 40.32, compared with Sch. 40.30 before Britain's devaluation. The premium rate is Sch. 72.80 and the effective rate for exporters is Sch. 59.80. Tourists will be allowed to purchase their entire schilling requirements at the premium rates, a move which now makes Austria (without any need for under the counter currency dealings) perhaps the cheapest tourist country in

Europe. The grading of exchange rates for imports—designed to soften the impact of devaluation—is intricate. For essential ECA imports such as wheat, fats, sugar, medicines, household coal, dried foods, seeds and fertilisers, the rate remains unchanged at Sch. 10.14 to the \$. Imports considered as one degree less essential will be paid for at the new basic rate of Sch. 14.40 to the \$ (or Sch. 40.32 to the £). Next comes a group of "semi-essential" articles which have to be paid for at the effective rate for exporters (Sch. 21.34 and Sch. 59.80 respectively), while luxury imports proper have to be paid for at the top rate. It remains to be seen whether the premium rate can be maintained at the new level or whether the National Bank will have to make early use of its power to vary the premium rate by 5 per cent.

Commodities and Trade

Buffer Stock for Tin?

Details of the new tin scheme are gradually becoming known despite the maintenance of official secrecy. The outline proposals were drawn up at a special meeting of certain member countries of the Tin Study Group in The Hague three weeks ago and there are still a number of problems to be solved before a draft agreement can be put before the full meeting next February. According to report, the proposals contemplate no direct control on production. They aim at keeping the market price within agreed upper and lower limits by means of export quotas. It is in fact a buffer stock scheme. When the price threatened to fall below the stipulated lower limit, export quotas would be reduced and stocks built up. When the price seemed to be heading above the upper limit, stocks would be marketed. These proposals do not differ much in principle from the buffer stock scheme set up in July, 1934. The only difference, indeed, is that the plan would this time provide for equal representation of producers and consumers in its management.

One vital question still to be resolved in these proposals is the fixing of the upper and lower price limits and the size and location of the buffer stock. Free dealings in tin were resumed in London less than three weeks ago and to imagine that, say, by next February the market will have sufficiently settled down truly to reflect the postwar patterns of supply and demand would be optimistic. Before the war the demand for tin proved to be relatively inelastic and it was in the producers' interests to keep the price as high as possible. But during the past eight years several important technological developments have occurred, by which industry has learned to economise in the use of tin or even to do without it. Demand for tin may, therefore, be more elastic than it was—how much more can be assessed only when the tin market has had time to function properly. In these circumstances, how can any reasonable price limits be set?

In 1934 the buffer stock was intended to carry 8,282 tons of tin; the removal of this quantity proved quite inadequate to stabilise the market. Even to iron out short-term fluctuations in prices a buffer stock today would probably have to be at least equal to one year's consumption—or 130,000 tons. A further point to be considered is: who accumulates and finances the buffer stock—producers or consumers or a combination of both? Again, is the buffer stock intended to cover America's strategic requirements or will these form a second reserve which might come on to the market, or, during the process of accumulation, might draw on the market? The British Government, though it looks on tin as a valuable dollar earner and seems to be wedded to a policy of keeping the price as high as possible, ought, in the interests of consumers, to be satisfied with the answers to these questions before it gives approval to a buffer scheme.

ICCH Scratched

The proposal of the Director-General of the Food and Agricultural Organisation to set up forthwith an international commodity clearing house was rejected in Washington last week. Instead, the problem of food surpluses in certain countries is to be further studied and a working party is to be set up to put forward short-term measures.

The passing of this far-fetched and grandiose scheme should occasion no regret. The original proposal was rejected by the United States as being inadequate and unsound. "Since the problem cuts across international trade and international fiscal policies," declared the head of the American delegation, "we must seek an alternative approach." The American criticism rightly struck at the very root of the proposal. Clearly, if the ICCH were to carry out the functions suggested, it would have been the dominant organisation in the hierarchy of international agencies. And as such it could hardly have existed as a mere adjunct of FAO.

Given this lead from the American side, it was not difficult for Mr Wilson, the President of the Board of Trade, to forget his instructions from the Cabinet and, instead, to use the arguments provided by his technical advisers against the scheme. He objected to the proposals because the ICCH would accumulate large sterling balances which at some future date would be convertible and which in the interim period could be used to buy commodities at present sold for dollars. He proposed, therefore, the familiar British solution of setting up a working party. Does this mean that the British Government has pinned its faith on the "commodity-by-commodity approach," with international marketing schemes for each of the staple commodities? One already exists for wheat, others under active consideration include tin, cotton and sugar. Later on, no doubt, rubber and wool could be added to the list.

* * *

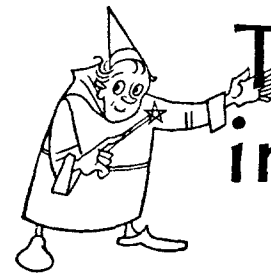
Terms of Trade and Devaluation

Between March and September the prices of British exports and the cost of imports, as measured by the Board of Trade index numbers, followed a fairly consistent trend. In October, however, the first full month after devaluation, the cost of imports jumped by 9 per cent compared with September, while export prices remained virtually unchanged.

An article in the current issue of the *Board of Trade Journal* offers an interpretation of the October figures. First,

PRICES OF IMPORTS AND EXPORTS (Board of Trade Index Numbers, 1947=100)									
	Oct., 1948	Jan., 1949	Mar., 1949	June, 1949	July, 1949	Aug., 1949	Sept., 1949	Oct., 1949	
<i>Import Prices</i>									
Food, drink, tobacco	114	116	114	111	109	108	108	117	
Raw materials	123	124	127	125	123	121	119	127	
Manufactures	113	114	115	111	110	108	106	121	
TOTAL	116	118	118	115	113	112	111	121	
<i>Export Prices</i>									
Metal goods	111	112	112	113	113	114	114	114	
Textiles	116	116	116	116	116	116	115	114	
Other manufactures	110	111	109	109	107	109	108	107	
TOTAL	112	113	112	113	113	114	113	115	

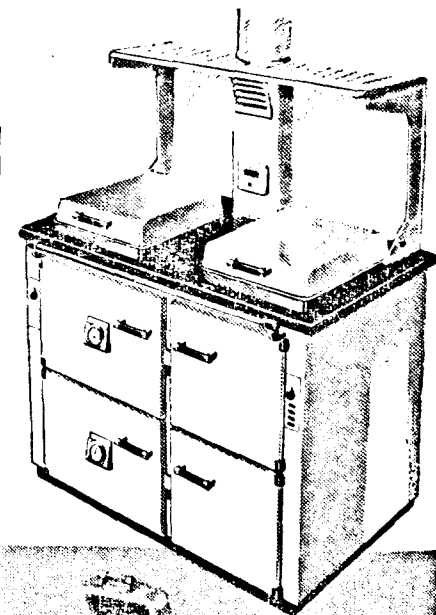
the increased cost of imports shown in the trade returns does not necessarily imply that a higher sterling price was in fact paid for all these goods, since payment for some imports received during October will have been made before September 18th at the old exchange rate. The Board of Trade statisticians estimate that approximately 2 per cent out of the 9 per cent represents an increase in prices of imported foodstuffs and raw materials which was not caused directly by devaluation. The remaining 7 per cent is attributed to the higher sterling equivalent of the cost of imports arising from devaluation. Whether this represents the full increase



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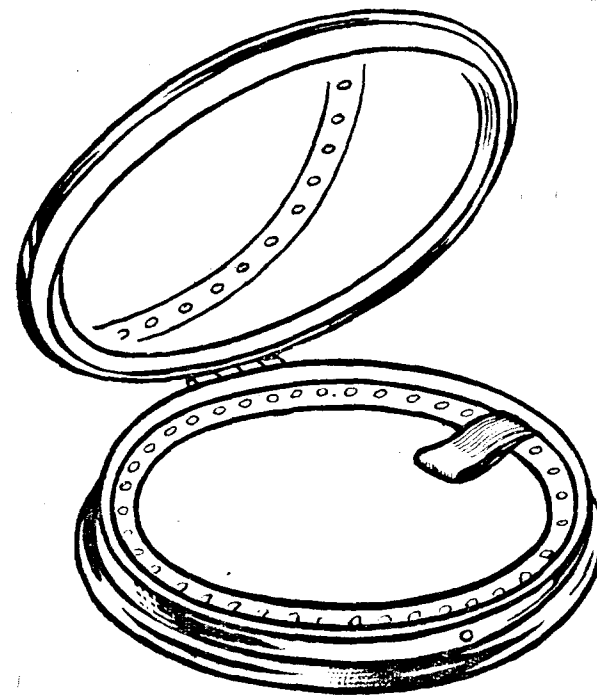


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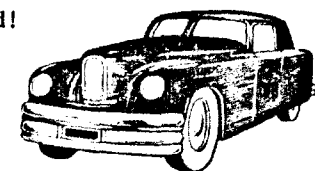


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is doubtful; some importers may have entered the sterling cost of their imports at the old exchange rate.

As for exports, the October figures are said to reflect in the main shipments under pre-devaluation contracts; hence the stability of the export price index. But, as a Note in last week's issue showed, there have been changes in the average values of particular exports—some rising and others falling. The conclusion then reached seems, however, to be confirmed by the Board of Trade figures: average prices of British exports, particularly to the United States and Canada, have not increased in terms of sterling.

Oil Trade in Dollars and Sterling

Little has been said officially about the course of the Anglo-American oil talks, which were resumed in Washington after the Cripps conversations but were adjourned a few weeks ago. The interest of the American oil trade in these negotiations is, however, keen, and enough has been said in American trade quarters to show what is the crucial matter from, at least, their point of view. This is the proposal that the American oil companies should be permitted to conduct trade in sterling much more extensively than British exchange control policy at present allows. They would at the same time accept some restrictions on their facilities to convert their earnings into dollars.

American oil companies cannot at present sell their oil to a non-sterling country and take payment in sterling. In a "normal" world they would hardly have wanted to do so, and indeed little was heard of the suggestion before last spring. But the dollar shortage, together with the expansion programmes of the sterling oil companies, has confronted them with the possibility of losing some of their traditinoal overseas trade in various parts of the world.

Mr Walter J. Levy, the American oil consultant, in an article in the *Journal of Commerce* of November 7th, outlined the difficulty facing the American oil trade and the remedies of which it is thinking. The present expansion plans of the sterling oil companies are such (he said) that if Eastern Hemisphere demand increases at the rate of 6 or 7 per cent a year for the next four years, there should be still enough sterling oil "to satisfy not only all sterling oil requirements but also more than the estimated increase in total foreign oil requirements." In that case, dollar oil sales might even fall below their 1948 level, and the development of oilfields abroad (including those of the Middle East) by the American companies would be brought to a standstill. This would have strategic and economic disadvantages for the United States; and its benefits to Britain would be dubious, since "each barrel of British oil sold for a soft currency involves an appreciable expenditure of dollars by the British Treasury."

Mr Levy suggested ways in which the American companies could reduce the dollar cost of their oil. They could make more use of the supplies and services of soft currency countries. Some of them are already building refineries in importing countries (Fawley is an example) with the object of supplying cheaper crude oil to those countries instead of expensive refined products:

It may well be possible that the American oil industry might by all these means reduce the dollar costs for its production to a figure that may not substantially exceed, or perhaps not exceed at all, the dollar costs of British oil.

The American companies might, therefore, put themselves in a position to sell their oil partly for dollars and partly for sterling. The sterling and other "local currency" they could use to pay for equipment and services which they need. The dollar payments would cover their reduced dollar costs and "some reasonable dollar profit." This perhaps oversimplifies the case; to keep sterling costs and dollar costs altogether separate would probably prove impracticable,

and some arrangement for the limited convertibility of oil earnings from sterling into dollars seems to be contemplated. An accumulation of sterling in the hands of the American companies would be likely, in any case, to create an eventual dollar claim, and it is no doubt against such claims that the British Government is anxious to guard.

Empty Pepper Pot

The insignificant peppercorn occasionally hits the headlines. In 1935 an unsuccessful attempt was made to corner white pepper—with the exemplary result that black pepper was decorticated by the ton and the corner failed miserably. Now there is a real and acute shortage. Pepper prices have risen more than fivefold between 1946 and 1949. Owing to the meat shortage, British consumption has fallen, for one of the main outlets for pepper was in the manufacture of sausages and cooked meat. There has recently been more meat for manufacturing, but still much less than before the war.

Imports of pepper into Britain totalled 72,000 cwt. in 1946; there was an increase to 146,000 cwt. in 1947 and then a decline to 35,000 cwt. last year. During the first ten months of this year, the total quantity imported was 25,344 cwt. The extra two pennyworth of meat which Mr Strachey announced last Monday will lack seasoning.

The cause of the shortage is revealed by studying the sources of British imports. Before the war, the bulk of Britain's pepper came from Indonesia, Malaya and Sarawak—in that order. All these areas suffered from Japanese occupation, and the pepper vines were either neglected or uprooted so that the ground could be used for other food-stuffs. Five or six years are required to bring a new plant into fruit; hence the shortage is likely to persist until the early 'fifties. India is another source of supply though it exports the peppercorn in an undecorticated state—that is, as black pepper. Most of Britain's imports in the postwar years have come from that source. But Britain has two formidable competitors for these relatively meagre supplies. The first is the United States and the second the Indian people themselves, who are now consuming much more pepper than formerly.

The irony of the situation is that the present high price for pepper is encouraging a prodigious expansion in output. By 1955, it is safe to predict, there will be a gigantic surplus, and no doubt the usual voices will be heard demanding an international scheme to control the supply.

Company News

The Ford Scheme

The much-heralded "bonus issue scheme" of Ford Motor was announced at the end of last week. As was widely expected, the arrangement provides for the transfer of the investment in the Ford associated companies to the American company and for a bonus issue of preference shares to the minority stockholders in Ford Motor Company (the American company holds the majority equity interest of 59.1 per cent). The avowed object is to overcome the difficulties of providing urgently needed additional working capital for the continental Ford interests. These difficulties arise partly from the obstacles to transferring funds from this country and partly from the heavy financial requirements for future developments of the British company itself in relation to its present resources. The American company is obviously in a better position to provide finance for the European companies direct. The scheme is somewhat complicated. An independent valuation of £4,256,860 has been placed on the

interests of Ford Investment Company (a wholly owned subsidiary of the British company registered in the Channel Islands) in the Ford associated companies. The American company has made an offer for these interests at the valuation estimate. The sum is to be provided by the British company from its undistributed profits, paid to a blocked account in London and then applied by the American company in paying Ford Investment Company. To match this transfer the residual 40.9 per cent of ordinary shareholders in Ford Motor will receive 3,678.925 new fully paid 4½ per cent redeemable 16s. preference shares in their company on a one for one basis.

Simultaneously with this rearrangement of the company structure of the Ford group, a new arrangement has been made for marketing, technical interchange, and associated matters. In one way this is a natural consequence. Under the agreement of 1928 the British company acquired exclusive rights of manufacture and sale in its "territory," which included most of Europe, parts of the Middle East, and parts of Africa. The associated companies in the various parts of the "territory" then acquired their manufacturing and selling rights from the British company. This has now been brought to an end, and the associated undertakings will presumably hold their rights from the American company directly.

But the character of the arrangements has also been changed. Advice has been given that the agreement of 1928 may not be enforceable under American law. Under the new agreement which has been negotiated between the British and American companies all territorial limitations are removed, and are replaced by an undertaking of a general kind:

Each company undertakes to co-operate with and assist the other to the fullest degree in promoting its export sales and general commercial interests.

An agreement on the same lines has been made between the British company and each of the associates. It is intelligible that the Ford group should be reticent about the nature of the legal objections which have arisen. Some public interest in the character of the new marketing arrangements is, however, inevitable. How (for example) is the procedure for selling British Ford products in North and South America affected? Perhaps it is not affected at all; but it would be useful to know.

Funds for Ultramar

Arrangements have been made by Ultramar to raise the £1,000,000 required "to restore the position of equality of the company with the Texas Company as regards the Mercedes Company." The Finance Corporation for Industry has agreed to furnish an additional £250,000 on the same terms as its present outstanding loan of £1,750,000 to the company. The FCI has also indicated its willingness to forgo all interest payments from the company, in the first instance until September 30, 1951, and, if considered necessary by a special committee to be set up, for a further three years at the latest. The special committee, which will consist of two members acting for the FCI and two members representing the Trustees of the Unsecured Loan Stock, may also postpone the final date of repayment of the FCI loans until September 30, 1957.

In consideration for this further assistance, the combined loans of FCI to the company are to be secured by a first charge on Ultramar's present and future holding of shares in Caracas Petroleum S.A. and loans made to that company. The remaining £750,000 is to be raised by an issue of convertible debenture stock, redeemable by the end of 1959 at the latest, and secured by a second charge on Ultramar's interest in Caracas Petroleum; this stock is to be offered to stockholders and unsecured loan stockholders, but its subscription in full has been guaranteed by a group headed by

Morgan Grenfell and Co. No interest is payable for the first five years, but the rate will be 7 per cent per annum for the final five years to 1959. The stock will carry a premium of 3 per cent on redemption and will be convertible at par into ordinary stock up to December 31, 1954.

All these arrangements are contingent on the willingness of the present holders of the £3,500,000 outstanding unsecured loan stock to waive their interest rights up to June 1, 1954, and to defer the final date of redemption to June 1, 1962. The consideration for such action would be to grant the unsecured loan stock a third charge on Ultramar's interests in Caracas Petroleum which would rank after the FCI loan and the new convertible debenture stock and possibly after a further issue of £500,000 on *pari passu* terms to the second charge. In addition, holders of unsecured loan stock would acquire the right to convert 12½ per cent of their holding into ordinary stock and would receive a rising scale of premiums—from £3 per cent to June 30, 1950 to £15 per cent after May 31, 1953—on redemption.

In all this reshuffling of rights to obtain another £1,000,000, the ordinary stockholder largely remains a passive spectator to a mounting pile of secured creditors. His equity now looks very remote indeed, and he may not be very excited by the right to subscribe for the new issue of convertible debenture stock which would increase his commitment. Is it enough merely to restore Ultramar's position of equality with the Texas Company? Or will further finance be needed in due course, beyond the £500,000 for which legal provision has been made?

Shorter Notes

The trustees for the Potash Syndicate of Germany bonds have lodged a private bill to obtain powers to convene meetings of the bondholders at which approval for "any proposals submitted" may be sought. This is an unexpected step. In their earlier statements the trustees had spoken in terms of seeking court sanction before the summer vacation for distributing the assets which they had successfully obtained for the bondholders after extended negotiations at home and abroad.

The value of new life assurances written by Standard Life Assurance in the twelve months ended November 15th shows a sharp expansion from £18,582,508 in 1947-48 to £22,176,448 this year. The value of new deferred annuities has increased from £4,609,028 to £5,855,554 in the latest year. The results of Standard Life Assurance should not be taken to suggest that the total value of new life assurances written by all life offices in 1949 may again exceed the record figures for the industry in 1947 and 1948. It is already clear that the new business obtained by a number of life offices will fall well short of the 1948 results.

It now appears that the trade negotiations with Hungary may not be concluded much before Christmas. Concurrently with the trade talks a settlement covering the Hungarian funded and short-term debts to Britain, as well as compensation claims for former British commercial and industrial interests in Hungary, is being negotiated. Under such a settlement payments by Hungary are expected to extend over a number of years; but, in addition to transfers from Hungary, creditors will to some extent be compensated out of Hungarian assets now vested in the Custodian of Enemy Property. Negotiations to have these assets unfrozen have reached an advanced stage; while some payments have already been made (where non-enemy ownership could be proved) a suggestion in last week's issue that releases to the short-term creditors had already been effected was premature.

THE BRITISH LINEN BANK

204th ANNUAL MEETING

The Annual Court of Proprietors of The British Linen Bank was held on November 29th at the Head Office in Edinburgh.

The Earl of Airlie, Governor, in the course of his speech, said: Deposits at the record figure of £74,800,000 are up by £520,000. The rate of increase during the past twelve months is considerably less than has been shown for a number of years. Bank deposits do not form a complete index of monetary levels, but it would appear that up to the date of devaluation of the pound the rate of inflation was lessening. The widespread repercussions of devaluation, which by itself is inflationary, have yet to be experienced.

Notes in circulation show an increase of £580,000 to a total of £7,780,000. It is difficult to account for the reversal of the declining tendency noted a year ago. The public demand for notes is almost entirely beyond the control of the banks. Our advances have risen by £3,500,000 to a total of £16,000,000, widely spread over a variety of industries and trades.

The profit and loss account shows the profit for the year at £242,727—a decline of £18,500.

It is proposed to pay the customary dividend, to contribute £54,000 to the pension fund, and to transfer £75,000 to contingency account, leaving £3,727 to be added to the amount carried forward.

CREDIT POLICY

Under present conditions, when the national economy is strained almost to breaking point, the role of the banks is particularly onerous. The banks are now expected to see that credit facilities are granted in conformity with the national policy of encouraging only such enterprises as are calculated to meet the most pressing needs of the community. This policy inevitably occasions disappointment and even hardship on the part of some prospective borrowers whose quite legitimate projects are not considered urgent or useful enough to warrant a share of the restricted national resources available.

Many factors have combined to create conditions in which the demand for working capital increases at a faster rate than the savings from which it must be supplied. Heavy inroads on private and corporate savings have been made by the oppressive burden of taxation. The position has been reached when increased costs of raw materials and manufactured stocks, with the resultant expansion of book debts, often compel industrial concerns to borrow for the purpose of paying their taxes. Sometimes borrowing is necessitated by the shortened terms of credit allowed to traders by public boards; while in other cases work can be carried on by contractors only if they borrow in anticipation of settlements which are subject to long delays.

SAVING URGENT

At no time was the need for fresh savings more urgent than under present conditions. It is perhaps not sufficiently understood that only from this source can be provided the tools of industry; without factories and equipment—in other words, without capital—labour would be unproductive and the standard of living would revert to a primitive level. It is very desirable that the sacrifice involved in saving should be applauded as a meritorious contribution to the country's needs, and that all efforts in this direction should receive the most active encouragement.

The report was adopted.

BRITISH CELANESE LIMITED

MATERIALLY INCREASED TURNOVER

FINANCIAL POSITION STRENGTHENED

MR G. H. WHIGHAM'S ADDRESS

The thirtieth annual general meeting of the company was held on November 24, 1949, at Winchester House, Old Broad Street, London, E.C.2, Mr G. H. Whigham, Chairman, presiding.

The Secretary read the notice convening the meeting, and Mr Lister, of Messrs Thomson McLintock and Company, read the auditors' report.

The Chairman said: Ladies and gentlemen, I regret that Dr Camille Dreyfus and Mr Hill-Wood are unable to be present. Following our usual practice, I propose that the reports and accounts be considered as read. The net profit of the Group before taxation constitutes a further record and shows a substantial increase over the previous year, although trading covered only 52 weeks as against 53 weeks last year.

Dealing with British Celanese only, net working capital at the beginning of the year under review was £5,735,000. This amount was augmented during the year by £1,122,000 represented by trading profits (before depreciation), less taxation and dividends paid, etc. From these total resources of £6,857,000, £1,437,000 was expended on buildings, plant, etc., £42,000 on additional investment in subsidiary companies and £54,000 in debenture stock redemption. These expenditures, totalling £1,533,000, therefore left us with net working capital at July 2, 1949, of £5,324,000.

GROWTH OF RESERVES

The financial position shows the steady strengthening which has taken place this year. Reserves, excluding reserve for future taxation, rose during the year from £1,666,000 to £2,274,000. I made reference last year to the plant replacement and special obsolescence reserve, to which account we have set aside this year a further £200,000.

It is interesting to note that during the past four years to July 2, 1949, total current assets increased by £4,820,000, which included a cash increase of £2,140,000 and an increase in stocks, which are not excessive, of £1,800,000. Net current assets increased by £2,400,000, and during the same period approximately £3,340,000 has been expended on new plant extensions, modernisation and replacements. The increase in the liquid position and the cost of the substantial plant extensions, modernisation, etc., which together have amounted to £5,740,000, have been achieved out of the company's own resources, other than in respect of £1,800,000 raised by the issue of first preference shares.

TAXATION AND DIVIDENDS

A further £250,000 has been placed to the credit of taxation equalisation account, which now stands at £480,000. The larger amount set aside this year follows upon the increased capital expenditure during the year, together with the increased rate of the Initial Allowance announced in the last Budget and which was effective during the last quarter of the financial year. It is important to realise how little these Initial Allowances have assisted in the problem of meeting greatly increased replacement costs. The fact remains that, over the life of the plant, only the original cost of that plant is allowed as a deduction for tax purposes. The tax relief

on the Initial Allowances in fact amounts only to the granting of an interest-free loan, which must be repaid during part of the time that the buildings and plant are in use.

The small benefit in effect obtained has been more than taken away by the recent imposition of a 20 per cent. increase in the tax on distributed profits. Profits tax, which is indefensible in a country with a steeply progressive system of taxation on personal incomes, bears particularly hard upon the ordinary stockholders in a company such as ours, having the obligation to pay heavy preference dividends and other fixed interest charges. It is a fallacy to state that profits tax has no effect upon the export trade. The export market is becoming more and more competitive and we are being exhorted to produce more and better quality goods at lower prices. This can only be achieved by modernising and increasing our buildings and plant, and this necessitates the outlay of substantial capital. I have explained that much has already been done from our own resources, but much more would have been, and could be, accomplished if we had available each year the amount provided for profits tax, which, since the ending of E.P.T. at the end of 1946, has amounted to about £600,000 after deducting income tax relief.

DEVELOPMENT HAMPERED

I therefore say most definitely that this tax is seriously hampering our development by reducing the amount available for expansion and modernisation which are essential to maintain our competitive position in the export market.

In the year ended June, 1923—roughly the same time after the first world war as we now stand after the second—if a company had distributed all its profits as dividends, it would have paid out in taxation a maximum of £36 for every £100 net paid to its shareholders. Now, apart from any exceptional circumstances, a company which distributed the whole of its profits would pay £142 in taxation for every £100 net paid to shareholders. Naturally, if any lower proportion were distributed, the ratio of taxation to the net dividend payment would rise. For example, so far as we are concerned, the amount set aside this year for taxation was equivalent to £370 for every £100 net distributed or recommended to be distributed as dividends.

In addition, the Government has an interest in the undistributed part of the company's profits for any year, because these undistributed profits are practically all placed to reserve and expended on expansion or replacement of plant, etc., which tends to ensure a continuity of satisfactory future profits, of which, no doubt, successive Governments will help themselves to a liberal portion. Every employee of the company also benefits from this ploughing back of undistributed profits, as it tends to ensure satisfactory future business which means continuity of employment. Thus Government and labour have a stake in these profits as well as the shareholder.

DIVIDEND AGAIN 8 PER CENT.

In conformity with the voluntary agreement made between corporate industry and the Chancellor, your Board again recom-

mends an ordinary dividend of 8 per cent., despite the fact that, even adopting a most conservative financial policy, an appreciable increase would have been justified. The last issue of ordinary shares was made in 1928 and the first dividend on the ordinary stock was paid in February, 1945. Apportioning over the period 1928-1949 the total dividends paid since 1945 to ordinary stockholders, including that recommended in the present accounts, the average annual return is just over 2½ per cent., less tax. This is certainly not an excessive return.

It is the ordinary stockholder who bears the greater part of the risks connected with industry. What inducement is he offered when, in the face of rising costs of living, the immediate reward is restricted by continued dividend limitation and an unjust burden imposed on him through a penal profits tax?

It was explained in the speech last year how the money received for our products, less the cost of materials, etc., was distributed between the employees, the Government and the stockholders. This year the net amount paid out in dividends is 1s. 3d. in the £. Labour received 11s. 10d., less 10d. P.A.Y.E., and the Government received in total taxation (including P.A.Y.E.) 5s. 9d. This left 2s., of which 6d. was required for repayment of Funding Certificates, leaving 1s. 6d. towards strengthening the company's position.

TRADING RESULTS

The turnover of the Group was materially increased over the previous year, despite a slightly shorter trading period. Sales of plastics failed to reach last year's level in consequence of the falling off in the demand for certain lines which I mentioned when I last spoke to you. Since then, however, there has been an encouraging recovery. The year saw a gradual relaxation of regulations governing the textile trade at home, the most important event being the freeing of clothing and other textile goods from consumer rationing control in March.

Notwithstanding increases in wages-rates granted during the year and the continued rise in price of many of the materials and services which we have to buy, amongst which coal is an important factor, there were signs towards the close of the year that the upward trend in the cost of yarn, to which I referred when I last spoke to you, was being halted. This satisfactory state of affairs was partly due to an increase in production and partly to a fall in the price of our main raw materials. The benefit of this latter reduction has now been largely nullified by devaluation of sterling.

EXPORTS INCREASED

There was a considerable increase in your company's exports as compared with the previous year; in fact, they constitute a record. This increase was general to all our main products and to the majority of our important markets; the overall rate of increase was not being maintained in the last quarter of the financial year.

Throughout the period we were struggling with the overseas difficulties of import quotas, duties and other restrictions, and, in addition, from the spring of this year competition was more intense, especially in the more important hard currency markets, namely, the Americas, Canada, Switzerland and Belgium. It so happens that these countries have highly developed competitive rayon industries; consequently, it is not easy to sell to them. Nevertheless, we had built up a steady business in some of these markets, thus earning an appreciable amount of hard currency. The devaluation of sterling will assist us further not only in the hard currency markets, but also in other markets where prices or other factors had curtailed our opportunities.

LARGE UNSATISFIED DEMAND

There is a very large unsatisfied demand for cellulose acetate rayon overseas, even in markets which are themselves large-scale producers of other types of rayon. Your company will stand to benefit provided that the restrictions, which in certain markets are hindering imports, are removed or relaxed. It is therefore important that the Board of Trade should take particular care to ensure that our industry is given the maximum scope in any trade agreements which they may make with other countries.

It is difficult to obtain the latest and most suitable textile machinery in this country, and delivery dates for home-produced machinery run into years. Without modern machinery it will be increasingly difficult for textile manufacturers to produce goods of the quality and at the price necessary to compete in foreign markets. The Government would be doing a great service to the industry and to the export drive if they would facilitate the importation of the latest machinery into this country from America and Switzerland, which are really the only sources of supply from which such machines could be obtained within a reasonable length of time.

VISITS OVERSEAS

During the year, visits have been made by the directors or executives of British Celanese (Overseas) Limited to nearly all the Dominions and a large number of other countries.

Two members of your Board and a large number of our technical and commercial executives visited the United States and Canada recently to keep in touch with general conditions and technical developments there.

We must again acknowledge the continuing understanding with which our home trade customers have accepted such limited quantities of textiles as we were able to make available to them in consequence of the high proportion of our production which was exported.

RESEARCH AND DEVELOPMENT

Research work in connection with the three main branches of our industry has continued actively throughout the year under review.

During the last year or two, considerable publicity has been given to the establishing in this country of chemical industries based upon the use of petroleum. Our own oil-cracking installation, which was primarily erected for the provision of some of the basic materials required for our main products, has now been operating for a number of years and our research staff have made a number of contributions to the rapidly accumulating knowledge of this technique. In the U.S.A. the requirements of the cellulose acetate industry in acetone and acetic acid have hitherto accounted for the largest volume of organic chemicals made from petroleum. At the same time, the wider potentialities of this rapidly developing source of raw materials are being actively explored by us.

Less easy to assess, but ultimately of equal importance for the progress of the company, are our long-term research projects. Our scientific staff realise the importance of keeping abreast of world discovery.

In the textile section, steady progress has been made in the improvement of existing processes, both by the adoption of modified techniques and the installation of new machinery, some of which we design and construct ourselves.

Our interest in plastics has continued mainly in cellulose derivatives, and during the year we have developed several new uses and methods of application.

PLANT EXPANSION

The expansion of cellulose acetate and chemical plant at Spondon embodied in our general expansion scheme is nearing completion. Modernisation of plant at Spondon has progressed well during the year. Your Board have constantly in mind the importance of maintaining the plants up to the highest modern standards, and it is their intention to undertake a considerable amount of this work each year.

As regards the proposed yarn spinning plant at Wrexham, nearly all the outstanding points have been finalised with the Industrial Estate Company. Further capital will require to be raised in order to build the first unit of the plant, and your Board are considering how best this can be achieved.

The factory buildings at Wigan are now complete and the installation of plant continues, and production has now commenced.

The Blyth factory buildings are complete and we are installing machinery. At Jarrow, we expect to occupy the main building by the middle of 1950; meanwhile, we have installed some machinery in a building which we occupy on short-term lease, thus enabling us to progress with the training of labour and to commence production pending completion of the main buildings.

GENERAL OUTLOOK

Nothing has occurred during the past year to alter the opinion of your Board that the long-term outlook for the rayon industry is still favourable and that fundamentally the outlook for plastics is also good, but we must always keep in mind the uncertainty regarding the future trading position of Germany and Japan in the world markets. In both of these countries controls are being lessened and more responsibility is being handed over to the national governments and to industry.

The immediate prospects have, of course, been profoundly modified by the devaluation of sterling. So long as we can obtain modern machinery to enable us to keep abreast of quality requirements, and so long as our costs can be kept within reasonable bounds, we can look forward to satisfactory domestic business and to an expanding and profitable export trade. As a large part of the products made by our customers from our yarn is also exported, these factors apply to them as well.

The continuance of the opportunity depends on costs. Broadly, costs which enter into our manufactures are of four kinds. They are:—

- (1) The cost of imported raw materials,
- (2) The labour cost,
- (3) The cost of materials and services bought in this country,
- (4) The cost of providing and maintaining plant.

Both the last two items will, of course, often include raw materials imported for the use of our suppliers.

RAW MATERIALS POSITION

As regards raw materials, it is important to realise the very small demands made by this company upon dollar exchange as compared with, for example, those made by the cotton industry. At the end of the financial year under review (before devaluation) the following position held:—

Five shillings of foreign exchange spent on American raw cotton bought enough to make 2½ lb. of cotton yarn, which, if exported at the then current average prices, would produce 10s. 9d. of foreign exchange.

Five shillings of foreign exchange spent on American cotton linters and other dollar materials bought enough to make 14½ lb. of Celanese yarn, which, if exported at the then current average prices, would produce

82s. 9d. of foreign exchange. The devaluation of sterling makes the comparison even more favourable to your company's products.

The advantage which your company possesses in the matter of imported raw materials does not extend to the other three factors affecting costs. In these, we shall gain or lose in the same way as all other industries in the country.

REALISTIC ATTITUDE ESSENTIAL

It is essential, therefore, that a realistic attitude should be taken by those who control what industry has to pay, that is to say,

ODEON THEATRES AND SUBSIDIARY COMPANIES

BURDEN OF ENTERTAINMENT TAX THREATENS FUTURE

MOST HEAVILY TAXED INDUSTRY

The twelfth annual general meeting of Odeon Theatres, Limited, and the annual meetings of its subsidiary companies, British and Dominion Film Corporation, Limited, Gaumont-British Picture Corporation, Limited, Odeon Associated Theatres, Limited, and Odeon Properties, Limited, were held on November 30th, at the Dorchester Hotel, London, W., Mr J. Arthur Rank, D.L., J.P., the chairman, presiding.

The following are extracts from his statement, which was circulated with the report and accounts for the 52 weeks ended June 25, 1949:—

The financial year which ended on June 25, 1949, promised well in its early months, but subsequently proved an unsatisfactory and disappointing one. Though the difficulties and setbacks we have experienced have, in varying degrees, been common to the film industry as a whole, the year has proved a particularly unhappy one for us. A falling off in attendance at theatres was accentuated by an unusually fine spring and early summer, while unfortunately the increase in the number of films we produced resulted in too large a proportion lacking the qualities and popular appeal which ensure success.

TRADING PROFITS

Trading profits show a fall of £4,321,453, which reflects a loss on production of approximately £3,350,000 after taking into account non-recurring credits arising out of the change in the basis of valuation of films which is dealt with in the directors' reports.

After providing £1,169,779 for depreciation and amortisation there is a net loss of £746,747. Taxation requires £716,729 (after crediting tax recoverable of £510,000) representing tax on the profits of certain theatre owning and manufacturing companies; the amount of the tax liability would be less but for the fact that amortisation of theatre properties, although a proper charge against profits, is not an allowable charge for tax purposes. Outside shareholders' proportion of the profits of theatre owning and manufacturing companies amounts to £669,780.

After crediting net transfers from revenue reserves of approximately £1,340,000, and the amount of loans waived by holding company of £648,757, a credit balance of £33,010 is left to be carried forward on the consolidated profit and loss account.

The loans waived by holding company of £648,757 represents an amount due by Odeon Theatres, Limited, to Manorfield Investments, Limited, a company controlled by my wife and myself. It is the considera-

suppliers, labour generally, and especially the nationalised services who enjoy a monopoly in the supply of coal, gas, electricity and transport. Restraint in their demands and a regard to the national interest is essential to enable our exporting industries to maintain the equilibrium in the balance of trade upon which the livelihood of the nation depends.

I take this opportunity, on behalf of the Board, of thanking all our employees for the excellent services rendered by them during the year under review and which have contributed to the satisfactory results before you.

The report and accounts were approved.

tion for that company's share interests in General Cinema Finance Corporation, Limited, which were acquired by Odeon Theatres, Limited, in December, 1947. It was agreed to leave this amount on loan to the company on December, 1952.

Manorfield, at the request of my wife and myself, has since June 25, 1949, made a gift of this amount to Odeon Theatres, Limited, together with the interest, £24,262 (gross) for the year to June, 1949.

FILM PRODUCTION RESULTS

At the beginning of August, 1947, a Statutory Order was made, S.R. & O. No. 1690 of 1947, which imposed a heavy import duty on all foreign films entering this country. Although this duty remained in force for nine months, no revenue was collected under it, because producers of American and other foreign films regarded it as a confiscatory measure and withheld their films.

The British industry was thus called upon to produce films so that dollars could be saved, and entertainment could nevertheless be provided for the millions of people who go to the cinematograph theatres every week. It was a duty and an opportunity; and in the circumstances in which decisions then had to be made there seemed to me only one answer.

We therefore made plans to increase the number of films we would have in production. The effect of such plans in the production field are necessarily long-term and the consequences, whether successful or unsuccessful, cannot be fully assessed for eighteen months or two years after the decisions are made.

SETTLEMENT WITH AMERICAN INDUSTRY

As you know, the settlement reached in March, 1948, resulted in the repeal of the import duty and the re-entry of American films into this country in June, 1948.

As a result a large part of the increased number of British films had to be released in competition with almost two years' output of the American studios.

Unfortunately, many of the films we produced were not of a quality to ensure even reasonable returns. It can now be seen that our plans to meet an unexpected and critical situation were too ambitious.

ENTERTAINMENT TAX

Before dealing with our plans for film production in the future I must first deal with the burden of entertainment tax with which, in my view, the whole future of the production industry is so closely bound up. In the

556 theatres controlled by this group the public paid £27,500,000 by way of admission prices, and of this no less than £10,500,000 went straight to the Revenue as entertainment tax.

Out of this £10,500,000 the amount paid by us in respect of programmes in which a British picture was the first feature was £4,500,000. Nearly all these British first features were made in our studios, and it follows therefore that in a year in which I have had to report to you a loss on production of £3,350,000 we have paid to the Exchequer out of our own theatres entertainment tax earned by British films which exceeds the loss by over £1,000,000.

When it is realised that the films we produce are played not only in our own theatres but also in theatres operated by independent exhibitors who in their turn pay entertainment tax, tax paid in respect of programmes in which these British films were the first feature must have amounted in the year to a total which cannot be less than £9,000,000 or little short of three times the losses we have made.

FUTURE FILM PRODUCTION

When the full extent of the losses had become apparent, your directors approached the problem of the future with a grave sense of responsibility.

If we can make fewer films of better quality we maintain our facilities and keep in employment a proportion of our creative talent and our technicians so that, when, as I feel is reasonably to be expected, production can be embarked upon without loss the industry can again march forward as I am sure it will. During the year important economies have been made, and these are now beginning to be reflected in our cost of production.

We have decided to plan for the shooting of between six and ten films during the six months ending June, 1950, which will keep our studios turning over and in first-class condition, and enable us to maintain the nucleus of our production organisation.

I hope that before a decision has to be made as to the period following June the Government will have considered the problems of the industry, and will have announced an alleviation of the burden of entertainment tax. Unless conditions, however, do improve we may then have to make the unwelcome decision that production must cease.

EXHIBITION

Domestic.—The welding together of the administration of two great circuits has not been an easy task, but it has been tackled energetically and successfully. The two circuits are well run today by an efficient organisation and material savings in the cost of operation have been effected.

We are booking fine programmes in our theatres, are running a special advertising campaign in connection with them, and are confident that we shall secure our share of the volume of business which is available. There are signs that the public has been forced to reduce the amount it spends on entertainment.

Overseas.—Our overseas operation continues to make progress and while not being an important source of immediate revenue to the group is in my view an asset which assists considerably in the distribution of our films overseas, and the film hire which is earned, and over a period of time will give increasing returns.

DISTRIBUTION

The policy of developing sound distribution organisations in overseas territories is continuing to bear fruit, and to prove that

from a long-term point of view it is the only way to secure maximum returns on the distribution of our films.

TAXATION'S HEAVY HANDICAP

Addressing the meeting, the chairman said: We are certainly the industry which is most heavily handicapped by taxation in this country and, as I believe, the only industry of national importance which is so heavily burdened that losses are almost inevitable. Entertainment Tax has gone up in the last ten years from approximately 12½ per cent of the box-office receipts to nearly 40 per cent today.

You may be interested to know how Entertainment Tax affected our recoupment of the cost of "Henry V." This film cost approximately half a million pounds, and has been hailed in almost every country in the world as a masterpiece of the cinematic art. It has won great academic honours, and many millions of people of all nations have seen it. But although it went into production in 1943, and was first released in London in November, 1944, it was only some four weeks ago that this great film had recouped the cost of its negative. In the same period it has contributed more than £200,000 in Entertainment Tax.

So we have a film produced by Sir Laurence Olivier, tax £400,000, and a stage play produced by him, tax nothing. Similarly, if we present Mr Sid Field or Mr Danny Kaye in the flesh at one theatre, and were to film the same act and then show the film in a cinema theatre next door, those who paid for admission to the cinema would make a much larger contribution by way of Entertainment Tax than the theatre audience, who, indeed, might, under the concession I have just mentioned, pay no tax at all.

COMPARISON WITH THE LIVE THEATRE

During the first 16 weeks of the current financial year we paid Entertainment Tax in respect of attendances at your cinema theatres of £2,990,000. If we had been taxed on the basis of the live theatre we should have paid approximately £750,000. In other words, we paid four times what the live theatre would have paid, although our costs of production and operation are as high as theirs and, on the whole, we cater for a much larger public in the lower wage groups than does the live theatre.

It is estimated that the domestic market of the United States for American films is 60 per cent of the world market and that our domestic market is 15 per cent; but in America the Entertainment Tax is approximately 16 per cent, while here it is nearly 40 per cent. If the American industry has its anxieties as it is said to have, how can we hope to succeed, with this unrelenting weight of taxation around our necks.

There is, of course, another side to this story—the export trade. America has said for many years that business follows the film; I have had many instances drawn to my attention where our films have helped the sale of British goods overseas. We have also brought back many millions from the export markets, some in hard currencies, some in soft. This not only represents a contribution to the export drive, but in addition, wherever a British film plays in the sterling area the film hire which is earned reduces the drain on the dollars available in the sterling area.

At the meeting of Odeon Theatres, Limited, the report and accounts were adopted, and a vote of thanks was accorded to the chairman.

At the meetings of each of the other companies the report and accounts were also adopted.

RONEO LIMITED

ANOTHER SUCCESSFUL YEAR'S TRADING

EXPANSION OF EXPORT BUSINESS

SIR GREVILLE S. MAGINNESS ON TAXATION BURDEN

The forty-second annual general meeting of Roneo, Limited, was held on November 29th, at the Holborn Restaurant, London, W.C.

Sir Greville S. Maginness, the chairman, who presided, said:—The accounts now before the stockholders cover—as indicated by me in my annual review last year—the nine months ended June 30, 1949, in respect of the parent company and twelve months to the same date for foreign branches and subsidiary companies. The profit on trading compared very favourably with that earned during the previous year, and this was due to two main causes, both of a highly gratifying nature. Our sales were substantially increased and, in fact, were little less during the nine months than the whole of the previous year. More important still—the level of efficiency both on the manufacturing and selling sides of our operations reached a higher standard than ever before.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

After providing £59,616 for depreciation and amounts written off, the profit before taxation was £416,249. Taxation called for £284,293, or 68 per cent. of the profit—a penal percentage.

Net profit for the period amounted to £131,956. We propose out of profits earned to transfer to plant replacement reserve the sum of £46,468, bringing the total reserve under this heading to £120,000, and to general reserve a further £30,000, raising this figure in the balance sheet to £220,000.

LIQUID ASSETS

Stocks on hand and work in progress are up by approximately £107,000 due to increased turnover. Debtors are little changed, but creditors are up by about £50,000. Cash and tax reserve certificates show a satisfactory increase of no less than £100,000 compared with last year.

The liquid assets have increased to approximately £1,970,000, or more than £1,150,000 in excess of liabilities. The financial position and liquidity of your business have thus been further strengthened during the period covered by the report now before you.

DIVIDENDS

Preference dividends are today being paid for three months to June 30th last. It is the intention of your board that these should in future be paid on January 1st and July 1st in each year. Preference stockholders will, therefore, receive 15 months' dividend in the current fiscal year to April 5, 1950.

The final dividend recommended to be paid on the ordinary stock for the period of nine months (including twelve months for foreign branches and subsidiary companies) is 10 per cent., making a total of 15 per cent. for the period. This must not be taken as any indication that the future dividend on the ordinary stock will be increased.

TRADING

All sections of the business showed a satisfactory advance both in volume and value of sales, although the increase in the steel equipment department was restricted owing to the continued shortage of steel sheets which still hampers the full production and

sale of filing cabinets. Roneodex cabinets, desks, cupboards, partitioning, and all the many lines of steel office equipment in the manufacture of which the company is engaged.

The new Roneo "500" Series II Duplicator with its special inking system has won many new friends and is now firmly established on the market. Encouraged by the successful results experienced with this machine, your company introduced a few months ago another model—the Roneo "150"—well worthy to take its place by the side of the "500." This machine is the only portable duplicator on the market with totally enclosed full automatic inking, and is freely acknowledged by competent judges as an outstanding machine in its particular class. Sales both at home and abroad have fully justified its introduction and afford ample evidence that it fills a long-felt want.

EXPORTS

Notwithstanding the many continued restrictions and difficulties in the conduct of foreign trade, I am pleased to report a further substantial improvement in this increasingly important sphere of the company's activities.

Our sales abroad during the nine months ended June 30th last surpassed those of the previous 12 months by over 10 per cent.—an achievement of which we can feel justifiably proud. We have also in the present calendar year exceeded by 28 per cent. the quotas which the Government set us for our export trade. In fact, exports of the products of the company have shown a gratifying expansion since the end of the war with a substantial increase each year over the preceding year. These results have only been made possible by the production of goods of the highest quality at competitive prices, backed by the most forceful trading methods.

Conditions are now, however, much more difficult in export markets. Competition continues to grow and is certain to become more intensified in the future. The need for reduced costs is, therefore, now more vital and insistent than ever. Unfortunately, the cost of many items such as our main raw materials, coal, transport, electricity, etc., is quite outside our control and we have no say in the prices which we are called upon to pay for them. In that field, however, where we can reduce costs by greater manufacturing efficiency, improved sales methods and increased managerial competence, no effort has or will be spared to enable us to continue to market our products at home and abroad.

TAXATION

When last year I referred to the necessity of this country expanding its export trade I ventured to say that this could not be achieved by everyone looking to the state to secure him against all the risks of life, but by keeping alive the spirit of enterprise and adventure which gave this country its industrial leadership in the past, and by encouraging those who are prepared to do so to take the harder road to win the larger prize. Everything that has transpired during the past year, culminating in the devaluation of our currency, has deepened my convictions on this subject. It is being emphasised more and more that unless we expand our export trade and sell enough goods to pay for the food and raw materials which we must im-

port, we inevitably face not only the lowering of even our present standards of living but also grave unemployment and all that such a state of things brings with it. The expansion of our export trade is, therefore, the most dominating of all the problems which confront our country today, and I sincerely hope that this has been brought home to the whole nation at last.

There are some who think that this expansion of our business abroad can be achieved without harder work but merely by exhortation and Government planning. I do not discount these methods, but I hold the view that harder work by every member of the community is fundamental to the solution of our problems, and that so long as human nature remains what it is the most effective and direct incentive to harder work is—as was recently said by the Lord President of the Council—that “The man who does a better day’s work than the next man should be entitled to correspondingly better earnings.” When I speak of “earnings” I mean the money which the man retains after the state has deducted its taxes from him, and it is because taxation today has assumed such dimensions that the incentive to harder work has lost its old force and meaning. At the present time the Exchequer absorbs no less than 40 per cent. of the nation’s entire income. Such benefits as the state provides with that money appear to be taken more or less for granted. It does not seem to be realised that the Treasury is not a creator of wealth but merely the instrument for collecting and redistributing wealth earned by those who produce. We have, therefore, reached a stage, in my view, when in looking to the state as the universal provider the tax deductions from the earnings of all classes are so frustrating as to damp down the energy of every section of the community, and to make the ordinary man and woman wonder whether harder work is really worth while. If I am asked to say where state expenditure should be cut I can only reply that such expenditure is the result of national policy laid down by Parliament and that it is, therefore, Parliament which is charged with that responsibility. As I see it, it is the duty of our political leaders to create the conditions in which the natural energy and resourcefulness of our people can have the freest and fullest scope. But I think that industry would be failing in its duty if it did not voice its conviction that there must be a substantial lessening of the present burden of taxation if we are to secure the higher production essential for our national recovery.

The satisfactory results now before the stockholders are due in no small measure to team work and a common purpose between the management and the employees. The board wish to record their sincere appreciation of the efforts of all those who have made their contribution to another successful trading period, and I am sure that stockholders will desire to associate themselves with this expression of thanks.

The report and accounts were unanimously adopted.

GOLD EXPLORATION AND FINANCE OF AUSTRALIA

LIQUIDATION APPROVED

Sir Walter Massy-Green, K.C.M.G., presided at an extraordinary general meeting of Gold Exploration and Finance Company of Australia, Limited, in Melbourne, Australia, on November 30th, at which resolutions were passed approving the liquidation of the company and the sale of all assets (other than Western Mining Corporation, Limited, shares) to Western Mining in exchange for 1,476,618 fully paid Western Mining shares.

The liquidator will hold 2,739,050 Western Mining fully paid shares and he has been authorised to distribute 150 shares for each 100 units of Gold Exploration stock. Western Mining plans to pay a dividend of 6d. (A) per share equivalent to 9d. (A) per unit of Gold Exploration stock. Western Mining proposes to convert its fully paid shares into stock before the liquidator makes his distribution.

At the fifteenth annual general meeting of the company held immediately prior to the extraordinary general meeting, the members adopted the Board’s circulated statement. This reported that the control and management of the company was transferred to Australia as from January 1, 1949, and explained that the company’s principal subsidiary, Western Mining (in which it holds a 97 per cent. interest), had deferred payment of a dividend pending completion of the amalgamation. This resulted in a loss to the company of £11,936 for the year ended March 31, 1949. For the same period Western Mining profit was £A271,345.

Mr W. S. Robinson has agreed to act as adviser to Western Mining, the chairman, and Messrs. G. Lindesay Clark and F. F. Espie are already directors of Western Mining, and Mr J. Stanley Murray has agreed to join the board.

The chairman also reported:—“The company is now in liquidation, and the liquidator, Mr Leslie Edwards has asked me to indicate to you his present intentions. He proposes to enter into the Adopting Agreement with Western Mining Corporation, Limited forthwith, and, on W.M.C., Limited becoming bound by the agreement, to send to all members letters indicating the holding they will eventually receive in that company. These letters should be ready for dispatch by December 12th, and will advise the procedure necessary to enable members to become the registered holders of stock in Western Mining Corporation Limited.”

HERRBURGER BROOKS, LIMITED

STRONG POSITION

The twenty-ninth annual general meeting of Herrburger Brooks, Limited, was held in London on November 30th, Sir Louis Sterling, the chairman, presiding.

The following is an extract from his circulated report:—

The directors are pleased to report once again an increase in the profit earned over that of the previous year. Although taxation absorbs £1,750 more than last year, the net amount available for distribution has increased by £940.

The balance sheet continues to reveal a strong financial position, although its structure will show considerable alteration next year by reason of the repayment of capital at the rate of 5s per share. Liabilities in respect of creditors have increased by nearly £6,000, but this increase is of a normal nature, and arises mainly from the improved position with regard to supplies of timber required for our business. I have commented in previous years on the difficulties we were experiencing in connection with the shortage of timber, but I am now pleased to report that, at any rate so far as the immediate future is concerned, quantities of timber have become available, and purchases already made are largely reflected in the figure of stock in hand, which now appears at a considerably increased amount. “Cash” and “sundry debtors” have both increased, and the position generally is satisfactory.

The piano trade is still almost wholly devoted to export business, although the Government has given permission for a small number of pianos to be allocated to the home market subject to the satisfaction of export requirements. The report was adopted.

CABLE AND WIRELESS (HOLDING), LIMITED

THE RECONSTRUCTION SCHEME

A meeting of the ordinary stockholders of Cable and Wireless (Holding), Limited, was held on November 25th in London, to consider a scheme of reconstruction.

Sir Edward Wilshaw, K.C.M.G. (the governor), in the course of his speech, said: I think I am entitled to say that the scheme, judged purely as a scheme of reconstruction, has been universally admitted to be fair and reasonable to all classes of shareholders in the various companies involved.

At the annual general meeting of the company in April last I stated that your directors considered that it would be in the best interests of the stockholders to distribute a substantial portion of the compensation to the existing stockholders. In the present scheme your directors have gone even further than that and have in fact proposed the distribution of the whole of the compensation award, which they thought would be received with enthusiasm. After the announcement of the scheme it has, however, become evident that there is a wide divergence of opinion between various sections of stockholders. There are those who desire total liquidation; there are those who desire a greater distribution of cash and there are those who have supported the present scheme as it stands. It appears to me that none of these categories loses anything by adopting the present scheme, which does not preclude some other arrangement being made later, but which does clear up a number of legal and financial complications which arise owing to the existence of the subsidiary companies.

BOARD’S INTENTION

Your directors would not wish to regard as final any scheme which did not fall in with the views of a substantial majority of the stockholders. Therefore, your directors intend, whether the present scheme is accepted or not, to endeavour to bridge the gap between the various divergent opinions. They consider that it is not impossible nor beyond human ingenuity to do this. While, therefore, they are firmly convinced that the present scheme should be accepted—and they strongly advise you to accept it—they will in any event forthwith endeavour to put before you proposals designed to bring together as far as possible the divergent views to which I have referred.

I realise that even if those who are present at this meeting are convinced by the remarks which I have made today, there is the strong probability, judging by the number of adverse proxies lodged with us, that the scheme will be rejected. In that event no time whatever will be lost by your directors in putting before you fresh proposals to eliminate the uncertainty and stalemate which would otherwise arise.

BENEFITS FOR ORDINARY STOCKHOLDERS

It is my considered opinion that the scheme is beneficial to every ordinary stockholder, and I have yet to learn of any reason to the contrary. It provides for the outpayment of £30 million odd to stockholders—it removes a number of legal difficulties and simplifies the structure of the undertaking.

A lengthy discussion ensued in the course of which a number of stockholders spoke in favour of the scheme while others spoke against it.

A card vote was taken, and the same procedure was followed at a subsequent extraordinary general meeting of the company and at meetings of the Eastern Telegraph Company and the other subsidiary companies concerned.

THE WALL PAPER MANUFACTURERS LIMITED

MR ALFRED WHITTLE ON NATIONAL RECOVERY

The fiftieth annual general meeting of The Wall Paper Manufacturers, Limited, was held on November 30th in Manchester.

Mr Alfred Whittle, F.C.A., the chairman, in the course of his speech, said: This is our Golden Jubilee year. The growth and prosperity which your company is enjoying is mainly due to the enterprise, courage and foresight of the past and present directors supported by the loyalty and co-operation of all employees, and your directors have confidence that the organisation will continue to progress in the future as it has done during the past fifty years.

The total group assets exceed £17,250,000, of which £8,000,000 represents the net liquid resources of the group. The net profit of the group amounts to £1,224,962 against £1,204,823 for the previous period of eleven months.

We are approaching the stage where we shall be producing almost at prewar level, and we can now visualise the time when all our plant and labour will be fully engaged. In order to repair the serious damage done to the wallpaper industry by years of shortage your company is undertaking a nation-wide publicity campaign centred round “Crown” Wallpapers. Every effort is still being concentrated upon export trade, which, however, continues to be conducted with increasing difficulty as in one market after another restrictions on imports are imposed.

DEMAND FOR PRODUCTS

The Walpamur Company, our largest and most important manufacturing subsidiary, continues to prosper and the popularity of its paints remains unabated. Such products as Walpamur Water Paint, Duradio Enamel Paint, Muromate Flat Oil Paint, Marvo and Trojax are consistently in great demand.

The heavy burden of taxation today makes it exceedingly difficult for businesses to set aside out of profits the necessary sums for capital replacement and development. The general level of taxation in this country is far too high to permit concerns to maintain or increase their working capital, and the recent increase in profits tax is to be deplored. Taxation at the existing level is crippling

the industrial recovery without which the life of the country is in peril.

The relations between management and our employees are most cordial. This mutual confidence and combination of effort is an important factor in the steady progress that has been made.

Your company is one of the leading industrial concerns in the United Kingdom—it is the largest wallpaper manufacturer in the world and a leading paint manufacturer. A wide responsibility, particularly during the present economic difficulties, rests upon those companies occupying the dominant position in their own particular industry.

Unfortunately Government departments which have inside knowledge of the support the big industrial organisations have given to the Government in the past difficult years hesitate to stand up to ill-informed public opinion, thereby failing to give the necessary corrective and guidance which would help to build up a true assessment of the part played by the large industrial concerns in the battle for production and export markets.

The report was adopted and the payment of dividends of 10 per cent. on the ordinary and deferred stocks were approved.

BETTS AND COMPANY, LIMITED

IMPROVING SALES

The sixty-ninth annual meeting of this company was held on November 25th in London.

Mr S. H. Gillett, M.C., F.C.A. (the chairman), said: The trading profit amounts to £54,363, compared with £81,009. The principal cause for this was the serious falling off in the demand for collapsible tubes which manifested itself early in February this year and continued almost until the end of June. However, since then sales have improved and orders are being well maintained. Secondly, the dividends received from our French subsidiary company, Betts and Blanchard, are less by £4,178. Since the year-end, trading conditions in France, so far as they relate to the French subsidiary, have shown some improvement.

The dividend recommended of 15 per cent., less tax, on the share capital has been fully earned, and, after providing for all taxation, the carry forward has been increased by just over £4,500 to £23,484.

Considerable interest has already been evinced in the samples of the Turnerstyle container, which is a new form of container, similar in action to a collapsible tube but dis-

similar in appearance, and a number of firms have been, or are, carrying out tests in connection with it. It is hoped that production of this line will start before the end of the year.

The company’s programme is still one of expansion wherever possible, combined with increased efficiency of production, which will lower production costs. The installation of new plant and machinery for this purpose, together with the improvement in sales of our products which has already taken place, justifies a confident approach in the coming year.

The report was adopted.

FILLERYS TOFFEES

SIR HERBERT MORGAN’S SPEECH

The fifteenth annual general meeting of Fillerys Toffees Limited was held on November 23rd at Birmingham.

Sir Herbert Morgan, K.B.E., the chairman, in the course of his speech said:—

The suspension of rationing did materialise, but it was of comparatively short duration, and after a trial, rationing returned to us. Manufacturers, wholesalers and retailers alike, did their best to avoid it, but the demand of the public was so heavy that rationing again had to be resorted to.

It is obvious that the confectionery trade has something to look forward to in increased production in the future when rationing is abolished, one hopes, for ever.

Our sales this year have shown an advance on last year and this is reflected in the profits. There is no doubt that our toffees are increasing in popularity due to the maintenance of our quality: Fillerys, the Toffees of Good Taste.

Shareholders will be pleased to learn that our export trade is promising. Mr Maurice Wells, our managing director, is at present making a tour of the United States and Canada. Mr Clifford Atkins also took advantage of a visit to the West Indies to devote some of his time to investigating that market.

The business as a whole is in a high state of efficiency and we are reaping the benefit of past years of carefully planned expenditure in the improvement in our factory, plant and organisation.

Our thanks are due to the managing director, Mr Maurice Wells, whose foresight and judgment have not failed us in planning for the future, as well as to the whole of the executive staff and workers for their loyal co-operation.

The report was adopted.

NOTICES

UNIVERSITY OF ADELAIDE—SOUTH AUSTRALIA

Applications are invited for the following appointments:
One Reader in ECONOMICS;
One Reader and One Lecturer IN HISTORY AND POLITICAL Science.
Salary Scales:

Reader: £1,050—£25—£1,200 p.a. (Aust.).

Lecturer: £500—£50—£750 p.a. (Aust.).

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is January 31, 1950.

RHODES UNIVERSITY COLLEGE, GRAHAMSTOWN, SOUTH AFRICA

Applications are invited for the post of SENIOR LECTURER IN COMMERCE.

Salary Scales:—Men—£600 x £25—£850 p.a.

Women—£550 x £25—£700 p.a.

Plus a variable cost of living allowance, at present about £57 p.a. Previous experience and academic qualifications may be taken into account in fixing the initial salary.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is December 31, 1949.

CHARTERED ACCOUNTANTS. 25-35 years of age, wishing to widen their experience, are invited to apply for an appointment with a well-known industrial company. Candidates with some experience of industry and holding a University Degree will be given preference. The Post requires outstanding personality. Scale of remuneration up to £2,000 per annum. Full details of qualifications and experience to Box 275.

HIS MAJESTY’S COLONIAL SERVICE, GOLD COAST

Two regional Social Development Officers required to organise courses for Youth Leaders, direct Mass Education work and promote Youth Organisations, Boys Camps, and Community Centres. Permanent or contracts terms can be offered. Salary including pensionable expatriation allowance is £660—£1,300 plus a temporary cost of living allowance. Partly furnished quarters at low rentals. Free passages. Low rates of income tax. Generous leave.

Candidates must hold a degree, diploma or certificate of a Higher Education Institution and must have had appropriate experience.

Further particulars and application forms obtainable on written request to the Director of Recruitment (Colonial Service) Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference No. 27259/49.

HIS MAJESTY’S COLONIAL SERVICE, TANGANYIKA

A vacancy exists in TANGANYIKA for a MALE WELFARE OFFICER, to organise Provincial Welfare work. The post is permanent and pensionable. Salary scale £840 x £50—£1,080. Quarters at low rental. Free passages. Income tax is much lower than in the United Kingdom. Candidates should be between 25 and 35 and experienced in rural community work, and handwork classes. Handwork teacher’s qualification and experience of Young Farmers’ Clubs desirable.

A form of application and further particulars may be obtained on written request to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1, quoting reference No. 27259/41. Closing date for receipt of applications, one month after publication.

Far East.—Gentleman having held executive position in Hong Kong, China and Japan for some years seeks new appointment where his knowledge of Shipping, Insurance, Imports and Exports as well as Accounts and General Office routine could be put to suitable advantage. Willing to travel. Available immediately.—Reply Box No. 945, c/o, Dawson, 129, Cannon Street, E.C.4.

Investment Statistics

Company Notes

Crompton Parkinson.—Trading profit of the group amounted to £1,627,362 for the nine months period to June 30, 1949, compared with £1,687,968 in the year to September 30, 1948. The dividend and bonus totalling 22½ per cent is repeated on the higher capital. It is proposed to make a bonus issue capitalising £1,538,893 of reserves by way of issuing fully paid 5s. ordinary shares (later to be converted to 5s. "A" ordinary stock units) to "A" ordinary and ordinary stock holders on a one for one basis. Net current assets, at June 30, 1949, amounted to £4,372,324 (£4,050,731) and fixed assets less w.o. to £2,207,858 (£1,912,737).

Ind Coope and Allsopp.—Consolidated profit for the year to August 31, 1949, was £2,030,712, compared with £2,623,231 for eleven months in respect of parent and fourteen months for most subsidiaries in 1947-48. Net group profit amounted to £666,177 (£778,552). The dividend of 30 per cent is unchanged. Net current assets declined from £3,621,399 to £2,179,752 over the year.

Electric and Musical Industries.—Consolidated trading profit, excluding income attributable to prior years, declined from £1,232,752 to £890,418 in the year to June 30, 1949. Net current assets were £5,764,499 (£3,820,592) at the year-end.

Harrisons and Crosfield.—Group trading profit increased from £657,538 to £748,679 and net profit from £255,057 to £415,189 in the year to June 30, 1949. The dividend of 25 per cent is maintained. Net current assets increased from £1,549,829 to £2,675,415 at the year-end.

Ansells Brewery.—Balance on consolidated trading account declined from £1,871,566 to £1,497,555 in the year to October 2, 1949. Group net profit amounted to £320,943 (£652,501). Net current assets at the year-end were £1,351,000 (£1,929,000).

Combined Egyptian Mills.—Trading profit increased from £829,876 to £1,244,750 and net profit from £275,536 to £431,008 in the year to September 30, 1949. The dividend has been raised to 6 per cent (4 per cent maiden dividend).

Birmingham Small Arms.—Group trading profit rose from £1,146,383 to £1,438,294 and group total profit from £1,298,049 to £1,635,130. Total profit included £153,904 (£20,885 in 1947-8) for interest on war damage claims. The net value of fixed assets has been reduced from £4,126,409 to £4,112,805. Net current assets are £396,000 higher at £5,960,762, of which £299,871 is represented by cash. Stocks are valued at £7,586,804 (£6,688,204), and debtors at £2,613,843 (£2,591,988).

South Durham Steel and Iron.—Consolidated profit increased from £898,336 (including £91,310 not attributable to the year's operations) to £1,361,785 in the year to September 30, 1949. Group net profit amounted to £574,397 (£270,683), of which £527,922 (£220,000) is appropriated to reserve for future development, etc. Group carry forward is £310,759, against £306,366 brought in. Net current assets have risen from £2,316,009 to £2,912,984, and fixed assets, less depreciation from £4,531,705 to £4,571,081. Stocks and work in progress are up from £2,219,255 to £2,781,595, and liquid funds are £245,000 higher, at £451,000. Capital expenditure outstanding at the year-end is estimated at £2,274,819.

Port of London Authority.—Cash lists opened and closed on November 30th and conversion lists will remain open until December 8th for the issue at £99 per cent of £5,000,000 Port of London 3½ per cent registered stock, 1966-1968. Holders of £6,975,000 Port of London 5 per cent inscribed stock, 1950-70 are given the offer of conversion into the new stock, the existing stock being called for repayment on June 1, 1950.

Howards and Sons (chemical manufacturers).—Application has been made for permission to deal in the whole preference capital of £450,000 in 5½ per cent cumulative

£1 preference shares. Capital consists of £828,000 in £450,000 of the above preference issue and £378,000 in £1 ordinary shares.

John Barker.—Shareholders' approval is to be sought on December 21st for the 50 per cent free bonus issue capitalising £553,165 of reserves.

General Electric Company.—Stockholders' approval is to be sought for raising the board's borrowing powers to an amount equal to twice the issued share capital. At present borrowing powers are limited to a sum not exceeding the authorised capital.

Fordham Pressings.—Lists opened and closed on December 2nd for the sale of 540,000 1s. ordinary shares at 3s. 9d. per share. Capital consists of £68,000 in £23,000 7 per cent cumulative £1 preference shares and £45,000 in 1s. ordinary shares.

Booker Brothers McConnell.—Some £1,000,000 of new capital is to be raised by an offer to shareholders of 817,180 10s. ordinary shares at 22s. per share in the proportion of five new shares for every eight shares held, a private placing of 44,411 6 per cent cumulative £1 preference shares, and a further offer at 22s. per share of 50,000 ordinary shares to staff members.

New Issue Prices

Issue	Issue Price (a)	Price, Nov. 30, 1949
Arrow, 5½% Pref.	21/0*	20 10½-20 9
Constructors, 5½% Pref.	21/0*	20 10½-21 4½
Crowther (Holdings), Pref.	22/0	22 1½-22 7½
Derby & Mid. Mills	11/6	11 6-12 0
East African Power, Pref. (10% paid)	20/0	20 0-20 10
Do. Ord. (20% paid)	30/0	2 10½-3 14 p
Ever Ready (S.A.), 5½%	...	16 0-16 6
General Mining	51	71-71 7
Haden, 5½% Pref.	20/5	19 3-19 9
Lansil, 5½% Pref. (5% paid)	20/0	3 9-4 6
New Zealand, 3½% (25% paid)	98½	98 ½-99 ½
Perry (Holdings)	30/0	91-1 50 p
Rootes, 5½% Cum. Pref. (10% paid)	20/0	20 6-20 9
South Africa, 6½-67 (10% paid)	37 ½	37 ½-38 1
St. Helena Gold	37 ½	37 ½-38 1
Western Holdings	50/0	13 6-14 6 p
Whessoe	30/0	34 9-35 6
Willows Francis, 2 ½%	3 4½*	3 11-3 4½
Do. 6% Pref.	22 0*	21 6-22 0

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Arthur Guinness, Son and Company; Crompton Parkinson; Harrisons and Crosfield; Electric and Musical Industries; Ind Coope and Allsopp.

Prices, Year 1949		Name of Security	Price, Nov. 23, 1949		Yield, Nov. 30, 1949		Prices, Year 1949		Name of Security	Price, Nov. 23, 1949		Yield, Nov. 30, 1949	
High	Low		High	Low	(a)	(b)	High	Low		(a)	(b)	(c)	
High	Low		High	Low	(a)	(b)	High	Low		(a)	(b)	(c)	
British Funds													
101 1/2	100 1/2	War Bonds 2 1/2% Aug. 1, 1949-51	101 1/2	101 1/2	10 5 7	12 4 4	101 1/2	101 1/2	0 5 7	12 4 4	101 1/2	101 1/2	0 5 7
100 1/2	99 1/2	Exch. Bonds 1 1/2% Feb. 15, 1950	100 1/2	100 1/2	0 15 2	2 1 19 3 7	100 1/2	100 1/2	0 15 2	2 1 19 3 7	100 1/2	100 1/2	0 15 2
102 1/2	101 1/2	War Bonds 2 1/2% Mar. 1, 1951-53	102 1/2	102 1/2	0 18 8	2 2 4 7	102 1/2	102 1/2	0 18 8	2 2 4 7	102 1/2	102 1/2	0 18 8
103 1/2	102 1/2	War Bonds 2 1/2% Mar. 1, 1952-54	103 1/2	103 1/2	0 20 11	3 14 5 9	103 1/2	103 1/2	0 20 11	3 14 5 9	103 1/2	103 1/2	0 20 11
104 1/2	103 1/2	War Loan 3 1/2% (after Dec. 1, 1952)	104 1/2	104 1/2	1 3 4	2 6 8 0	104 1/2	104 1/2	1 3 4	2 6 8 0	104 1/2	104 1/2	1 3 4
105 1/2	104 1/2	War Bonds 2 1/2% Aug. 15, 1954-56	105 1/2	105 1/2	4 11 2	2 9 3 4	105 1/2	105 1/2	4 11 2	2 9 3 4	105 1/2	105 1/2	4 11 2
106 1/2	105 1/2	Funding 2 1/2% June 15, 1952-57	106 1/2	106 1/2	1 4 1	2 11 11 3	106 1/2	106 1/2	1 4 1	2 11 11 3	106 1/2	106 1/2	1 4 1
107 1/2	106 1/2	Nat. Def. 3 1/2% July 15, 1954-58	107 1/2	107 1/2	1 6 2	2 13 1 0	107 1/2	107 1/2	1 6 2	2 13 1 0	107 1/2	107 1/2	1 6 2
108 1/2	107 1/2	War Bonds 3 1/2% Oct. 15, 1955-59	108 1/2	108 1/2	1 13 4	2 1 0 18 19	108 1/2	108 1/2	1 13 4	2 1 0 18 19	108 1/2	108 1/2	1 13 4
109 1/2	108 1/2	Sav. Bonds 3 1/2% Aug. 15, 1955-55	109 1/2	109 1/2	1 9 3	2 12 2 104 44	109 1/2	109 1/2	1 9 3	2 12 2 104 44	109 1/2	109 1/2	1 9 3
110 1/2	109 1/2	Funding 2 1/2% April 15, 1956-61	110 1/2	110 1/2	1 15 7	3 3 2 7	110 1/2	110 1/2	1 15 7	3 3 2 7	110 1/2	110 1/2	1 15 7
111 1/2	110 1/2	Funding 3 1/2% April 15, 1959-69	111 1/2	111 1/2	1 9 1	3 4 0 0	111 1/2	111 1/2	1 9 1	3 4 0 0	111 1/2	111 1/2	1 9 1
112 1/2	111 1/2	Funding 4 1/2% May 1, 1960-90	112 1/2	112 1/2	1 16 3	3 4 2 27 34	112 1/2	112 1/2	1 16 3	3 4 2 27 34	112 1/2	112 1/2	1 16 3
113 1/2	112 1/2	Sav. Bonds 3 1/2% Sept. 1, 1960-70	113 1/2	113 1/2	1 15 7	2 19 0 0	113 1/2	113 1/2	1 15 7	2 19 0 0	113 1/2	113 1/2	1 15 7
114 1/2	113 1/2	Vict. Bonds 4 1/2% Sept. 1, 1920-75	114 1/2	114 1/2	1 10 10	3 5 5 9	114 1/2	114 1/2	1 10 10	3 5 5 9	114 1/2	114 1/2	1 10 10
115 1/2	114 1/2	Sav. Bonds 3 1/2% Aug. 15, 1965-75	115 1/2	115 1/2	2 2 6	3 17 9 7	115 1/2	115 1/2	2 2 6	3 17 9 7	115 1/2	115 1/2	2 2 6
116 1/2	115 1/2	Consols 4 1/2% (after Feb. 1, 1957)	116 1/2	116 1/2	2 0 7	3 13 11 0	116 1/2	116 1/2	2 0 7	3 13 11 0	116 1/2	116 1/2	2 0 7
117 1/2	116 1/2	Conv. 3 1/2% (after Apr. 1, 1961)	117 1/2	117 1/2	1 18 6	3 10 3 7	117 1/2	117 1/2	1 18 6	3 10 3 7	117 1/2	117 1/2	1 18 6
118 1/2	117 1/2	Treas. Stk. 2 1/2% (after Apr. 1, 1975)	118 1/2	118 1/2	1 19 9	3 9 1 7	118 1/2	118 1/2	1 19 9	3 9 1 7	118 1/2	118 1/2	1 19 9
119 1/2	118 1/2	Treas. Stk. 3 1/2% Oct. 1, 1986-96	119 1/2	119 1/2	1 17 8	3 5 11 12 5 4	119 1/2	119 1/2	1 17 8	3 5 11 12 5 4	119 1/2	119 1/2	1 17 8
120 1/2	119 1/2	Consols 4 1/2% (after Apr. 1, 1975)	120 1/2	120 1/2	1 17 11	3 6 14 78 1	120 1/2	120 1/2	1 17 11	3 6 14 78 1	120 1/2	120 1/2	1 17 11
121 1/2	120 1/2	Brit. El. 3 1/2% Gd. Apr. 1, 1968-73	121 1/2	121 1/2	1 19 10	3 8 6 6 8	121 1/2	121 1/2	1 19 10	3 8 6 6 8	121 1/2	121 1/2	1 19 10
122 1/2	121 1/2	Brit. Tpt. 3 1/2% Gd. July 1, 1978-88	122 1/2	122 1/2	1 17 7	3 5 7 77 7	122 1/2	122 1/2	1 17 7	3 5 7 77 7	122 1/2	122 1/2	1 17 7
123 1/2	122 1/2	Brit. Tpt. 3 1/2% Gd. Apr. 1, 1968-73	123 1/2	123 1/2	2 0 0	3 9 3 3 7	123 1/2	123 1/2	2 0 0	3 9 3 3 7	123 1/2	123 1/2	2 0 0
124 1/2	123 1/2	Brit. Gas Gd. 3 1/2% May 1, 1990-95	124 1/2	124 1/2			124 1/2	124 1/2			124 1/2	124 1/2	

Prices, Year 1949		Name of Security	Price, Nov. 23, 1949		Yield, Nov. 30, 1949		Prices, Year 1949		Name of Security	Price, Nov. 23, 1949		Yield, Nov. 30, 1949	
High	Low		High	Low	(a)	(b)	High	Low		(a)	(b)	(c)	
High	Low		High	Low	(a)	(b)	High	Low		(a)	(b)	(c)	
Other Securities													
96 1/2	95 1/2	Australia 3 1/2% 1965-69	96 1/2	96 1/2	3 1 1	3 7 0 1	96 1/2	96 1/2	3 1 1	3 7 0 1	96 1/2	96 1/2	3 1 1
98 1/2	97 1/2	Birmingham 2 1/2% 1955-57	98 1/2	98 1/2	2 19 3 7	2 19 3 7	98 1/2	98 1/2	2 19 3 7	2 19 3 7	98 1/2	98 1/2	2 19 3 7
99 1/2	98 1/2	Anglo-American Corp., 100%	99 1/2	99 1/2	4 3 5	4 3 5	99 1/2	99 1/2	4 3 5	4 3 5	99 1/2	99 1/2	4 3 5
100 1/2	99 1/2	Anglo-Iranian Oil, 100%	100 1/2	100 1/2	7 4 8	7 4 8	100 1/2	100 1/2	7 4 8	7 4 8	100 1/2	100 1/2	7 4 8
101 1/2	100 1/2	Assoc. Electrical, Ord. 11%	101 1/2	101 1/2	70 7/8	70 7/8	101 1/2	101 1/2	70 7/8	70 7/8	101 1/2	101 1/2	70 7/8
102 1/2	101 1/2	Assoc. Port. Cem., Ord. Stk. 11%	102 1/2	102 1/2	75 6 1/2	75 6 1/2	102 1/2	102 1/2	75 6 1/2	75 6 1/2	102 1/2	102 1/2	75 6 1/2
103 1/2	102 1/2	Austin Motor, A's Ord. Stk. 5%	103 1/2	103 1/2	28 9 1/2	28 9 1/2	103 1/2	103 1/2	28 9 1/2	28 9 1/2	103 1/2	103 1/2	28 9 1/2
104 1/2	103 1/2	Barclays Bank, Ord. B' 4 1/2%	104 1/2	104 1/2	69 6 1/2	69 6 1/2	104 1/2	104 1/2	69 6 1/2	69 6 1/2	104 1/2	104 1/2	69 6 1/2
105 1/2	104 1/2	Bass Ratchif, Ord. 11%	105 1/2	105 1/2	131 6 1/2	131 6 1/2	105 1/2	105 1/2	131 6 1/2	131 6 1/2	105 1/2	105 1/2	131 6 1/2
106 1/2	105 1/2	British Oxygen, Ord. 11%	106 1/2	106 1/2	90 6 1/2	90 6 1/2	106 1/2	106 1/2	90 6 1/2	90 6 1/2	106 1/2	106 1/2	90 6 1/2
107 1/2	106 1/2	Courtaulds, Ord. 7 1/2%	107 1/2	107 1/2	7 3 3	7 3 3	107 1/2	107 1/2	7 3 3	7 3 3	107 1/2	107 1/2	7 3 3
108 1/2	107 1/2	Distillers Co., Ord. 4 1/2%	108 1/2	108 1/2	17 3 1/2	17 3 1/2	108 1/2	108 1/2	17 3 1/2	17 3 1/2	108 1/2	108 1/2	17 3 1/2
109 1/2	108 1/2	Dorman Long, Ord. 11%	109 1/2	109 1/2	31 3 1/2	30 9 1/2	109 1/2	109 1/2	31 3 1/2	30 9 1/2	109 1/2	109 1/2	31 3 1/2
110 1/2	109 1/2	Dunlop Rubber, Ord. 11%	110 1/2	110 1/2	62 1/2	62 1/2	110 1/2	110 1/2	62 1/2	62 1/2	110 1/2	110 1/2	62 1/2
111 1/2	110 1/2	Imp. Chem. Ind., Ord. Stk. 11%	111 1/2	111 1/2	41 3 1/2	41 3 1/2	111 1/2	111 1/2	41 3 1/2	41 3 1/2	111 1/2	111 1/2	41 3 1/2
112 1/2	111 1/2	Imperial Tobacco, 11%	112 1/2	112 1/2	95 1/2	95 1/2	112 1/2	112 1/2	95 1/2	95 1/2	112 1/2	112 1/2	95 1/2
113 1/2	112 1/2	Langs. Cotton, Ord. Stk. 11%	113 1/2	113 1/2	30 7 1/2	30 7 1/2	113 1/2	113 1/2	30 7 1/2	30 7 1/2	113 1/2	113 1/2	30 7 1/2
114 1/2	113 1/2	Lever & Unilever, Ord. 11%	114 1/2	114 1/2	61 1/2	61 1/2	114 1/2	114 1/2	61 1/2	61 1/2	114 1/2	114 1/2	61 1/2
115 1/2	114 1/2	London Brick, Ord. Stk. 11%	115 1/2	115 1/2	56 3 1/2	56 3 1/2	115 1/2	115 1/2	56 3 1/2	56 3 1/2	115 1/2	115 1/2	56 3 1/2
116 1/2	115 1/2	P. & O., Def. Stk. 11%	116 1/2	116 1/2	36 6 1/2	36 6 1/2	116 1/2	116 1/2	36 6 1/2	36 6 1/2	116 1/2	116 1/2	36 6 1/2
117 1/2	116 1/2	Prudential, A's 11%	117 1/2	117 1/2	42 1/2	42 1/2	117 1/2	117 1/2	42 1/2	42 1/2	117 1/2	117 1/2	42 1/2
118 1/2	117 1/2	Stewarts & Lloyds, Def. 11%	118 1/2	118 1/2	52 1/2	52 1/2	118 1/2	118 1/2	52 1/2	52 1/2	118 1/2	118 1/2	52 1/2
119 1/2	118 1/2	Tabac Trans., Ord. Stk. 11%	119 1/2	119 1/2	68 1 1/2	68 1 1/2	119 1/2	119 1/2	68 1 1/2	68 1 1/2	119 1/2	119 1/2	68 1 1/2
120 1/2	119 1/2	Tube Invst., Ord. Stk. 11%	120 1/2	120 1/2	52 1 1/2	52 1 1/2	120 1/2	120 1/2	52 1 1/2	52 1 1/2	120 1/2	120 1/2	52 1 1/2
121 1/2	120 1/2	Turner & Newall, Ord. Stk. 11%	121 1/2	121 1/2	75 1/2	75 1/2	121 1/2	121 1/2	75 1/2	75 1/2	121 1/2	121 1/2	75 1/2
122 1/2	121 1/2	Woolworth (F. W.), Ord. 5 1/2%	122 1/2	122 1/2	42 1/2	42 1/2	122 1/2	122 1/2	42 1/2	42 1/2	122 1/2	122 1/2	42 1/2

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked '†'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'c'.
(a) Net yields are calculated after allowing for tax at 9s. in £. (b) Flat yield.
* Assumed average life 15 years 6 months.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 26, 1949, total ordinary revenue was £53,402,000, against ordinary expenditure of £54,303,000 and issues of sinking funds £200,000. Thus, including allocations of £10,867,000 the Exchequer since April 1st is £15,617,000 in surplus compared with a surplus of £301,905,000 for the corresponding period a year ago.

PRIMARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Nov. 26, 1949	April 1 to Nov. 26, 1948	Week ended Nov. 26, 1949	Week ended Nov. 26, 1948
ORDINARY REVENUE					
Income Tax	149,000	476,478	476,863	9,713	11,967
Corporation Tax	105,000	29,850	42,000	1,050	900
Stamp Duty	176,000	117,500	123,900	5,600	2,600
Stamps, etc., Duties	48,500	36,713	33,500	1,200	1,100
Excise	240,000	118,140	176,200	8,000	4,800
V.F.T.	55,950	26,400	750	600	
Other Inland Rev.	1,000	105	80		
Special Contributions	25,000	23,400	15,900	1,200	200
Total Inland Rev.	208,550	868,136	896,903	27,513	22,167
Customs	829,650	542,713	523,763	15,501	6,678
Excise	663,600	510,511	485,394	24,911	26,394
Total Customs & Excise	1493,250	1053,224	1009,157	40,412	27,072
Motor Duties	54,000	12,053	12,336		
Stamp War Stores	44,000	75,510	64,915	4,657	9
Stamps, Receipts from Trading	18,000	2,826	15,945	2,000	
P.O. (Net Receipts)	12,800	6,505	5,940	1,145	
Coast Land	1,000	600	420	10	
Receipts from Sundry Loans	20,000	10,596	11,915		
Miscellaneous Receipts	50,000	105,201	51,618	2,394	4,154
Total Ord. Rev.	3777,750	2134,651	2069,443	78,132	53,402
Self-Balancing	159,630	100,200	104,800	3,100	3,100
Post Office	5,700	5,285	7,978	182	336
E.P.T. Refunds					
Total	3943,680	2240,136	2182,227	81,414	56,838

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Nov. 26, 1949	April 1 to Nov. 26, 1948	Week ended Nov. 26, 1949	Week ended Nov. 26, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	306,648	302,876	2,507	2,762
Payments to N. Ireland	30,000	15,038	23,075	1,047	1,453
Other Cons. Fund Services	12,000	3,921	6,081	17	5
Total	527,000	325,696	332,032	3,571	4,220
Supply Services	280,270	149,567	174,217	48,855	50,083
Total Ord. Expend.	332,970	182,217	207,419	52,436	54,303
Sinking Funds	...	10,573	10,867	...	200
Total (excl. Self-Bal. Expend.)	332,970	182,217	208,506	52,436	54,503
Self-Balancing	159,630	100,200	104,800	3,100	3,100
Post Office	5,700	5,285	7,978	182	336
E.P.T. Refunds					
Total	3495,030	2198,230	2197,844	55,715	57,939

After decreasing Exchequer balances by (£69,610 to £735,389), the other operations for the week increased the gross National Debt by £11,777,772 to £25,636 million.

NET RECEIPTS (£ thousand)

Interest on the National Debt	117
Post Office and Telegraphs	700
E.P.T. Refunds	410
Local Authorities Loans Act, 1945, s. 3(1)	9,300
Finance Acts, 1946 and 1947, Post-war Credits	318
Total	10,845

NET ISSUES (£ thousand)

Interest on the National Debt	117
Post Office and Telegraphs	700
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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Rydal Street, St. James's, London, S.W.1. U.S. Representative R. S. Farley, 111, Broadway, New York. 6.—Saturday, December 3, 1949.

OTHER NOTICES APPEAR ON PAGE 1269

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

Furthermore, if this defence system is to succeed in its purpose of preventing the next war before it starts, these minimum defence requirements must not simply exist as promises to be redeemed in wartime but as forces actually in being. If there is one outstanding lesson of this century's two great wars, it is that aggressors are not deterred by trained reserves or military potential among their enemies. The Kaiser in 1914, Hitler in 1939, the Japanese in 1941, all thought

they could win quickly. To preserve the peace—and to create the confidence that it will be preserved—western Europe needs a standing army.

If this did not pose a sufficiently formidable problem for the Atlantic Powers, there is an additional complicating factor. Britain, France and the Netherlands are, for better or worse, colonial Powers with heavy military commitments in Asia, commitments which are a steady drain on their military strength as European Powers. It is to be hoped that within the next year or two the Netherlands will be able to concentrate more upon European defence. It is possible that France may resolve the conflict in Indo-China which at present pins down the bulk of the French regular army. But Britain, which has garrisons all the way from Tripoli to Hongkong, is most unlikely to be able to draw in its horns in the east. It has, for instance, a strategic responsibility for the Middle East and the Indian Ocean which it cannot lay down for the good reason that there is no other friendly major Power capable of assuming it. Any part that Britain plays in the defence of western Europe is not an alternative, but an addition, to its imperial responsibilities. This is a misfortune, but it is a fact that cannot be dodged, since Britain is neither able to contract out of Europe nor willing to abandon the Commonwealth.

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The exact economic implications of creating a watertight defence system in Europe without abandoning the defence of the rest of the world are impossible for a layman—and possibly for an expert—to assess. But it is painfully apparent, even at the first glance, that they rule out the possibility of any substantial reduction of defence expenditure below the level of the present year—which, in terms of the national income, is about double that of the middle thirties. Indeed, it is all too probable that an increase would be necessary, even after all possible economies were made, even after allowing for the fact that Britain is now bearing the highest relative burden of any of the Marshall nations.

This is an appalling prospect, so appalling that there is a strong temptation to say that we cannot afford a defence policy that would cost so much, and leave it at that. But even from the strictly financial and economic point of view, this would be very short-sighted. It is perfectly consistent to hold that the nation cannot afford an effective defence policy—provided that the logical consequence is drawn and the foreign policy of the country veers to neutrality and pacifism. But the British people have never in the past been able or willing to stay neutral once a major war breaks out. And if in fact we should fight, with everything we possess, once the war started, surely it is the path of economy to spend whatever is necessary now to prevent the war happening. There is a reasonable alternative to spending the money necessary to make the defence policy effective. But that alternative is not to be found in a policy of limited commitments; it is to be found in having no defence policy at all. It is tempting to the muddle-headed to say that we can keep defence expenditure down by abandoning any pretence of playing an important role on the Continent and concentrating instead on the British Isles and the Indian Ocean. This is called the “traditional” British policy, because it is the state into which British policy traditionally relapses between wars. But it is also true that major war never breaks out in Europe without

the British people finding it necessary to raise a large army for Continental operations. Historically the “traditional” British policy of limited commitments has been wildly extravagant. It has not prevented wars from starting, and it has made them infinitely expensive to win. Moreover, it cannot even be safely assumed that, in another war, a policy of British defence that started at the Channel would be enough, even at infinite expense, to win the war. Mr Baldwin said that England's frontier was on the Rhine, but his government did not follow that policy, and it was only by the narrowest squeak that Mr Baldwin was saved from being proved *disastrous* right. If 1940 were ever repeated, the very strong probability is that Britain would fall. And it is a certainty that no victory worth winning would be possible. Defeat or victory would be alike ruinous.

Whatever other arguments there may be for the policy of limited commitments (and it is difficult to imagine what they might be), it receives no support from the principles of economy. From the financial point of view, as from others, there are only two logically consistent alternatives. One is to disarm and await the will of stronger and less economical peoples. The other is to spend whatever is necessary (with all due economy in execution) to achieve a reasonable assurance that there will not be another major war this century.

This is a very grim conclusion. For to accept the necessity for an effective defence policy is to accept the cost in men and money. The present cost of defence, at roundly £800 million a year, is already very high. It may be that poor value is had for money spent; it may be that a quite small improvement in the inducements to join the regular forces would enable the present costly system of national service to be modified; it is probable that there is still an amount of waste to be eliminated. But if the number of effective British divisions standing in Europe is, say, to be trebled (and the British contribution could hardly be smaller) it is very unlikely that the budget could be cut, even if the money were better spent. It might well have to be increased.

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It is quite certain that the British public does not understand the grim alternatives with which it is faced in defence policy. If the Government could take upon itself the responsibility of deciding on the people's behalf, popular ignorance might not matter. But the issues are far too large to be resolved by anybody other than the public itself. They will have to provide the men and the money and they certainly will not do so unless they understand why it is necessary. Defence expenditure is without doubt the most irritating way of laying out the taxpayer's money. It is purely negative; it adds nothing to the productive resources of the economy; soldiers and sailors, however well commanded, appear to civilians in peace time to be eating their heads off in the paddock. The nation feels about a peacetime government which demands increased defence expenditure as a householder feels when told that his roof must be re-tiled, that he must lay out money for something from which he can derive no pleasure and whose cost means abandoning plans for the summer holiday. This is particularly true when the total of the budget cannot be increased—rather, when it must be diminished. If the requirement is for lower expenditure in the aggregate and yet for higher defence expenditure—and neither conclusion can be dodged with any honesty—then defence and social welfare become very direct competitors.

In any such competition it is, at present, perfectly obvious who would win and who would lose. Mr Aneurin Bevan and Mr James Griffiths would get the verdict every time against Mr Alexander. This makes it the more difficult to understand the policy of complacent secrecy in which the Minister of Defence wraps himself. The British people have a choice to make fully as difficult and painful as any they have ever made in the past. Shall they freely choose to play their part—in very goodly company—to ward off war by being prepared for it, knowing

Food Policy for Europe

IN the course of the coming year, western Europe intends to spend nearly two billion dollars upon the importing of food. When the Marshall Plan comes to an end in two years' time, however, its beneficiaries will not be able to count upon comparable supplies of dollars. Less food will be bought and eaten, unless it can be secured from non-dollar sources. Yet any great expansion of food supplies in other areas can hardly be wrung from nature in a single harvest. If then there is to be in 1952—and it seems inevitable—a profound change in European food prospects, their implications must be considered now. Men can starve in one winter, even if they cannot completely reorient their agricultural system.

With these facts in mind, the Food and Agriculture Committee of the Organisation for European Economic Co-operation has prepared an interim report for its parent body, recommending some drastic changes in the food policy of western Europe. Hitherto the target for European agriculture agreed upon in OEEC has been an increase of some \$4,000 million (in 1948 prices) in European domestic output which, it was hoped, would give by 1953 a level about \$2,000 million higher than the prewar average. In spite of the fact that many nations have not yet embarked on this first plan of expansion, it is now declared insufficient to deal with the food crisis that seems likely to follow the ending of Marshall Aid. The Committee believe that European output must be increased by another \$1,250 million. Even this figure does not offer a guarantee against the possibility of short commons between 1952 and 1956. Without it, the fall in living standards threatens to be catastrophic.

It is a formidable programme. Not only does it demand a heavy outlay of Europe's scarce capital. It also drastically revises a pattern of trade that is both long-established and profitable. The New World has for

that such a policy will add greatly to their already overwhelming economic burdens? Or shall they deliberately choose to be defenceless? All sorts of elements—emotional, moral, financial, political—will enter into the answer. It cannot be given in the darkness of ignorance but only in the light of full knowledge of the facts, cultivated by thorough public discussion. To stumble on as at present, accepting the commitments without commanding the resources to discharge them, is to achieve no object—neither economy nor security nor peace.

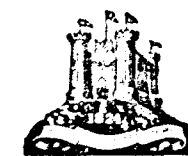
decades been a main source of Europe's imports of cereals and animal feeding stuffs for the simple reason that the grain could be produced there more economically. Since the war, the dependence has been even greater. At the same time, output per man hour in agriculture has risen by 60 per cent in America, with the implication that the cost of grain could now be even cheaper than it was before the war. It is a grave decision to turn from low-cost food to what may be very high-cost food. It is a particularly fateful decision for Great Britain, much of whose economic strength has been derived from access to cheap food. It is true that to some extent the decision to produce more food in Europe and to lessen dependence upon overseas supplies has been taken already—especially in Britain—but the present proposals greatly, and possibly dangerously, accentuate the trend. If, therefore, there is any possibility at all of the old international division of labour, with its enormous advantages, being restored, it would be foolish in the highest degree to rule it out. The plan of forced and expensive domestic expansion is literally *faute de mieux*. It should be adopted only if there is no alternative.

The main argument for the inevitability of more home production rests on the belief that Europe will not have sufficient dollars to buy North American supplies on the old scale. There are two sides to the argument—that prices for primary foodstuffs will remain high and that, even if prices were to fall, Europe would still lack the necessary dollars. It is difficult to accept completely the argument based on the continuance of high prices. Whenever in the past the terms of trade have turned drastically against the industrial producer, it has only been a matter of time before the stimulus to agricultural production created by high food prices has reversed the trend. It may be that the present situation marks the end of the

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old pattern. The determination of the governments of food-producing countries to feed their own peoples even if they eat the export surpluses has increased almost everywhere. In the United States, direct government intervention through the programme of support prices given to agriculture has prevented enormous food stocks from depressing the price level. Even so, it is difficult to believe that these exceptional conditions will, for an indefinite period, be completely effective, even in America. The possibility that support prices will be lowered should be borne in mind. A lowering of world food prices and a reversal in the present terms of trade cannot be ruled out. The old days of world-wide gluts of food and dirt-cheap prices may never return; but is it reasonable to assume that the world will for ever remain at the opposite extreme? The pendulum may not swing as far in future as in the past, but should policy be based on the belief that it will never swing at all?

A fall in price would not, however, wholly answer the second problem—whether the nations of western Europe could earn sufficient hard currency to maintain their old purchases of cereals in the New World. One of the secular changes in the world economy in the last thirty years has been the growth of industrial capacity in countries formerly dependent upon western Europe for their supplies of manufactured goods. The self-sufficient economy of the United States is the most notable and perplexing example of a nation which hopes to continue agricultural exports with a reduced need to import industrial goods in exchange. The Canadian economy is developing in the same direction. So is Australia. So, in its own chaotic way, is Argentina. The problem which the United States presents to the world is only the most acute example of a more widespread phenomenon. There is no evidence that any of these states intend to reverse the trend and take a higher proportion of their industrial needs from Europe. Is not the obverse of this fact the need for the old industrial areas in Europe to revert to a measure of agricultural expansion?

The argument is reinforced by the developments since the war in eastern Europe. In 1938, western Europe imported foodstuffs worth \$1,685 million from eastern Europe. In 1948, the volume had fallen to \$307 million, and it is the declared policy of each of the eastern satellite states to press forward with industrialisation so that it will neither need to export food nor even, perhaps, be able to do so. Thus, even if it were desirable to leave western Europe's long-term food prospects at the mercy of governments which may cease food deliveries from one day to the next for political reasons, the evidence suggests that supplies of food from eastern Europe will not in any case be available on the necessary scale.

The conclusion that it seems reasonable to draw from the evidence is in one respect clear, but in another still very ambiguous. It is clear that some movement by western Europe as a whole towards greater self-sufficiency in food and feeding stuffs is called for. The old pattern of exchange between a manufacturing Europe and an outside world of primary producers has broken down—or at the very least has dwindled in scale—and no non-European country would be prepared to revert completely to the old ways. This is the justification of the OEEC's ambitious project. This is the compulsion behind it, for though cheap food is better than dear food, dear food is better than no food at all. What is still

quite unclear is to what extent the old pattern will revive or must be written off. To assume that the present abnormal conditions of postwar readjustment will last for ever is as foolish as to assume that prewar relationships will be restored in their entirety. But no man can yet say where, in the intervening space, realism shades into defeatism. Perhaps the only formulation of policy possible at this stage is to say that although nobody can yet tell how much more food will need to be grown in Europe, it is clear that some expansion is needed.

The Food and Agriculture Committee of the OEEC are confident that expansion is possible. They do not, in this report, consider the possibilities of development in Europe's African dependencies, although such a study is essential before the allocation of capital and technical knowledge is completed. But, even apart from possible developments in Africa, the experts believe that further expansion in western Europe itself can be achieved. They specifically propose expansions equivalent to \$400 million in coarse grains, \$50 million in oilcake, \$150 million in livestock products, \$100 million in fats, \$300 million in non-cereal foods and tobacco, \$150 million in wheat. In addition, \$100 million worth of wheat could probably be saved by diverting to human consumption bread grains at present used for animals.

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Few of the countries of western Europe, however, have so far done very much to achieve even the earlier targets of expansion laid down by the OEEC. In the harvest of 1948-49, three nations alone had advanced their food output above the prewar level—Britain by 15 per cent, Turkey by 25 per cent, Sweden by 5 per cent, France was still 15 per cent below, Belgium actually 20 per cent.

Expansion, however, is only part of the problem. As important are the methods used to achieve it. Europe's resources are not unlimited. A programme of agricultural expansion represents to a certain inevitable extent the abandonment of cheap imports, and hence of cheap food. It must inescapably react adversely on the standard of living, and any unnecessary addition to costs in working out the policy of expansion will impoverish Europe still further. Moreover, nobody can be quite sure that the present calculations of the unfavourable terms of trade and of the difficulties of penetrating the North American market may not later prove to be too pessimistic. If the prewar pattern of trade between Europe and the outer continents were, after all, to be restored in greater measure than now seems probable—a contingency that the policy-makers cannot dismiss—then a Europe that had wasted large proportions of its scarce capital resources in creating unwanted supplies of expensive food would look very silly. The more expensive the new supplies the more mercilessly would they then be exposed to reviving extra-European competition—or, alternatively, the higher would be the cost to the European taxpayer of keeping them going. The emphasis at every point, therefore, must not be on expansion at all costs but on expansion by efficiency and increased productivity. Unless this priority is accepted from the outset, Europe may find itself burdened with a completely untenable cost structure in agriculture.

The report recognises this fact. It lays only slight emphasis on the actual expansion of the area under cultivation, and the bulk of the report is concerned—rightly—with ways of improving the technical efficiency of European agriculture. Under this head it makes a

number of specific and valuable proposals. It estimates, for instance, that by a better application of fertilisers, by choice of seed and by methods of rotation, the productivity of the 25 million hectares of western Europe's grassland could be increased by 40 per cent, and further savings would be possible with improved methods of haymaking and silage—at present 40 per cent of the value is said to be lost in haymaking. In the arable areas, the adoption of hybrid maize might repeat the 25 per cent increase in productivity already achieved in the United States. Animal husbandry is not studied in detail in the report, but new methods of checking animal diseases and improving stock through artificial insemination have certainly not yet been systematically applied to European agriculture. From these and other examples, it is clear that the scope for increased productivity and relatively low-cost production in Europe is still very great indeed and that the expansion proposed in the report could be achieved, to an extent at least, on an economic basis.

Everything depends, however, upon the policies pursued by governments. In each of the main fields of action likely to encourage expansion—the investment of capital, the application of scientific methods, and the guarantee of stable markets—government action is decisive and clearly in each field it is possible to pursue diametrically opposed policies in relation to costs. For instance, the guaranteeing of agricultural prices on a "cost-plus" basis, with no relation to increased efficiency (which is a tolerably accurate description of present British policy), can achieve expansion of the area cultivated and even increases in yields, but at a cost far beyond the community's capacity to pay. In France,

China Looks South

SEVERAL months have passed since the dramatic events which marked the climax of the civil war in China, and the sense of crisis in Far Eastern affairs has diminished in the consciousness of the western nations. The first shock of Communist victory is over. The question of extending diplomatic recognition to the new regime remains unsettled pending deliberation in the next session of the United States Congress, but it is noted with relief that no great violence has so far been done to the remnants of foreign interests in China. An unpleasant shape of things to come in Chinese foreign policy is nevertheless gradually emerging, and it is the long-term rather than the short-term aspects of Chinese Communist purpose to which the western governments concerned in Far Eastern affairs should now be paying attention. What is the significance of the Communist triumph in China for the near future in international relations, as distinct from its effects on foreign trade and investment in China?

The Peking conference of Asian and Australasian trade unions has already marked out the main lines on which Chinese Communist activity is to develop. This conference, though nominally only a trade union gathering, was in fact wholly political and extremely militant in tone. The Chinese Communists, as hosts of the conference and paragons of successful revolution, read homilies to their guests, and fraternal delegates from the Soviet Union and European countries did honour to the

apart from a marked increase in mechanisation, the guaranteeing of prices appears to have played a larger part in agricultural policy than insistence upon increased productivity. M. Pfimlin, the Minister of Agriculture, has, within the last few days, felt compelled to resign since the government questioned the prices guaranteed to the sugar-beet industry. Yet the questions raised are obviously relevant. Whereas other western European governments have subsidised the price of fertiliser and have thus encouraged the farmer to double his use of it, in France the use of fertiliser is now actually a little lower than it was before the war. France, the country believed to be capable of the largest agricultural expansion, has a lower level of productivity than any of the other Marshall countries save Austria, Portugal, Italy, Greece and Eire, and, on present estimates, this disparity will still exist when the Monnet Plan and Marshall Aid both end.

Similar examples of government policy hindering, rather than forwarding, the aim of increased productivity could be quoted—ill-regulated capital investment as in the British experiment in Tanganyika, the maintenance of tariffs to protect uneconomic food development. For European agriculture, the pursuit of productivity and technical efficiency is the only alternative to high costs of living, lower consumption and permanent impoverishment. Some increase in the domestic production of food in western Europe appears to be a necessity. It remains to make a virtue of necessity. To embark upon higher production at all costs—which, as Britain has discovered, is the line of least resistance, the course into which official policies all too easily slip—would be to turn a necessity which cannot help but be in some degree painful into a positive catastrophe.

great occasion. The conference declared its support for the "national liberation" forces in Burma, Malaya, Indonesia, Indo-China and the Philippines, and such reactionaries and "lackeys of western imperialism" as Mr Nehru, Thakin Nu and Mr Soekarno were denounced with furious invective. It was finally decided to set up a permanent liaison bureau and secretariat, which, as one of the delegates explained, would serve as a "general staff" for all the Communist-led revolutionary movements in the region of the world covered by the conference. In fact, the Far East now has its Cominform.

It should be noticed that this Communist offensive is directed not only against the survivals of western sovereignties in the East—such as British rule in Malaya—but also against all those Asian national leaders, from India eastward to the Philippines, who have been trying to base the policies of their respective countries on friendly relations with the west. Although the Communists pose as the champions of colonial nationalism against western domination, it must not be thought that they are pleased at seeing any achievement of national independence which leaves the former dependency on good terms with its ex-rulers. It might be thought that such zealots of nationalist insurgence as a Nehru or a Soekarno had earned by their records a right to be regarded as anti-imperialists; but in the eyes of the true Communist all their virtue is good for nothing, unless they maintain a permanent and implacable hostility

towards the nations of the west. Their task—failure in which will be punished by Communist-inspired revolt against them—is not merely to win independence for their countries, but to carry them over, lock, stock and barrel, into the anti-western camp of which the Soviet Union is the head and China is now, it seems, to be deputy-director for south-east Asia.

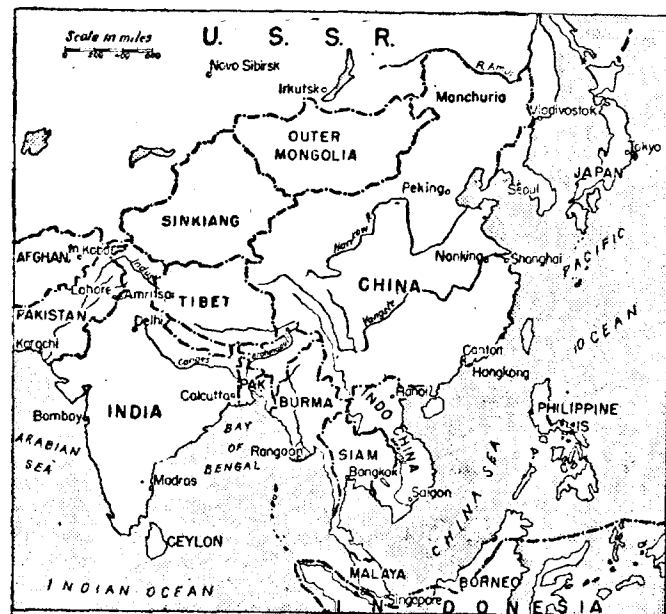
What is most striking in the new "Chinese Cominform" programme is that it is to be applied over a region in which the Chinese imperial monarchy formerly held a kind of paramount position, and in which large Chinese communities have been built up in modern times by emigration from China. It is also the region which, in the abortive Japanese plan for "Greater East Asia," was to have been completely separated from all contact or connection with the west and included, together with China, in a bloc of states under Japanese hegemony. The propaganda against "Anglo-America" which poured forth from Tokyo only five years ago has now been taken over, sometimes in identical phrases, by Communist China, and with it the basic idea of "Greater East Asia," though in the new version the hegemony will be not Japan's but China's. Here indeed is a programme to appeal not only to the Marxist-Leninist, but to Chinese nationalism in all its political shades. To an extent which has not been sufficiently realised in the west, Communism has been able to outbid the Kuomintang as the prospective champion of Chinese nationalism in most of its claims and aspirations. The Chinese national resurgence which resisted Japanese conquest for eight years inspires no humble estimate of China's destiny in the world, but ideas of what is fitting for the most numerous of the world's peoples, who only a century ago still considered themselves to be the hub of the universe and the sole bearers of civilisation. They have had to endure since 1842 a long series of humiliations and disasters inducing a deep sense of frustration and resentment in the national outlook.

There are two main reasons why Communism is in a position to give an attractive lead to Chinese nationalist sentiment. In the first place, by aligning China with the Soviet Union in defiance of the west, the Communists can pursue a forward policy in the south, whereas the Kuomintang was unable to take a strong line either in the south or in the north. The Kuomintang was dependent after the surrender of Japan on American political and economic support, and this precluded a policy of trouble-making in south-east Asia; at the same time, it did not dare to offend the Russians by challenging the Yalta decision (to which Britain and America were consenting parties), and thus had to assume the responsibility for yielding China's sovereign rights in Manchuria. The Chinese Communists, of course, do not challenge the Russians either; but in return for their acceptance of a treaty position in Manchuria which was not of their

making, they have the support of the Russian bloc for a forward policy in the south.

Secondly, the Communist technique is the one which promises the best returns on a very small capital of national military power. China remains extremely weak in modern industry and heavy armaments, and the Communists, with all their energy, have little prospect of substantially altering this state of affairs for a long time. There is no danger in the near future of Chinese fleets and armies following the Japanese path of conquest to the Bay of Bengal or the Timor Sea. But Communist methods of subversive propaganda and intrigue, with the infiltration of armed bands, might have great success against weak or vacillating opposition in a region already full of disorder and unrest. This is the ideal mode of expansion for a nation which lacks real military strength, but can bring to bear politically the mass weight of a population of four hundred millions, the prestige of a traditional ascendancy and the glamour of a revolutionary gospel. In any Chinese expansion to the south the overseas Chinese would be the natural instrument of policy. It would provide pretexts for nationalist agitation and diplomatic action; in Siam Chinese immigrants now total a third of the population and in Malaya nearly half. In Burma, Indo-China, Indonesia and the Philippines they form large and influential communities. But Chinese Communism will not have to confine its organisation to these communities, as the merely nationalist Kuomintang has had to; operating with a professedly international creed, it can recruit followers also among the indigenous peoples, especially in areas where the Chinese are not—as they are in Malaya—so numerous as to create strong anti-Chinese feeling among the non-Chinese population.

From the indications given by the Peking conference the operational area of Chinese Communism will comprise all the countries of south-east Asia: that is to say, Burma, Siam, Indo-China, the Philippines, Malaya and Indonesia, and there will be links with the Communist parties of Australia to the south and India to the west. It goes without saying that the offensive will be directed against every influence or authority of the United States or European nations in the region; but it will also certainly be directed against the influence of India, which has its own strong emigrant communities and historic connections throughout south-east Asia. However much Mr Nehru may wish to keep India clear of the world-conflict between the Russian and American camps, India cannot be indifferent to a Chinese expansion in what used to be known as "Further India." With regard to Burma, the issue of Communism is complicated by the fact that a large part of the frontier of northern Burma is disputed by China—Chinese maps published under the Kuomintang show a large extension of Chinese territory there to the Assam border, and there is no reason to expect Communist China to drop this claim.



There is also the question of Tibet, which the Chinese Communists have declared they will "liberate." Having maintained complete *de facto* independence of China since 1912, Tibet has a strong claim to be regarded as an independent state, especially now that China has recognised the *de jure* independence of Outer Mongolia, which originally broke away from China in the same year. But it is for India to take the lead in this matter, for neither Britain nor the United States has any direct concern to-day with the region beyond the Himalayas. If India decides to support the independence of Tibet as a buffer state between itself and China, then Britain and the United States would do well also to extend formal diplomatic recognition to it. If, on the other hand, India prefers to abandon Tibet to its fate in the hope of avoiding a conflict with Communist China—a course which is said to have its advocates in Delhi—the western powers are in no position to object to a Chinese reconquest of Tibet.

In all the countries which have been mentioned the Russians have never in the past had any direct interest. For this reason it may well be that the Kremlin will be

content to allow China more or less a free hand in a part of the world where Chinese action can be extremely embarrassing and dangerous for the Western nations without interfering with countries which Moscow regards as being within its own sphere. In talk about the prospects of "Titoism" in China, it is generally assumed that all satellites must be treated alike by the Russians without any degrees of dependence. There have been signs that they are willing to accept from China a much looser form of attachment than is required from the East European satellites. Apart from the vast extent and remoteness of China, the fact that the Chinese Communists have had an army and territory of their own for more than twenty years, and have taken the principal cities of China by their own efforts puts the Chinese in a different category from all other non-Soviet Communists. There may be conflicts between Moscow and Peking and, if a serious heresy were to arise, Russian possession of Port Arthur would enable the Kremlin at least to set up a rival regime in Manchuria. But for the present there is no detectable heresy, and it looks as if the Moscow-Peking Axis may work about as well as did the Berlin-Rome Axis.

Coming Down to Earth

(By a Correspondent)

[On August 14, 1948, The Economist published an article by "A Wavering Correspondent" entitled "Sitting on the Fence," in which the writer discussed the outlook of the average floating voter including the service men and women whose votes by common consent swung the 1945 elections so decisively in favour of Labour. In August, 1948, he reported an atmosphere of bafflement and uncertainty about how their votes would be cast. With the approach of another general election the same correspondent discusses the present attitude of the floating voter.]

ONE paragraph from my former article I should like to repeat: "We voted Socialist last time—several millions of us. We helped to swell the enormous vote of the 'workers.' The latter will presumably vote Left once more. But what of us—the political infants? If I can offer myself as typical I would say we don't know. We shall not know until the election draws nearer."

That time has come. As the party machines gather momentum some of us, at least, have been pondering at some length on the way we shall vote. I believe that a very large number have more definite views than we had even as recently as the summer of 1948. The ex-serviceman as a political factor has disappeared. We no longer think as we did in our service days and for a little time afterwards. The hearty hand outstretched to the boys and girls who saved democracy is an outworn gesture. There is no flesh and blood about it because uniforms—and the political sentiments that went with them—are forgotten.

In 1945 I believe that the vote was exceptional because it was given for a party: the party of the brave new world of the common man. In 1950 there will undoubtedly be a tendency for habits to revert to the more usual course of voting against a party. Because of that factor, the easily-contrived destructive criticism of

the party in power may have a much greater influence than it could have had five years ago.

The Tory public relations experts have done a commendable job of work in the suburb where I live and the town where I am employed. The social activities of about 20,000 people are, apart from the local cinema, now largely organised openly or at second-hand by Tory interests. Dances, lectures, outings, sports events and so forth are extremely well organised. The young men and women in their early twenties—those on the electoral register for the first time—are, almost without knowing it, Tory voters. A slick little magazine giving all the details of the social events drops through the letter box each month. It is, of course, strongly supported by local shop advertising.

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The Labour party also issues a magazine. It is much smaller and far too centralised in content. Syndicated material from Transport House and big names from Whitehall fail to interest readers thinking about better train services and local housing programmes.

This suburb has a Labour MP who is not standing again. It was previously Conservative for twenty-five years. To some extent, therefore, the coming fight is equal. The Conservative candidate, youthful and very English, works hard to be nice to all. His criticisms are not nearly so ill-advised as some of the posters he issues. He busies himself in affairs which are non-political. His policy reminds me of the group leader system of New York's Tammany which ensures votes so efficiently. It may be cynical, but it's grand electioneering; the ladies love it.

The lady who is the new Socialist candidate is not so much in evidence. Very probably she has not so much time to spare. Her policy seems to be one of strict regard for facts and a commendable restraint. She

makes her appeals mainly to the intellect in an area where intellect is probably at a discount. Her meetings have been of the discussion group or "any questions" type. They are poorly attended but highly enthusiastic. Organised interruptions with queries which come straight from the Conservative Central Office and familiar to every newspaper reader are cogently and dispassionately answered—often with devastating effect. Unfortunately she is heard chiefly by the converted.

There is so far no Liberal candidate—and no organised propaganda. No one, thank heaven, asks anyone else the time. Enthusiastic amateurs write voluminous letters in praise of Liberalism to the local press. They are as involved as they are sincere.

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Someone said that the Labour victory in 1945 was won by young women pushing prams in the High Street. Whether this was true or not, both parties are acting as if it was; they are both making a dead set at the women. No one doubts, in this area filled with young couples and young children, that the youngsters look better and healthier than ever before; no one doubts that educational facilities are first-rate; no one doubts that food subsidies and price controls have alone made a standard of middle-class and lower middle-class family life possible.

But there is the unpredictable unreasonableness of the women with the prams to consider. Organised or voluntary, Tory agents have been successfully busy in the shops and the queues. They seem to come from all classes. The result is that women are blaming the Government for everything from the price of pillow cases to the small size of potatoes. If my wife is correct in her reports, women get a lot of comfort from the fact that pillow cases will be cheaper and potatoes bigger if the X goes in the right panel at the polling booths.

This seemingly universal discontent among women may be superficial. It would certainly be dispelled by as vigorous a campaign by Labour speakers and chatterers as that conducted by their Tory sisters during the past two or three years.

No doubt Mr Attlee and Mr Morrison privately admit that they would benefit from a cessation of their colleagues' help. There may by now be a contemptuous familiarity with the more ill-tempered diatribes of Mr Bevan and Mr Shinwell against those people ineligible for trade union membership. But Sir Stafford Cripps's

A recent series of six articles in THE ECONOMIST examined Britain's present economic ills and made suggestions for their cure. These articles have been reprinted as a pamphlet under the title

A Policy for Efficiency

Copies of this pamphlet (at 3/- post free) can be obtained from:

THE ECONOMIST, 22 RYDER ST., LONDON, S.W.1.

fall from grace, whether necessary for the nation's welfare or no, must have cost many, many votes. The blandness with which he barely explained, and wholly failed to apologise for, what the average voter takes to be a series of lies, and his more recent fostering of the un-English informer system, have shaken our faith in a man who, basically, seemed above party and certainly above suspicion.

Sir Stafford's new form of patriotism was one of his many personal assets. I believe that a fundamental error of Labour policy has been its inability to appeal to patriotism. Once it could offer a sort of second-hand patriotism in veneration of the Soviet Union. That is out of favour, but love of Britain has not been allowed to replace it. The hysterical and exciting reaction to the *Amethyst* exploit was an indication of the pent-up desire to believe that Britain still counted as a nation with a backbone. The man-in-the-street has seen that, even in a Uno-organised world, a strong national policy pays. He feels that a little more of the strong-arm attitude used in Berlin and Malaya might raise our prestige a little higher.

Lastly, there is the feeling among many of us that the people who have benefited most from Socialism—and how glad we were five years ago that they should—have abused their new-found security. It may be a relic of the class-consciousness of a £6 a week clerk for a £10 a week docker. But the Labour Party has itself to blame if the majority of the holders of the floating vote come home each evening irritated by the assumption that they ought to feel guilty that they are not covered in coal dust or weary from humping export merchandise.

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We voted Labour last time; if we are to do so again, there will have to be a sensational change in the Labour Party's appeal between now and the election. Many of the votes have been lost. Some, at least, can be regained by a straight appeal to our common sense and our regard for fair play—not fair play for ourselves alone, but fair play from which we are not excluded. Forced to give an opinion, I believe that most of us would agree that the benefits we have had under Socialism are greater than those which the Tories could have given. Unfortunately this fundamental truth is in danger of being forgotten through a veneer of smart and telling criticism spread thickly by the Conservative Central Office. It is this superficiality which might control our actions in those few seconds inside the polling booth.

It may be evident that—so far as I can represent those politically uneducated people who count so much at election time—the predominant sense is not frustration, not anger, but bewilderment. We know there are brains among the Labour leaders, and we know that many of them are spoiled by an obstinate regard for their own brilliance. We know that the Tories have one brilliant 75-year-old leader; we wonder who else there is.

There is a risk, therefore, that a mass of people with no real party loyalties to spur them on will not vote at all on that cold day of early spring we are told is the likely date. Maybe the party with the most numerous and persuasive canvassers to entice us to the polling booths will form the Government of 1950.

NOTES OF THE WEEK

Permissible Persuasion

Mr Herbert Morrison is a political strategist, not an economist. Yet the funny thing is that when he talks economics he very often talks sound sense, as he did at Faversham this week, in a speech full of the kind of temperate statements that could have rallied most men of goodwill behind the Labour Party before Mr Bevan and Mr Shinwell started insulting them. But when he talks politics, he tends to put exactly the same people's backs up. His dark threats that the Government might put a stop to the campaigns of self-defence conducted by the companies and industries who are menaced by the Labour Party with nationalisation has offended many people's sense of fair play, and is therefore a first-class political blunder. Since then, the Attorney-General has been struggling to explain to a bewildered House of Commons that Mr Morrison's threat has a basis in law by saying that, for purposes of calculating election expenses, propaganda need not be directed to the support of particular candidates, that the election period does not necessarily start only after the dissolution of Parliament, and that special interests are supposed to leave the ring clear for the political parties at election time.

This may or may not be the correct interpretation of the law—only the courts could decide that—but if it is, then the law on the subject is in an absurd state. If industries or interests threatened with extinction cannot make their case known to the public, then the law needs changing. Moreover, such an interpretation would cut both ways. To charge the expenses of the campaigns of Tate and Lyle and the cement companies to the budgets of Liberals and Conservatives would certainly bring opposition campaigning to a full stop. But equally, the production expenses of a host of tendentious pamphlets, books and films—almost the entire output of certain publishing houses—would have to go down on the budget of Labour candidates.

What the law was intended to do was to prevent any individual candidate from having an unfair proportion of money at his disposal during the election period, and that is the spirit in which it should be interpreted. It should not be invoked simply because one political party has taken fright at the superior organisation of its opponent's machine.

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Europe in Search of Nicknames

A touch of undergraduate flippancy is always welcomed among the diplomats who decide our futures, provided it adds not only to the gaiety of nations but also to the clarity of notions. When Benelux was thought of as the name for the economic union of Belgium, the Netherlands and Luxembourg, everyone was surprised and delighted. It rolled off the tongue like *Itma* or *Unesco*, and it sounded very much the same in most west European languages. The first half suggested that the union was bound to be a good thing; the second that this would mean the end of austerity and the return of good living to at least one corner of Europe. (How different is the impression made by *Scandalux*.)

Since then, jealous but less nimble wits have been trying to catch up. The officials who failed to coin a nickname for OEEC have been toiling with pencil and paper to find nicknames for all possible combinations of western nations. Indeed, one sometimes suspects that such dainty-sounding groups as *Fritalux* and *Scandibel* are being formed as much for the sake of their names as to woo the bright glances of Mr Paul Hoffman. Great ingenuity has been shown; *Benefit* (which appears to be the same thing as *Fritalux*) can absorb the Federal Republic of Western Germany simply by becoming *Benefritz*. The procedure seems to be:

make up a name, form a club, and then decide what it is going to do. The latest addition—*Uniscan* (or is it *Ukiscan*, or even *Scandanglia*?)—appears to be a case in point.

This casual and dilettante method of nicknaming will clearly not be good enough to tackle the difficulties that lie ahead. Room has to be found, either in new clubs or in those that already exist, for ourselves—known for diplomatic purposes as the UK—for Germany, Switzerland, Iceland and Eire, perhaps eventually for Greece, Turkey and Trieste, where the American soldiers have on their flashes perhaps the best nickname of all—*TRUST*. These names bristle with difficulties. To arrange them according to protocol—as diplomats tend to do—is clearly impossible; the result would be a meaningless jumble of harsh sounds like *Ukifritz* (unless indeed the same process of enlargement produced *Unkifritz*, which sounds like a benevolent younger brother of Santa Claus). To leave some syllables out for the sake of euphony would damage national prestige; the Belgian national news agency is already insisting that *Fritalux* should be *Finchel*. To try strictly alphabetical order is to ensure that the first trading nation in Europe—the UK—shall always be last, and that the Germans, with their ancestral fear of encirclement, will always be caught between the French and the Italians. These matters should be taken out of the hands of the diplomats and entrusted to those excellent wits that design the names of breakfast foods and patent medicines.

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Does Uniscan Mean Business?

It has been announced this week that on the initiative of London, representatives of the three Scandinavian countries will meet British officials in Stockholm next week to consider ways of arranging some form of regional economic co-operation between the four powers. This action may be no more than a belated scramble to appease Mr Hoffman, the ECA administrator, who has asked that reports on regional co-operation between the Marshall nations be submitted to the OEEC (Organisation for European Economic Co-operation) by December 15th.

The proposals for the new grouping are vague, hardly more than heads for inquiry. What Britain appears to have in mind is primarily to loosen restrictions on financial transactions between the four participants. There is no suggestion of any such revolutionary move as would bring the Scandinavians into the Imperial Preference club. So long as the discussions are limited to international finance the chances of agreement are fairly bright, largely because there is little in this field that remains to be done. The three Scandinavian nations are already closely linked with sterling and two of them, Sweden and Norway, are members of the sterling transferable account group. It should thus be easy for London to achieve a propaganda success, if that is what is intended.

Unfortunately, there is no evidence that the Scandinavians will be content to take part in such a limited project. Sweden is already preparing to use the occasion for raising the awkward question of the large sterling balances it has accumulated in the past year, and both Denmark and Sweden might well suggest that one of the realistic tests of a genuine British interest in closer association would be the readiness of the National Coal Board to sell its coal as cheaply in Scandinavia as at home. Clearly, from the British point of view, if there is to be any regional co-operation with the Continental countries, Scandinavia is a first and logical choice, since there, too, collectivist planning and Government controls are the order of the day. This is the kind of grouping that Dr Dalton favours—a nice Socialist four all playing very much the same kind of bridge.

Fritalux Falters

Meanwhile in Paris the representatives of the "Fritalux" countries—France, Italy, Holland, Belgium and Luxemburg seem to have reached an impasse in their discussions for a regional grouping. Here again the most that has been achieved is preliminary agreement on financial matters. The main proposal is for a clearing bank which would make possible intra-convertibility of the five currencies at flexible rates of exchange. The bank's resources would be obtained by pooling of the five countries' "drawing rights" (grants from European creditors under the Marshall Plan) and by the use of some of the \$150 million held by ECA as a special reserve. (ECA officials have already indicated that this fund will be released only as an aid to action which would indubitably liberalise international trade; they would not regard such a bank in itself as a sufficient step in this direction).

But there seems to have been no progress at all when the Benelux representatives at Paris pressed for tariff reductions. Both France and Italy are extremely reluctant to expose their economies to the competition of Belgian manufacturers and Dutch agricultural produce.

A further difficulty is the issue of Germany. The Low Countries are anxious that Germany be invited to join Fritalux as early as possible; their economies have always been highly dependent on Germany, both as a supplier and a market. However, France and Italy have refused even to consider extending an invitation to Germany, since both fear German competition and eventual economic hegemony.

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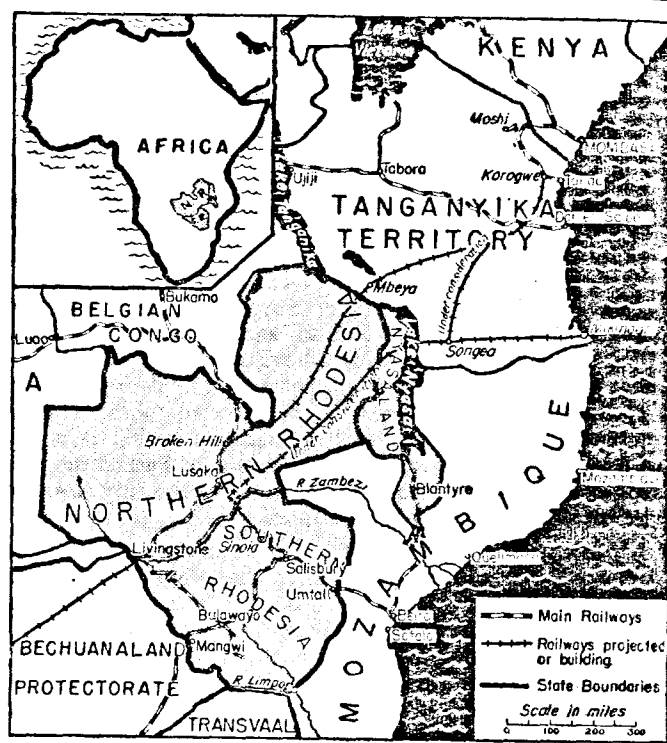
A Halt to African Federation

The proposed federation of the self-governing colony of Southern Rhodesia and the two protectorates of Northern Rhodesia and Nyasaland has reached a deadlock. In a recent debate in the Northern Rhodesian Legislative Council, a motion calling on the Imperial Government to take the initiative in establishing a Central African federation was carried by 9 votes to 5, since the official members of the Council refrained from voting. But it is generally admitted that the main purpose of the debate was to clear the air rather than to push on with the proposal. The Victoria Falls conference, at which federation was discussed between European representatives of the three territories, took place last February, and it was high time that something was said publicly of the Africans' attitude towards the proposal.

It was made quite clear in the debate that, in Northern Rhodesia at least, their attitude is quite definitely hostile. Who can blame them? No African was invited to attend the conference at Victoria Falls, not even as an observer; the federal constitution which was proposed there excluded African representation on the Federal House of Representatives; African rights, including land rights, would be guaranteed by the Federal Parliament, not by the Imperial Government. Obviously no African would be willing to lose privileges he already has—in Northern Rhodesia and Nyasaland they are represented by their own race in the Legislative Council—for the material and economic benefits of federation. What, in fact, was proposed at Victoria Falls amounted to amalgamation under the dominance of Southern Rhodesia; and when Sir Godfrey Huggins, Prime Minister of that colony, laments, as he did at the end of last week, the attitude of the present British Government towards federation, he might reflect, first, that no British Government, of whatever party, would or could agree to any such scheme in the face of African opposition and, secondly, that he and his government have only themselves to blame that that opposition has grown after the conference.

But can the matter rest there? Overshadowing almost everything else at the moment in Northern Rhodesia are the

events in the Union of South Africa; these are brought much nearer by the steady flow of Europeans into the protectorate—though doubtless some of them come out of dislike for their own Government's extravagances. A federation of the Rhodesias and Nyasaland might have formed a bulwark against the spread northwards of the intense racial prejudices



that inspire Dr Malan's government. Should the Imperial Government, in answer to Northern Rhodesia's motion, take the initiative in promoting closer union between the two Central African protectorates and the East African dependencies? The proposed railway link makes this, if desirable, more practicable than it used to be.

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Conservative Gambit

The Conservative "Campaign Guide,"* following hard on the heels of its Labour counterpart, affords an interesting contrast of format. This is no mere collection of speakers' notes but a sizeable reference book, much of whose matter is presented with little or no political slant. Even when the slant is obvious and unconcealed the documentation is far fuller and the historical perspective longer than in the Labour "Speaker's Handbook." The latter is a shop full of finished articles; the "Guide" is more like a warehouse of raw and semi-finished products. Not that it does not offer a telling collection of debating points; the Department of Damaging Quotations, so to speak, is fully stocked—and it is worth noticing that the quotations in question mostly originate on the Labour Front Bench, while their pendants in the "Handbook" have largely been garnered from backbenchers or blimps. The attack on Labour is not always fairly conducted; the sections on food standards, on bulk buying, on industrial relations, and much of that on foreign policy, incorporate as much suppression and distortion as anything in the "Handbook."

The defence of the Conservative past and the claims for the Conservative present and future are another matter. The "Guide" preserves a stricter silence on the foreign

* * * "The Campaign Guide." Conservative Central Office. 693 pages. 7s. 6d.

policy of the interwar years—a topic on which the "Handbook" naturally has much to say. It conducts an unimpressive rearguard action, using the obvious but barren *tu quoque* as its chief weapon, on the topic of unemployment, the Special Areas, and the means test. It displays not merely complacency but positive pride in that disastrous prewar accumulation of high-cost-inducing, feather-bedding, rigidifying measures, public or publicly approved, which have provided so congenial a background to postwar bureaucracy and so considerable a contribution to British economic invalidism. For the future it promises not, indeed, the prospect of paradise which was Labour's best-selling line in 1945, but a welter of incompatibles of which its agricultural policy (a blank cheque for the farmers, more stringent exclusion of imports, together with lower food prices) is only the most striking example. It indignantly repudiates any suggestion that the Conservative Party's full employment target is set any lower than Labour's ideal of chronic inflationary pressure. Its proposals for economy amount to little more than an assertion that Conservatives know better than Socialists how to stretch a sixpence. For the loyal Tory it is all no doubt quite good enough. But Mr Herbert Morrison, one eye on the "Campaign Guide" and the other on the floating voter, may be imagined to murmur, "They will never kill me, James, to make you King."

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Titoism is Treason

Things that will be said and done in Bulgaria during the next ten days are likely to sound as incredible as they are shocking. With general elections due on Sunday week, there has been staged for the instruction of the voters a spectacular state trial, which is likely to end in the execution of Traicho Kostov, until nine months ago the most powerful and respected Communist Minister in the country. Bulgarians will be asked to believe that the man who served the party for twenty-five years, led its resistance against the Germans, became its master as Secretary-General in 1944, wrote its policy pamphlets, drew up and directed its five-year economic plan—that this man was all the time a traitor and agent of the "Anglo-Americans."

The former Deputy Prime Minister is charged with maintaining this role "with devilish duplicity, fantastic hypocrisy, and subtle, diabolical methods." There is no jury to gape and blink at this fantastic indictment; for Kostov and 11 others—five of them former Ministers—are being tried by a "supreme people's court," elected by the Communist controlled National Assembly. There can be no appeal and it would be foolish to expect mercy. For Kostov's ideas have been branded as "Titoism on Bulgarian soil"; and Titoism in eastern Europe now means treason as well as heresy—treason against the Soviet Union.

Doubtless the trial is intended to strike terror into the hearts of those in Bulgaria and neighbouring countries who passively resist, openly grumble at what is being done to them in the name of people's democracy. Doubtless, too, it will spread that fear of war and espionage, that suspicion of hostile machinations within the Party which can be used to justify maintenance of the foul apparatus of the police state. But it must also make more urgent for many Communists outside eastern Europe the necessity of deciding whether they can accept complete subservience to Soviet interests, or whether they shall now, before it is too late, strike off into the path taken by Tito.

* * *

Signor de Gasperi's Dilemma

As the Italian peasants march out at dawn to stake out their claims and plough a symbolic furrow in uncultivated land in Sicily and Calabria and Apulia, and now around

Rome, Signor de Gasperi, the Italian Prime Minister, is caught in a painful dilemma. For the economic needs and the social necessities of his country appear to be in direct conflict.

The social problem is obvious. There are two million landless labourers, and although the amount of smallholding and of peasant ownership is very much greater than the Communist propaganda would wish the peasants or the outside world to believe, it is also true that very large estates, some of them under-cultivated, exist in most parts of Italy. By a curious anomaly, there are two or three of them almost within the city boundaries of Rome. The Communists are providing the landless peasants with leadership and, although there may be a certain risk in competing with Communist demagoguery, the Italian Government cannot afford to leave this massive discontent unanswered.

Yet Italy is a poverty-stricken country, and it could be argued that its chief need today is for increased efficiency and greater capacity to produce wealth. Perhaps five per cent of the big estates are extremely efficient; should their owners be penalised? Even where production is not efficient, will the dividing of estates into tiny holdings not retard whatever progress has been made? Above all, can Italian financial stability survive the cost of compensation and land improvement which really widespread land reorganisation would make inevitable? The special Calabrian Reform Bill provides for the distribution of 45 thousand hectares at a cost of 20 milliard lire. It is doubtful whether on this scale the nationwide reform plan can be confined to the 500 milliard lire forecast at present. Some estimates put the final figure at something in the neighbourhood of 2,000 milliard.

In spite of these formidable economic difficulties, it seems likely that Signor de Gasperi will carry through a land reform as quickly as may be. His Government is handling the peasant occupation very quietly, for they do not believe that squatting will continue through the winter. This mildness, however, is not entirely tactical; behind it is a genuine sympathy for the plight of the landless men.

* * *

German Defence Under Debate

The unpleasant row between Dr Adenauer and Dr Schumacher has been brought to an uncomfortable end. Dr Schumacher has withdrawn his accusation that Dr Adenauer is a "Chancellor of the Allies"; and Dr Adenauer has stated that he did not mean to imply that the Social Democrats were not interested in ending dismantlement. Dr Schumacher may now return to his seat in the Assembly,

A kindly reviewer has written that "no annual publication is more modestly titled than *The Economist Diary*". It is true that the space for day-to-day entries occupies less than half the volume and that our aim has been to provide a complete reference book for the desk of the business and professional man. The price of the diary (including Purchase Tax) is 37/6d. post free; 32/6d. post free for overseas destinations. Full details are given in an illustrated pamphlet obtainable from *The Economist Intelligence Unit*, 22, Ryder Street, London, S.W.1.

and on the surface the disturbance has been brought to an end. Unhappily, it has left behind a bitter feeling of party spite and competitiveness; some of the rank and file in all parties have not neglected the opportunity to poison parliamentary life.

This spirit of mutual distrust and competition is particularly dangerous in view of the urgency and delicacy of many of the problems which the Assembly at Bonn will have to discuss. On many of them it would be fatal if politicians made demagogic attempts either to exploit internal rivalries or to appeal outside the Assembly to an inexperienced and excitable public opinion.

For instance, it now seems clear that Germany's possible role in the defence of Europe is to be more and more widely discussed. Dr Adenauer has brought up the issue by declaring that, while he resolutely opposes the restoration of a German Army, he would not in certain circumstances reject the idea of a German contingent belonging to a European defence force. This original statement has received added force from a number of glosses made subsequently by the German Chancellor. At the annual conference of the Christian Democrat Party, he said that tension was increasing between the East and West, and pointed out that the nucleus of a "people's army" already exists in the Soviet zone under the guise of a police force. In face of this menace, the Allies would either have to defend Germany themselves or at least accede to some plan of self-defence on German soil.

It seems all too likely that the ball of discussion has now been set rolling. One immediate consequence of Dr Adenauer's statement was the demand by a Free Democrat deputy that a "people's army" should be established in western Germany. If the question of German defence is now to become the football of party rivalries inside the Assembly with the German people cheering on the touch-lines, the chances for a statesmanlike settlement of the problem of German defence are slight indeed.

* * *

Learned Counsels

The Royal Commission on Capital Punishment must by now be somewhat dazed by the mass of arguments they have heard on whether or not there should be more than one degree of murder. Last Thursday, Lord Justice Denning in giving evidence before it added his learned opinion that the present law of murder, including the MacNaghten Rules, could not be justified. It was wrong that a judge should solemnly pronounce sentence of death when in fact the decision to carry out the sentence or not was exercised by an "unknown person in private—the Home Secretary or his advisers." It was also wrong, he said, that one test of insanity should be applied in court—the MacNaghten Rules—and another quite different test by doctors after the trial. He proposed that insanity should be defined according to the suggestions of Lord Atkin's Committee and that culpable homicide should be divided into three categories—murder (where the malice was express, not implied, and the crime was premeditated and unprovoked), manslaughter (where the killing was with intent but either unpremeditated or provoked) and "unlawful killing" (where there was no intent either to kill or to commit a felony).

The chief objection to Lord Justice Denning's proposals is that, in order to prove murder, the prosecution would have to prove premeditation as well as malice—and this is almost as difficult as proving motive. It is not often that concrete evidence of premeditation exists. If there is no sign of preparations for the crime beforehand—and a murderer simply needs to take a pistol out of a drawer, where it has lain perhaps for several years, to kill someone—there is no way of telling what has gone on in the murderer's mind. He may have acted on the spur of the moment, or he may have been brooding over the matter for months. A jury which was

trying such a case, and which had been directed to give the prisoner the benefit of any doubt, would, under the rules suggested by Lord Justice Denning, almost certainly bring in a verdict of manslaughter rather than murder; many cases of genuine murder would therefore probably be reduced to manslaughter.

While there is a lot to be said for Lord Justice Denning's implication that the law is brought into disrepute because the sentences of death which the court passes are not always carried out, the more evidence there is on the subject the more convincing is the case for retaining the present law and procedure of murder—whether or not the penalty is altered. The one exception is the MacNaghten Rules, and it really is high time that these were revised.

* * *

Transforming the COI?

The Central Office of Information, the Aunt Sally of Conservative back benchers, has issued its second annual report (Cmd. 7830). The main interest of the report has been anticipated by the publication last week of the report of the Committee on Home Information Services and by Mr Morrison's statement in the House that its expenditure would fall short by as much as £500,000 of its budget of £4,000,000. The COI's report is very much at pains to ensure that the general public understands that it is responsible for spending only a quarter of the sums devoted to official publicity, £4,000,000 out of the total figure of £16 million, the balance being spent by the departments, the overseas service of the BBC and the British Council.

The COI is not a department of state and is, therefore, not responsible for policy. It is to the government what the publicity or advertising manager of a firm is to a board of directors—the central agency for translating its aims and policy into terms of publicity media. It is meant to ensure overall economies by scrutinising and co-ordinating official demands for publicity; in fact it is often merely a third wheel between a junior minister or under secretary who has made up his mind to spend his publicity budget in a certain way and the agency which is executing the work. The Committee on Government Information Services recognises the difficulty which afflicts the COI as a non-policy making body and specifically recommends that the "policy department should have direct contact with the executant" (that is the commercial firm doing the work) "during the planning and execution of campaigns." This represents a minor defeat for the COI, but it is good sense. The committee did, however, say "We consider their [the government information services] technical competence to be high and in our view this is due in large measure to the existence of a central agency providing specialist technical facilities."

In view of the detailed review made by the committee this is an impressive judgment, particularly since one of its members was a well-known journalist.

Journalists, particularly those on periodicals, may complain that they receive communiqués from the COI a day after their issue by the department concerned, and Fleet Street publishers may boast that they could have produced better official pamphlets at half the cost, but such complaints may possibly be distilled from sour grapes. The central point remains that a great deal of money has been wasted in government publicity campaigns which have gone very wide of the mark owing to a lack of experience among politicians and senior civil servants in the persuasive arts. Without disparaging the efforts of the COI, it is, therefore, permissible to speculate on whether it would not be better, and possibly cheaper, to leave the executive part of official publicity to the trade—after all London contains some of the best commercial artists, printers, photographers, block makers and typographers in the world—and to transform the COI from a body of minor civil servants into a small group of really

first class experts in publicity. Such a body should perhaps have its own opinion research organisation, but no other executive functions. It could advise the nation's leaders whether a speech, a poster, a film or a leaflet or any particular combination would be the best means of gaining the public's ear. They might thus avoid the pitiful and painful traps into which zeal has led many departments.

* * *

How to Choose Students

Dissatisfaction with the existing methods of selecting university students is widespread in the provincial universities, but so far very few have been prepared to take effective steps to improve their methods or to experiment with new ones. A conference on this subject was held recently in Manchester between members of the northern universities and of the Association of Headmasters which should have helped to clarify the difficulties. Such clarification is needed, because the universities are at present wrestling helplessly with the hordes of students who are pressing for entry.

Oxford and Cambridge have long been accustomed to the elaborate selective procedure of the scholarship examinations, and to interviewing in addition all candidates for ordinary entrance. With the existing competition for entry these methods of selection have put a great burden on the college staffs—a burden which has been accepted. In the provincial universities it is quite otherwise. Before the war there was so little competition for entry that almost all candidates who matriculated could secure a place. On this basis very little selection was required; the number of places more or less balanced the number of candidates. Now it is different. Even when the Higher School Certificate is used as the preliminary sieve individual faculties report figures of 755 applications for 200 places, or 400 candidates for 100 places. This situation has overwhelmed the pro-

vincial universities. Some universities interview only 10, 20 or 30 per cent of the students they admit, taking the rest on their Higher School Certificate results alone.

One great deterrent to taking more trouble over selection is that all the provincial universities know that most students, in their eagerness to get a place, apply to three or four universities. Nobody knows how many eligible students are left without a seat when the music stops, but it is certainly much less than is usually supposed, and many departments are unwilling to interview a candidate who may have been seen by three other universities. It was suggested at the conference that the northern universities might share in some sort of joint interviewing system. This is worth thinking about. But it is just as important that the University Grants Committee or some other body should try to find out what the effective demand for all university places is, when allowance has been made for overlapping applications, and what numbers of worthwhile candidates (if any) fail to secure a place at all. Until this is known many of the arguments for and against expanding the universities are founded on guesswork.

* * *

Pompey the Great

The outline plan for the Portsmouth district produced by the Max Lock Planning Group strikes a welcome note of realism in town planning literature. The limitations on capital investment and the exigencies of municipal finance have been carefully borne in mind, and the plan has been shaped with an eye to the resources which will probably be available over the next fifteen years—wisely, it looks no farther ahead. At the same time, it does promise tangible benefits to the inhabitants of the district.

The plan differs in two important respects from the one put forward by the Portsmouth City Council, which envisaged

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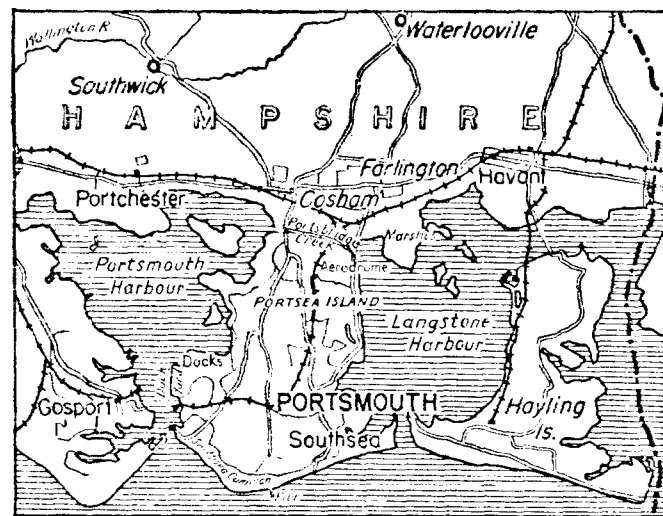
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LITERARY SUPPLEMENT

a drastic reduction in the City's population, a large-scale exodus out of Portsmouth, and the construction of a new town near Havant. Mr Lock argues that such a large exodus is unwise and unnecessary. It would remove labour which is employed by the dockyards and other local industries, and it would unbalance municipal services and finance; moreover additional land can be found and reclaimed within the city confines. In the second place, the new plan advocates that the displaced population—which is put at no more than 50,000—should go to settlements on the mainland which at present are half finished. This would be more satisfactory and less costly than building a complete new town.

The new plan includes detailed suggestions about the deployment of the available building labour force, and the order in which the various constructional projects should be carried out. It is stated that the productivity of building



workers is well below the national average—a point which warrants close investigation. Even so, it is believed that the demolition and replacement of "blighted" dwellings in Portsmouth (which now contain a quarter of the population) can be accomplished within the fifteen years' time limit.

* * *

Refugees Abandoned

The General Assembly has lost a golden opportunity of redeeming some of the futility to which most of its debates have been condemned by the cold war manoeuvrings of the big Powers. Confronted by the fact that the International Refugee Organisation must close down early in 1950, with about 200,000 persons still dependent on it for legal and material assistance, it has contented itself with setting up an attenuated successor in the shape of a High Commissioner's Office in Geneva. The High Commissioner is to be responsible for the legal protection and assistance—nothing more—of these refugees. Only his administrative expenses are to be provided by the United Nations; anything else he may do must be financed by voluntary contributions. Most of these refugees will be living in camps in western Germany, and when the IRO closes down they will become the responsibility of the German authorities.

The dimensions of the Germans' own refugee problem are so large that it seems very unlikely that the non-German refugees will get a fair share of the available opportunities for employment and resettlement. They will require far more than legal protection. But the Assembly passed a second resolution, which postponed until its next session the examination of the problem of material help for the refugees. After this blatant shelving of responsibility, the accompanying appeal for support for the IRO in its closing stages has a rather hollow ring.

The problem does not end with the 200,000, for whom the IRO is, by the terms of its charter, responsible. Since that document was drawn up about 10 million more individuals have become refugees, in Greece, in the Middle East and elsewhere. The existence of this vast and tragic problem was only indirectly recognised by the Assembly when it decided that the IRO's definition of a refugee or displaced person should continue for the time being; but later the Assembly itself may set up new categories. Meanwhile, most of the countries in which these refugees find themselves simply do not possess the means to finance their resettlement or emigration.

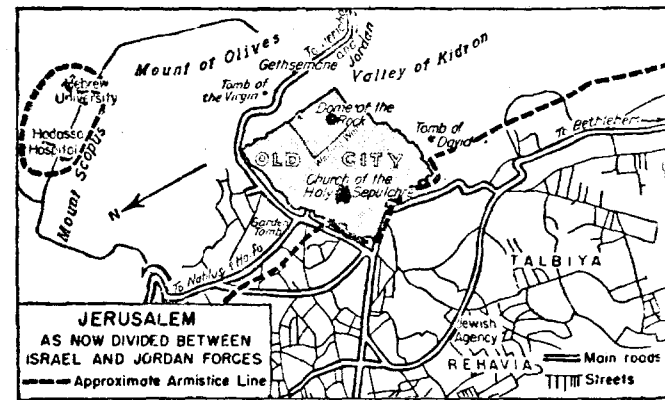
If the members of the Assembly had not been so pre-occupied with saving money they must have realised that, even on strictly practical grounds, they were taking a most retrograde step. The refugees exist whether the Assembly recognises them or not; and ignoring the problem will not make it disappear. The voluntary societies will no doubt continue their good work, but their representatives have testified to their strong conviction that the co-operation of the IRO "has greatly increased the measure of service assistance and rehabilitation which it has been possible to provide for refugees and displaced persons." To scrap this organisation and replace it with a much inferior substitute when its own task is not completed and new tasks are pressing upon it, is as callous as it is shortsighted.

* * *

The Impossible in Jerusalem?

The Assembly's vote on the future of Jerusalem has not taken place as *The Economist* goes to press, but its Political Committee (which consists of the same delegations) has said its say. By 35 votes to 13, with 11 abstentions, it has voted for the United Nations plan evolved two years ago—that is, for the establishment of the city as a *corpus separatum* under international management. The votes for this arrangement came from the Latin American bloc (voting in accordance with what are known to be the Pope's wishes), the Arab states except Jordan (voting for any and every reduction of Israel's orbit) and the Soviet bloc (voting, presumably, to make trouble). It will be observed that Moscow is now voting against its former protégés, the Israelis.

Those voting against the plan included Israel and Jordan, who now hold the city between them and wish to partition



it, together with a clutch of the more practical-minded delegations including Great Britain, Sweden and the United States. Who, they pertinently asked, is going to wrest the city from its present holders?

Of course, there is much to be said for internationalisation. Many reasonable people at one time favoured it; so did *The Economist*. Successfully carried out, it could serve as a symbol that it is possible for men who have fought to live at peace; it could represent the spiritual and intellectual values that underpin three great religions; on the negative

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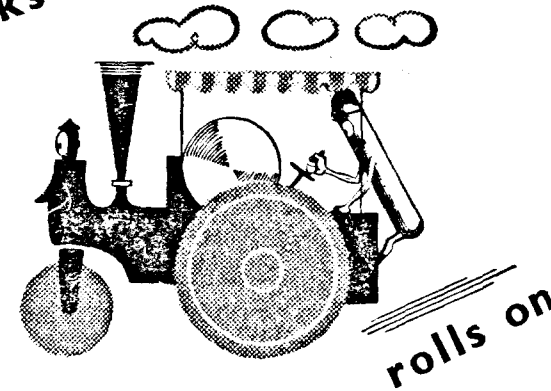
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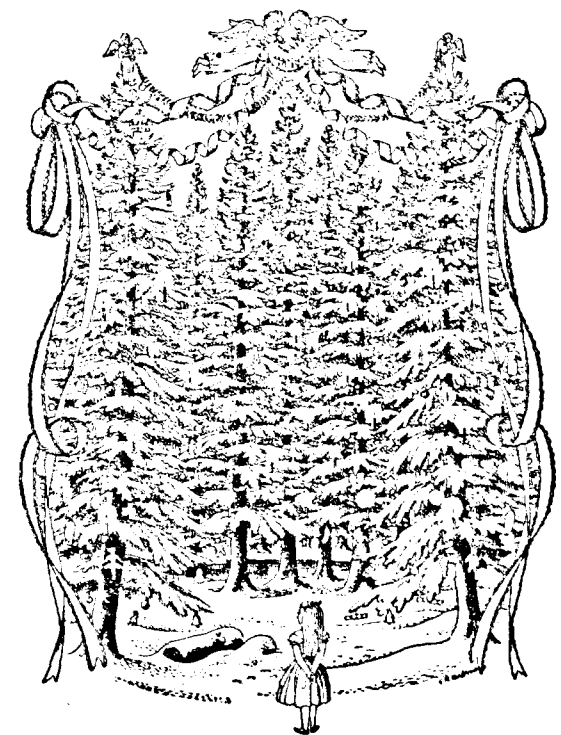
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side, it would prevent an already commercialised holy city from becoming the hotbed of smuggling that flourishes wherever two dissimilar economies share a frontier that runs through city streets.

Yet the events of the last eighteen months have so shaped matters that overwhelming arguments now weight the other side. Cities can be run on international lines only when the authority that holds them is backed by military force. Is Jerusalem to be run as a Berlin, or a Trieste? It can hardly be allowed to become another Danzig. A second argument against internationalisation is the opposition to it of both Israel and Jordan. Is it not prudent to accept the *status quo* at the one point where a frontier agreement exists between them? No local group, therefore, now wants internationalisation, except the Christian communities and a few liberal Jews; and even the Christians do not speak out in the way that they might do, because the bulk of their laymen are Arabs. These last fear persecution if, having spoken up for internationalisation, they later find themselves in a Moslem or a Jewish state.

The most that the United Nations can now hope to execute is a scheme for international management of the Holy Places. This is most desirable, for it is not proper that either a Jewish or a Moslem custodian should have to adjudicate in the endless disputes over rights that riddle the relations between the Christian sects. Both the Israelis and the Jordanians would accept such a regime. Further than that Uno cannot go without a force at its disposal.

Death of the Queen Dowager

Queen Adelaide expired on Sunday morning, about two o'clock, after a painful and protracted illness. . . . The deceased Queen Dowager, Adelaide Louisa Theresa Caroline Amelia, was the eldest daughter of George Frederick Charles, the late reigning Duke of Saxe Meiningen and the Princess Louisa Eleanor, daughter of Christian Albert, Prince of Hohenlohe Langenburg. She was born on the 13th of August, 1792. When the Princess Charlotte of Wales and her infant son were, in November, 1817, consigned to the tomb, the Regent was childless, and four of the royal Dukes, Clarence, Kent, Cambridge, and Gloucester, though all advanced in life—resolved forthwith to contract matrimonial alliances. The Duke of Clarence, at the special instance of Queen Charlotte, solicited the hand of the Princess Adelaide . . . and his suit was successful. . . . However happy his union with the Princess Adelaide may have been, the hopes with which it was formed were in one respect disappointed; he had no heir, one child only, the Princess Elizabeth, having been born alive, and she was committed to the grave in a very few months after her birth. Since her marriage, 12 years had elapsed, and her Royal Highness was still Duchess of Clarence; on the 26th of June, 1830, she became Queen of England. Her position was changed, but the rectitude and gentleness of her character underwent no alteration. It was not alone as a "Lady Bountiful" that the Queen Dowager's character was favourably developed; she was a kind parent, or patroness, if it should be so expressed, to her husband's children; and though the Princess Victoria—now Queen Regnant—was not a frequent guest in the palaces of the late King, yet it has never been doubted that the illustrious personage who now descends into the tomb, inspired her present Majesty, and every member of the Royal Family, with sentiments of the highest esteem and affection. . . . The latter part of her life was one long disease, and it is no idle repetition of a thread-bare formula to say that she bore her painful maladies "with Christian fortitude."

The Economist
December 8, 1949

Franco's Philosopher

In spite of its strong political position, the Franco regime is faced with an increasingly awkward economic situation. There is no apparent political alternative to the present government without the risk of serious civil commotion—so most Spaniards support it. But this does not mean that General Franco and his cabinet can afford to ignore any means of distracting public attention from Spain's continuing economic deterioration. And there has, in fact, long been a great outpouring of officially-inspired radio and press comment on the comings and goings, the ceremonies and speeches of people prominent in the regime. The latest of these, however, has no doubt been designed with a direct if modest political purpose as well—this was the recent celebration of the anniversary of the death of the young Falangist hero and philosopher, Jose Antonio Primo de Rivera.

Part of the ceremonies took place in Alicante on the spot where Jose Antonio—son of the dictator, General Primo de Rivera—was executed by a Republican firing squad in the autumn of 1936. The other part was a memorial service held in the Escorial Palace, just outside Madrid, where Jose Antonio now lies buried, the only commoner to rest among the tombs of the Kings of Spain. General Franco attended this ceremony, accompanied by no fewer than nine of his leading ministers, as well as the President of the Cortes and the Council of the Realm and by the Captain-General of Madrid. At the same time the Falange, in speech and writing, used the day—declared an official holiday—to reaffirm its faith in its leader, "Franco, the true interpreter of Jose Antonio."

To those who recall Franco's early relations with the Falange, however, his present associations still look merely opportune, and less and less well-advised. There is no record that Franco ever even met Jose Antonio during his lifetime; and unlike the mass Fascist parties of Italy and Germany, the little Falange in Spain never provided more than a stopgap political creed for what was fundamentally a military rising. It certainly did not provide the leader. Nor, in spite of Jose Antonio's present eminence as a martyr and philosopher, has there been much in common between the stolid ways of the army and the fiery, anti-clerical, revolutionary slogans of the original Falangist leaders.

The direct purpose behind making so much of these recent celebrations seems to have been to provide something of an encouragement to the Falange, whose support has lately been persistently ebbing away. If so, it is notable that Franco should not let it die in peace, since abolition of the Falange would remove part at least of the stigma of Fascism which attaches to the Spanish state. Franco rule might be termed a dictatorship of inertia, in that it aspires neither to foreign adventure nor to domestic change; and in that it is no doubt playing for safety. But for the Caudillo to retain the Falange as a card that might one day prove useful again in home politics is to miss a possible trick at the international table.

* * *

Self-Defence of a Dinosaur

Attacked from many sides the London County Council has come to its own defence with a large and glossy book about its achievements—"Postwar Housing." For the price of 5s. the reader roams from north to south and east and west of Greater London's sprawl, through 130 illustrations of houses and flats. Yet for all its obvious pride in its 16,000 permanent postwar dwellings the LCC can hardly be said to have made its case against the critics. As a building machine it looks as ponderous as ever. As an inspirer of good design its attempts at self-justification fall far short of success. If skilful selection and photography cannot make a better show, real life certainly will not.

The book gives the impression of a colossus. In stressing the size of its building programme and of the administrative

machine behind it there emerges the outline of a complex, departmentalised organisation, so cumbersome as to make the heart sink. How does any new idea or suggestion of economy survive the interdepartmental correspondence it creates? By the time all the various departments have given their views the idea must be crushed to death.

The LCC last June had 12,000 houses under construction and another 64,000 in the pre-contract stage. The cost of these housing schemes is a heavy burden. In 1949-50 the net cost to the ratepayers of the LCC, after allowance has been made for the Exchequer subsidies, is £1,400,000, or a rate of about 6½d. in the pound. The LCC's book, while giving some valuable figures on rents, is silent about costs. Owing to the regulations of the housing subsidies flats generally show a profit, whereas houses show a loss. At present the average annual profit per flat is £7, and the average loss per house £16. The net annual deficiency covering 12,000 flats and houses is some £5 10s. per dwelling in addition to the statutory rate contribution which the LCC has to make. No wonder the ratepayers' burden is heavy.

The financial and organisational responsibilities of building new housing estates of 4,000 to 7,000 dwellings outside the County of London area are so big that it is difficult to see who else could shoulder them. Certainly the local urban district councils could not. Yet what Sidney Webb might

Letters to the Editor

The Extreme Centre

SIR,—Neither Mr Eccles nor any other Conservative has questioned your statements that much of what you urge is in the programme of the Liberal Party and that the prewar Conservatives specifically rejected the view that it is both possible and desirable for the community to exercise mastery over its economic environment. Surely the very opposite is the case, as witnessed by the historic contests on Free Trade and Tariff Reform, and in particular the rejection of Mr Baldwin's leadership on this very issue in 1923, which decision he accepted as binding although it seriously hampered him, in his view, in dealing with just those economic problems of the following years which are now being held up as a reproach against the Conservative and National Governments.

Liberals have always made the most of the argument that any Government which attempts to control the economic environment thereby exposes itself to the risk of influence by log-rolling and "pressure groups," and it may well be that the loss of support suffered by the Liberal Party since 1923 is due to its association with Free Trade and *laissez faire* generally, whereas some degree of Government control is now accepted by all parties and the differences centre on the nature and extent of the control which is considered best calculated to stimulate efficient production and a rising standard of living.—Yours faithfully,

J. R. HARDING

Sherbrooke, Compton, Nr. Winchester

Use of Electricity Off Peak

SIR,—In the commentary on "Industry and Exports" in your issue of November 5th, in the third paragraph of the first column, page 1026, reference is made to the British Electricity Authority's campaign to persuade domestic and small commercial users to use the electricity they need at times outside the Peak Hours, during the current winter. It is suggested that one purpose of this campaign is to stimulate consumption during "off-peak" hours, and that this seems ill-advised because the effect may be to increase "peak load" demand as well.

Justification for the "Use Electricity—Off Peak" campaign,

have called the second inevitability—the "inevitability of bigness"—has not yet succeeded in overcoming the ponderous characteristics of a dinosaur.

Shorter Notes

A sidelight on the cost of government publicity was given by a recent parliamentary answer from Mr Strachey to the effect that the Ministry of Food had spent nearly £60,000 since 1945 on advertisements trying to popularise herrings as a food. Could not the money have been more effectively spent on research into ways and means of removing their bones?

*

The Americans have just had to perpetrate a piece of big but necessary nonsense. Naturally the *Daily Worker* has been quite unable to appreciate the reason for ECA's request this week that seven Marshall nations refund \$30 million of their aid funds, because they failed to ship 50 per cent of Marshall aid goods from the United States in American bottoms. The refund will simply be put at the disposal of the same countries to make further purchases of Marshall goods. ECA was no doubt forced into this piece of bookkeeping in order to satisfy Congress that the clause in the original Act which protects high-cost American shipping was being strictly interpreted.

however, is given in the very next sentence of your commentary—"Appeals for economy in Peak Hours, unsupported by incentives, have yet to achieve demonstrable success with the domestic consumer."

It was because of the relative failure of negative appeals in the past, "don't do this," "don't do that," that a positive approach has now been adopted. By telling domestic and commercial consumers what they can do, and by informing them of the ways and means whereby they can use the electricity they need at "off-peak" times with minimum inconvenience to themselves, it was felt a much more effective response was probable.

There is a two-fold incentive to induce consumers to co-operate:—

- (1) the direct advantage to themselves of having their personal use of electricity uninterrupted, and
- (2) the indirect advantage deriving from the fostering of national prosperity through uninterrupted production.

—Yours faithfully,

L. J. LUFFINGHAM,
Public Relations Officer

British Electricity Authority

[The advantages described would arise from the collective behaviour of the totality of consumers—they do not accrue to the individual consumer as a direct result of his (or his family's) individual behaviour. They tend, therefore, to weigh lightly in the balance against the consumer's immediate convenience; and the campaign outlined is based on an appeal rather than an incentive.—EDITOR.]

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Books and Publications

The Last Generation

"The Dictionary of National Biography, 1931-40." Edited by L. G. Wickham Legg. Oxford University Press. 984 pages. 50s.

THE Dictionary of National Biography has from the first been an exercise in discipline; without this its other virtues would no doubt have been great, but it would never have got through to the letter Z. Of the disciplinary rules on which it was built, the greatest was: "No flowers, by request." This rule becomes the hardest of all to observe in the decennial volumes which bring the main work up to date. In these the biographer is too close to his subject; indeed, he is often a follower, an admirer, or a friend. Therefore the collection breathes personal knowledge and makes wonderful reading. But this does not weaken the necessity to limit encomium to what is informative, and—conversely—not to exclude the possibility that the most admired subject may, here and there, have made mistakes. Perhaps Mr. R. C. K. Ensor, who is a master of this kind of writing, shows best in his account of Philip Snowden at the Hague conference how the boundary between sympathy and partisanship can be respected:

The preponderance of expert opinion has since been that his view was wrong and the changes unfortunate; but the John Bullish vigour with which he urged and carried them won the acclaim of his fellow countrymen, even in quarters hitherto hostile.

By no means all the political biographies in this volume observe the boundary so clearly. Thus the life of Neville Chamberlain might have told more if the anxiety to defend his foreign policy had inspired it less urgently. To record that "in a few hours at Munich the Godesberg terms were so modified that the Czech government accepted them" is not good enough; ought it not also to be recorded what pressure was put upon the Czechs? The account of Ramsay MacDonald deals with matters a little further back, but still near, and not seen fully in perspective. The anti-climax of MacDonald's last years in office is suggested, but may it not have been caused less by the venom of opponents and more by MacDonald's own tragic personal dilemma, than Lord Elton conveys?

A drawing needs black lines as well as white spaces. But it must be said that many of these portraits, kindly as they are, are intensely vivid. There is G. K. Chesterton making himself ill with too much work, food, and drink—

absent-mindedly, as a friend said, for it was only necessary to fill his glass while he talked for him to empty it again.

There is King George V admonishing, of all Ministers, Joynson-Hicks on the desirability of a dignified standard of dress, and expressing in a letter (never sent) "his disapproval of the High Court of Parliament assuming the appearance of a dormitory" in an all-night sitting. A great judge designates by the appropriate Anglo-Saxon word (following, after all, the rules of style laid down by Warde Fowler, whose life is also recorded here) the physical feature with which another great judge sat upon the Bench; this, in print, must be a precedent? Yet another judge, Scrutton—"possibly the only Englishman of his time who never shaved in his life"—is seen pacing among his pupils in the hideous gloom of his chambers, daily crashing his head against the knob of the chandelier. A great physicist, J. J. Thomson, having turned down an explanation of some phenomenon put up by one of his research workers, comes back a month later with the solution—"a detailed account of the very theory the researcher had propounded." Another, Rutherford, goes to sleep "for short periods during the daytime, waking up suddenly, and going on with a conversation where he had left off." It is suggested, rather than described, how the noises from Samuel Alexander's hearing machine used to enliven academic assemblies.

Among the 730 men and women whose lives are here recorded, it is, perhaps, those of the law and the sciences who have been most fortunate in their biographers. But Sir Ronald Storrs writes on T. E. Lawrence, Lord Simon on Reading, Professor Trevelyan on Grey of Fallodon; many other choices are as brilliant, and the writers, on the average, are only slightly less notable than the subjects. It is a source-book rather than a summing-up; but there has been none more readable.

Change or Decay?

"Stability." By F. E. Dessauer. Macmillan (New York). 270 pages. \$3.50 or 17s. 6d.

"A STATE without the means of some change," said Burke, "is without the means of its conservation." These words might stand as Mr Dessauer's motto. For his aim, in this important, historical and analytical study is precisely to discover a harmony between the rival urges which at different epochs of history have dominated the *Zeitgeist*: the ambition for progress and the longing for security.

He is nothing if not thorough in his search. Historically, he traces the two concepts and their interaction from ancient Greece to the present day, in the social, ethical, economic and international fields. Analytically, he examines the meaning of stability and its spirit as they appear to different types and classes of thinkers, the institutions and characteristics making for, or threatening, the stability of the social framework, the methods of stabilisation attempted in economic affairs and international relationships. And he winds up with a generalisation at first sight obscure, but arising logically out of the massive preceding chapters: *stability arises from the awareness of limits*. Twentieth-century thought swings back, in these words, to the doctrine of the Aristotelean mean.

It is high time that the idea of stability received this kind of detached and comprehensive attention. It is, as Mr Dessauer makes plain, a much older and more fundamental ideal than that of progress, and its return to a paramount place in the hierarchy of social aims represents perhaps the biggest change in the climate of political ideas since the Enlightenment. The trouble is—and on this theme Mr Dessauer is particularly illuminating—that stability may very well be itself a revolutionary ideal, a motive of revolt precisely against institutions making for instability. "Stability is an aggressive concept, directed against the disturbers of stability actually in power. Today the devil . . . is the business man whose restless and uninhibited profit-seeking is regarded as the source of instability." The conservative business man may, on the other hand, seek stability in the radical conscription of democracy and the establishment of a corporative state. And the more irreconcilable the clash between rival conservatism, the likelier it is that on either side there will be a loss of "the awareness of limits," an atrophying of the "means of change" which are at the same time "the means of conservation." Thus an overwhelming concern with stability may be, in the not very long run, the most potent destroyer of stability. An imposed stagnation is essentially vulnerable.

Stability in fact not merely does not exclude change, but, in an imperfect world, demands change. Mr Dessauer offers a commonplace criterion of genuine stability. "Social conditions are stable," he writes, "if the changes which are taking place do not frighten the affected." The highest quality of statesmanship is the ability to achieve necessary changes without frightening anyone, to proceed by compromise, to be in fact continuously aware of limits; and his heroes are accordingly the trimmers—Henry of Navarre and, in our own day, Mr Mackenzie King.

Today the stability most fervently sought is economic stability, which is felt to carry with it by far the best hope of stability in international affairs; and the major question arising from this search is precisely whether, in the long run, stabilising measures can be at the same time effective and elastic enough not to defeat their own primary aim. The business man or trade union leader sees no danger in a stabilising measure (cartel, support price, closed shop) which assists his particular interest; he is unaware that, in Mr Dessauer's words, "each partial stabilisation reduces the possible objects of actual change . . . which, consequently, will be more affected than they would if more objects were exposed." A support price for agriculture throws the burden of change on industry; a tariff for industry A throws it on industry B; protection for the sitting tenant perpetuates the insecurity of the homeless; the closed shop bars the way to security for the unorganised worker. Like an ankylosed joint in the human body, each partial stabilisation throws an additional strain on the rest of the organism. On the other hand, attempts to fit these partial schemes together in an overall national plan risk a flat contradiction between internal rigidity and the changeable, flexibility-demanding circumstances of the outside world. Stability of employment, for instance, brings instability of the price level, which in turn produces instability of foreign trade and of the exchanges. In general terms, and well in advance of the event, Mr Dessauer has in fact diagnosed very neatly the British crisis of 1949.

To condemn the desire for stability because of the mistaken policies in which it has found an outlet would be as absurd as to condemn the desire for health because of the vagaries of quacks. There are few conditions more uncomfortable and incompatible with happiness, in a single organism or in a society, than a state of permanent vertigo. There must be a minimum of continuity, and element of the unconditionally reliable, in the condition of man. That minimum will vary with temperament; to the stoic, no continuity is essential beyond that of his own integrity—but the stoic is an exception. Western society is at present suffering from a chronic state of seasickness in which anything, even imminent shipwreck, seems preferable to continued pitching and rolling; a state highly unfavourable to the achievement of that genuine stability in which "change does not frighten the affected."

★

"Our stability is but balance; and wisdom lies
In masterful administration of the unforeseen."

The words are Robert Bridges, and their context is not economic; but they are profoundly applicable to economic affairs. The balance concerned is not only the internal balance of opposing interests, whether of classes, parties or lesser groups, but of the whole society in its environment; and like that of a cyclist on his machine or a bird on the wing, it can only be achieved when deliberate response is supplemented

by ceaseless, flexible, quasi-automatic adaptation. Substitute for this flexible balance of the living organism the creaking rigidity of a robot, and any real stability is doomed. The pity is that the very natural impulse to seek stability has been translated into just those actions which make for a stiff-jointed repugnance to adaptation and for total incapacity masterfully to administer the unforeseen—whether the unforeseen be the blizzards of the Shinwell winter or the American "recession" of 1949. It is characteristic of the architects of rigidity that they regard all such impacts from without, and all the unpleasant lurchings and crackings of the monolith which respond to them, as evidence that yet more rigidity is wanted, that the iniquitous outside world, and not the monolithic principle of construction, is to blame—and to blame, as often as not, in a moral sense.

The logical extreme of this attitude is the erection of an iron curtain, the insulation and isolation of the economy from the disturbing effects of foreign trade, foreign events, and, so far as possible, foreign ideas; coupled with an ever more powerfully enforced internal conformity to the rigidly determined plan. The greater the strain on the rigid structure, the louder the cry for further reinforcement of its rigidity, the readier the resort to repugnant policy methods, the higher the internal tension, and the less chance—in an atmosphere of intolerance, fear and atrophied initiative—of recapturing the power of adaptation.

"Stability exists when changes do not frighten the affected." Is the community now so easily terrified that the very minimum of change, by individuals or groups, required to ensure stability, is felt as constituting instability in itself? If so, the deadlock is complete and the future dark indeed. Mr Dessauer, putting his trust in "the awareness of limits," reaches no such pessimistic conclusion. But the British reader may wonder whether his comparative equanimity would survive transplantation back from the New World to the Old.

A Wide Survey

"A Concise Economic History of Britain." From the earliest times to 1750. By Sir John Clapham. Cambridge University Press. 305 pages. 12s. 6d.

For many years Sir John Clapham was the doyen of English economic historians, a position he owed largely to his great work on the economic history of nineteenth-century Britain. It is interesting therefore to see in this posthumous volume how he approached those earlier centuries upon which he had long lectured, but about which he had written comparatively little. It is clear that he had read widely on this earlier period and had kept well abreast of modern research. His synthesis of that reading and research is well proportioned. The whole period is covered in three sections with their dividing lines at AD 1100 and AD 1500. Within the sections, the subdivisions appear rather excessive and tend unnecessarily to

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break up the narrative. This is true also of the attempt to include Scottish economic history, which is difficult to treat in conjunction with English economic history so long as the border remained a frontier.

To some economists and perhaps to some economic historians Clapham's treatment may appear rather old fashioned. There is little talk of those trends and cycles which are being used in the interpretation of more modern periods. Nor is there always a full use of statistics, for example in the account of foreign trade. These omissions are not serious defects, if they are defects at all, for early periods do not necessarily lend themselves to re-interpretation in terms of trends and cycles, and statistical material for the centuries before 1750 is both scanty and shaky. What is noticeable in this work, and it is a valuable feature of it, is Clapham's strong regional sense. This appears particularly in the treatment of agriculture, where due importance is given to those regions outside the "classical" open field area. There is nothing new in this for it may be based on Gray's study of field systems, but it is well that it should be emphasised. Only perhaps when the full diversity of English agriculture is realised will one of the great gaps in agrarian history, namely the story of cattle and dairy farming, be filled. A concise history cannot fill such gaps when the basic research has still to be done, but it can, and in this case does, give a clear picture of the agrarian foundations of society. Though economic life was firmly rooted in the land down to 1750 and beyond, it was also, like agriculture itself, diversified. It is no easy task to describe that diversity with accuracy and succinctness, especially in the two centuries before 1750 when new industrial, commercial, and financial organisations were coming into existence. The problems of selection and emphasis are difficult and the dangers of generalisation are great. These problems are solved and these dangers avoided with great skill in this work, which gives a balanced account of old and new industries, of expanding foreign trade, and of the financial devices of the state and of the individual. All this is combined with a refusal to speculate too much about the unknown, and it is one of the many merits of this book that it shows not only what economic historians know, but also what they still want to know.

However closely the historian sticks to his evidence there is always room for dispute over its interpretation. Moreover, the historian who ranges over the wide field of English economic history from prehistoric times to 1750 exposes himself to sniping from the specialists. Thus, not everyone would agree with Clapham's view of the mediæval craft guild, whose importance he appears to underrate, or with his account of the "cold-blooded attack" on the Irish woollen industry in 1699. Similarly his account of wage assessment by the justices of the peace appears to assume too readily that "rates assessed and rates actually paid did not diverge widely" in the seventeenth century, though this statement is qualified by the remark "so far as we know." It is possible to question individual statements in this work, but it is hardly possible to question the scholarship and skill shown in the work as a whole. It should remain long the standard text book on the period it covers, although its usefulness as a text book would have been increased by the addition of either fuller references to sources or a select bibliography.

Italy Through Two Lenses

"Made in Italy." By Igor Markevitch. Translated by Darina Silone. Harvill Press. 226 pages. 10s. 6d.

THIS excursion of a Russian musical genius into the psychology of Italy is exhilarating and the exhilaration is expressed, not blurred, by the translation. It will be brushed aside by some as a mad outburst of enthusiasm and by others as revolutionary. The essential point to bear in mind, however, is that in truth it is a book, not about Italy, but about Tuscany—a fact which Mr Markevitch himself would be the first to acknowledge and to appreciate. About Tuscany, most fortunate and most

brilliant of the Italian provinces, Mr Markevitch knows everything that matters, at any rate about the aristocracy and about the peasants—there are perhaps a few tawdry things about the *piccola borghesia* which he has been able to escape.

Even in Tuscany the peasants have never become the owners of the land *en masse* as the French peasants did after the great revolution. It is interesting to have Mr Markevitch's account of the evils of the *mezzadria* system even here and the corrupting influence of the *fattori* or bailiffs. In Tuscany the *mezzadro*, or crop-sharing peasant, gets at least half the produce, and often there is good feeling between owner and *mezzadri*. But in the South of Italy it has at last come to a peasants' revolt because there the owners are strangely shameless parasites and the *mezzadro* only "participates," often getting a fifth or as little as an eighth of the orange-farm crops. It could only happen in Tuscany that a man like Professor Bianchi-Bandinelli shares his estate with his peasants and puts a certain proportion of profits regularly back into the land.

This book expresses the spirit of Tuscany in a thousand ways, its aestheticism, its universalism, the freedom of its spirit combined with its traditionalism, and finally its republicanism which in a way blends all these things. There is nothing Marxist about Tuscany, but it is the reddest region of Italy today because it is always in revolt against the bureaucracy, the corruption, and the police oppression which Rome now, as so often before, seems to represent.

Mr Markevitch is often politically suggestive in this book; for instance he makes an illuminating comment which strikes home to those who have lived in both Italy and Switzerland. "In reality, political freedom and freedom of the spirit do not necessarily go hand in hand," he writes. "The Swiss enjoy a political freedom of which they make scarcely any use." It would be interesting to discover where the fault lies.

"The Italian Left." By W. Hilton Young. Longmans. 211 pages. 15s.

MR HILTON YOUNG went out to Rome last year and spent a considerable time in Italy collecting material for this book. Its sub-title is "A Short History of Political Socialism in Italy," and it is a most useful and valuable work. Hitherto there has not existed in English an up-to-date, readable and authoritative account of the development of Italian Socialism from its earliest days—even before the foundation of the Socialist Party in 1892—right through the Mussolini era and into the present unsatisfactory period. Mr Hilton Young tells his story with understanding and insight. Nor does he fail to convey the accurate impression that no one can plumb the political depths of modern Italy without knowing the background of its left-wing parties, both Socialist and Communist. The Communists sprang from the side of the Socialists in 1922; with them, as Mr Hilton Young puts it, "went the wits and guts of most of the Socialist movement. The wits belonged to the Torinese tradition . . . whose most effective leaders were the two young intellectuals Gramsci and Signor Togliatti."

There has never been a Socialist government in Italy, and the Socialist story is above all one of indecision, frustration and disappointment. The Italian Socialists, like others on the Continent, have always based themselves on Marx. And it has been their fatally doctrinaire attitude which has throughout inhibited their power of tactical decision. Was it to be reform or revolution? Right from the start the revolutionaries have generally been dominant in the party, though usually lacking the do-or-die ability to throw up more than puny and local barricades, and often in effect held back by their associates who toyed with political collaboration after all.

The Italian Socialists have little excuse for their failure to achieve power. The party was strong enough, with 33 deputies, to be invited into the Government as long ago as 1903—when the British Labour Party still only had Keir Hardie and two others at Westminster; but their leader, Turati, declined. Giolitti invited them again in 1911, when Italy declared war on Turkey; but Bissolati, like Turati, declined—although the

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next year a young and little-known firebrand, called Benito Mussolini, got him expelled from the Socialist party for congratulating the King on an escape from attempted assassination. By 1920 the Socialists were a mass party and, with 156 deputies, the largest in Italy. Still they refused either to help govern or to let government proceed. With the failure of their Occupation of the Factories that year they began their long slide downhill. Today, as Mr Hilton Young indicates, the Italian Socialists have learned their lesson; even the Communists "will go to almost any length to get into office." For the moderate Socialists the question has become whether they have missed the bus altogether.

This is an able, thoughtful and worthwhile book, and should be read by every student of Italian affairs. Not the least of its qualities are some admirable photographs, clearly chosen with trouble. Turati, Treves, Ferri, Lazzari, Rosselli, Nenni and Saragat are amongst those who stare vividly out from its pages.

Huntin' and Hosses

"Jorrock's Jaunts and Jollities." By R. S. Surtees. The Folio Society. 228 pages. 21s.

FIVE years before the first issue of *The Economist* saw the light of day, Surtees collected the adventures of his hearty and lovable Cockney sportsman. Jorrock's would have had no time for economics; as for *The Economist*, it has generally been on the side of the fox, and even on the side of the chicken if the fox was raiding the hen-roost. Its only adventure into horseyness was to write glowingly of the future of the horse long after the rest of the world, rightly, had decided that the motor car had arrived and was here to stay.

Jorrock's would have supported this wild judgment with all his accustomed gusto. No logic ever got the better of his zest for the chase (setting off at seven in the morning in a Bloomsbury fog for a day with the Surrey) or his good fellowship and sociability. This simple excellence and good humour is a little aside from modern taste, which will find more corney rumbustiousness than wit in Jorrock's adventures, and a whole-hearted passion for saddle and gun—a passion now unfashionable and nearly taxed out of existence. "When there's neither hunting nor shooting going on, what is a man to do with himself?" The Folio Society has beautifully dressed these robust stories to enhance their unaffected entertainment and comic detail. The hand-coloured Alken plates are a delight in themselves.

America Up-to-Date

"The United States since 1865." By Louis M. Hacker and Benjamin B. Kendrick with the collaboration of Helene S. Zahler. Appleton-Century-Crofts Inc., New York. 739 pages.

PROFESSOR HACKER has re-examined and brought up to date the history of the United States since the Civil War, which he and the late Professor Kendrick first published in 1932. It is now very up to date indeed for a history book, since it covers the Presidential election of last November as well as the war and postwar years during which, in Mr Hacker's opinion, the United States has fulfilled its destiny. The book begins with a revolution, the one which followed the Civil War, and from which dates the development of the America we know: it ends with two further revolutions, the New Deal at home and the acceptance of the Communist challenge abroad.

During the period under review America's amazing economic growth has conditioned the country's history more than any other factor, and this is naturally therefore a social and economic, rather than a political, history. Professor Hacker has marshalled his facts in orderly, but also in very close, array, so that the book is too heavy, in weight and in matter, to make easy reading. It is, however, an honest and unpretentious textbook, which is a valuable source of reference.

Captain Courageous

"Merchantman Rearmed." By Sir David Bone with Illustrations by Sir Muirhead Bone. Chatto and Windus. 332 pages. 21s.

IT is no reflection on Sir David Bone to say that the drawings by his brother lift this book out of the ordinary run of war memoirs. No written description could convey quite so well the bustling, untidy activity of, for instance, the Clyde dockyards at the beginning of the war or of the strangely unco-ordinated movements of a fleet of small ships in heavy weather. The drawings are unpretentious, but they succeed in creating with uncanny accuracy the atmosphere of merchantmen at war.

But apart from the drawings, the book is well worth reading. Sir David Bone is a seaman of great experience with a distinguished record of service covering both World Wars. He has, too, the gift of being able to say clearly and concisely what he thinks, and though some of his opinions do not bear too close an examination, the straightforward account of his experiences as a Captain and a Commodore in the merchant service is absorbing.

The narrative covers the whole of the Second World War. At its beginning, Sir David was caught on the point of retirement from the transatlantic "ferry" service—he was captain of the 17,000 ton liner *Transylvania*—and like so many other seamen of his own age and experience he was called upon to postpone his plans for another six years. He saw service first on his old transatlantic routes, carrying children to America and troops from Canada to England—in the first twelve months sailing independently without the protection of being in a convoy. He later took part in the invasion of North Africa, the landings on Sicily and at Anzio and in the invasion of the south of France. He sailed in Russian convoys, in troop convoys on the long route round the Cape to Alexandria, and finally in the last assault convoy to Malaya after the Japanese had surrendered. It brought to an end a career which had begun at the turn of the century during the Boer War.

The book, although it is occasionally marred by unnecessary purple passages, is enlivened throughout with anecdotes and a nice sense of humour.

Shorter Notices

"The South African Financial Year Book 1949." By R. Beerman. Publishers Limited, Cape Town. 1456 pages. UK price 50s.

THIS is an investors' manual and encyclopedia of South African public companies; it includes a directory of directors of South African companies, and should form a useful guide to those engaged in business with South Africa.

"The Essentials of Company Law." By H. E. Applebee. Allen and Unwin. 116 pages. 9s. 6d.

THIS is a useful abbreviated analysis of the main principles of Company Law as promulgated in the Companies Act, 1948.

"A Demographic Survey of the British Colonial Empire." Vol II. South Africa High Commission Territories, East Africa, Mauritius, Seychelles. By R. R. Kuczynski. Oxford University Press. Geoffrey Cumberlege. 983 pages. 75s. net.

THIS is the second volume of the monumental survey of colonial populations undertaken by the late Dr Kuczynski, and issued under the auspices of the Royal Institute of International Affairs. This volume, which the author was seeing through the press at the time of his death, completes the survey of the African dependencies. West Africa having been covered in the first volume. It contains a great deal of historical, social and medical information, for Dr Kuczynski quotes at length from official and private sources.

AMERICAN SURVEY

New Atomic Ventures

(From Our American Staff)

WHEN President Truman was asked what changes in the plans and projects of the Atomic Energy Commission would follow the discovery that Russia had produced an atomic bomb, he said that there would be no changes. The outline of the significant new projects submitted by the Commission on November 28th, when it held its first press conference for about a year, bore out his statement. All of them were already well advanced on the drawing board, and a number had been in the engineering and construction stage for some months.

Yet a difference in the Commission's attitude is noticeable. In the United States the owner of a patented industrial process is protected from imitators for a period of 17 years. Then the process becomes public property. As the time approaches when he is to be a monopolist no longer, the owner of a patent keeps one eye on his possible competitors and the other on the calendar, if not the clock. And he works very hard to find the basis for a new patent developed from and covering the "know-how" contained in the old one, by which he can extend his protection for a further period. Today the AEC is a monopolist turned competitor.

When the eminent physicist and former member of the AEC, Dr Bacher, said in a recent speech that the Russian advance is a "substantial achievement," he gave some indication of the degree to which the old patent is thought to have run out. The search for renewed protection is taking several main forms, in addition to the expansion of facilities of existing types for the production of plutonium and uranium 235 at both Hanford and Oak Ridge, which was announced at the end of October. One is to provide the tools and the scientists for more pure research, as, for instance, in the erection of the cosmotron at Brookhaven, Long Island, and the bevatron at Berkeley, California, now under construction, to advance research in particle acceleration.

Another is to improve the engineering aspects of atomic energy production by the construction of reactors of new and improved types, and the application of the results of experiments with reactors to the generation of electric power and the propulsion of ships and aircraft. Potentially the most important of these developments is the experimental "breeder" reactor being constructed in Idaho, to test the feasibility of transmuting relatively plentiful non-fissionable uranium into fissionable plutonium. If successful, this process would produce more fissionable material than it consumes.

This aim of an increased yield is, in a way, symbolic of the Commission's new approach. Dr Oppenheimer, the distinguished nuclear physicist, in testifying before Congress last year on the availability of atomic knowledge, used the simile of a fruit tree. He said that for years a tree of knowledge had grown through the patient accumulation and assessment of diverse scientific data. We had shaken the

tree and brought down its fruit; now we needed a new crop.

The new harvest is to be accelerated not only by the application of new machines, ideas, and men, but by a reduction in the amount of classified—that is secret—information. The more information that it is determined can safely be made available to the public, the more likelihood there is of a productive cross-fertilisation of ideas. The report submitted to Congress last January listed a number of newly opened areas in which research was invited; now the fund of knowledge in the Commission's keeping is being examined again to see if there are not additional areas in which new work, which may perhaps produce new ideas, can be stimulated. The same principle can be seen, too, in the Commission's tendency to enter into contracts for basic research to be conducted at the universities rather than at government installations, on the ground that more people will thus be made aware of the experiments and attracted into the field. Similarly, university staff members, financed by their institutions, are invited to work at government installations on material that is not secret, on a six weeks to six months basis. Training of various kinds is being given at the Oak Ridge National Laboratory, where courses are to be started for engineers from industry and employees of other government laboratories interested in reactor development.

This relaxation does not mean that the requirements of military security are taken any less seriously. In the future, the policy may be one of even tighter withholding of certain information, accompanied by the freeing of knowledge which, in the judgment of the Commission, will best forward American interests if it is worked on by many people. Only so, it is felt, will the tree continue to bear fruit, or at least to bear a fuller crop than can be produced by the limited staff of the Commission, which must deal with the parts of the programme which involve the national security as well as its more general reaches.

★

Clearly, this new phase in the Commission's activity will be profoundly affected by the personality of the Commissioner nominated to take the place of Mr Lilienthal, whose resignation is likely to take effect at the end of this year, or soon afterwards. The co-operation of Congress will also be necessary, and this continues to be endangered by the obstinate hope of certain politicians, mostly Republicans, that there is political profit to be made out of the atom. The latest campaign is an attempt to blow up out of all propor-

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tions the shipment of uranium and confidential papers to Russia in 1943, and, by suggesting a link through the late Harry Hopkins and Mr Henry Wallace, to throw more mud on the New Deal and the memory of Mr Roosevelt—and perhaps also of the present political careers of his two sons.

In this instance, the target is not the present management of the atomic energy programme, though the accusations are not calculated to increase public confidence in the integrity of the high priests of the atom. But the Commission has already become a political issue in Iowa, somewhat to the discomfiture of the Commission's critics. Senator Hickenlooper, whose charges of "incredible mismanagement" against Mr Lilienthal were recently dismissed as groundless, is, like Senator Taft in Ohio, running for re-election well ahead of the usual time-table. He could not resist gloating over Mr Lilienthal's resignation, and he was sharply called to account in the press by Mr W. W. Waymack, a former Atomic Energy Commissioner and a widely-respected fellow Iowan. The incident has not improved the Senator's political chances.

*

A much more serious matter is the recent television broadcast of Senator Johnson, a member of the Joint Congressional Committee on Atomic Energy, concerning an atom bomb of 1,000 times the force of the Hiroshima model. At the Commission's press conference on November 28th, when Mr Lilienthal was asked about the security features of this statement, he replied: "The television broadcast you refer to by Senator Johnson involves questions, the discussion of which, so far as the Commission is concerned, cannot be carried on without serious involvement of the national security."

Probably Mr Lilienthal, who, by getting his resignation accepted just before this broadcast, was able to say that he was resigning at a moment free from crisis, is not greatly alarmed by Senator Johnson's rather Vishinsky-like rejoinder that the Chairman is concerned in an international atomic plot to give away American secrets. But Mr Lilienthal has been troubled by the Congressional conception of security and particularly by its suspicions of, and restrictions on, the Commission's grants for study and research.

Because of the failure of Congress and the President to agree on the organisation of a National Science Foundation, the Commission undertook to finance the general training of more students in the physical and biological sciences. To avoid political pressures with regard to applicants, the Commission arranged for the National Research Council, an independent body, to award its fellowships, which could be used at various universities and did not involve work on secret material. When one of the recipients was discovered to be a Communist, and another to have past associations with the party, the Commission, after an initial statement about academic freedom, decided that recipients must thereafter take an oath of loyalty to the United States and declare that they were not Communists.

But in the eyes of the sub-committee of the Senate Appropriations Committee that passes on appropriations for the independent offices, of which the Commission is one, this was not enough. It added a rider that students supported by money from the public treasury must have their characters, associations, and loyalty investigated and attested by the Federal Bureau of Investigation. During this summer's Congressional inquiry, Mr Lilienthal was critical of the arm of the Federal Government thus reaching down into education, and he is known to have been disappointed at the failure of the scientific world to come to the support of his view that

excessive security precautions are not only wrong in themselves, but, by alienating able students, damage rather than advance the national interest. But Senator O'Mahoney, who is on both the Atomic Energy Committee and the Senate Appropriations Committee, fixed Mr Lilienthal with his china-blue Irish eye on the occasion of his testimony on this matter, and said, "Mr Chairman, you are not being realistic." Mr Lilienthal has indicated that when he is relieved of the responsibilities of office he will have more to say.

Vanishing Sheep

[FROM A CORRESPONDENT IN COLORADO]

AMERICAN sheep farmers who are always being offered either carrots or sticks feel that the sticks predominate, and that they would like to know which is coming next. Recently, however, there have been several carrots. Prices are expected to be slightly better for the 1950 clip, about 45.7 cents per pound for wool "in the grease" or as it comes from the sheep, as against 42.3 cents this year. The latest Agricultural Act provides for government support of wool prices at a high level, so long as the annual US clip from live sheep is less than 360 million pounds; it was about 212 million pounds last year. The Interstate Commerce Commission has reduced railroad freight rates on wool sent east for processing from 3 to 15 per cent, depending on the size of the load.

This last carrot may be a stick in disguise, as is explained later; meanwhile, sheep farmers have felt several unmistakable blows. Currency devaluation makes it easier for their foreign competitors, particularly the Australians, to underbid them in the American market. During the war, the protective tariff on wool was cut by a quarter. Large areas of land in the National Forests are being closed to the flocks, for the reason that they destroy the ground cover and cause soil erosion. The sheep-breeder finds fewer and fewer people willing to bear the hard, lonely and exacting life of a shepherd, however high the wages. The lack of shepherds, with their special skills, has become especially acute since the war. Senator McCarran, of Nevada, the sheepmen's spokesman, has been arranging for the importation of Basque shepherds under special laws. But since he refused to relax his stranglehold on the Bill granting more generous terms for the admission of Displaced Persons into the United States, his special sheepmen's Bills have in their turn been throttled by the Senators who speak for the DPs.

*

General frustration and uncertainty, rather than any specific cause, seem to be driving the sheep ranchers into the ranks of "vanishing Americans." As recently as 1942, the number of sheep on American farms and ranches reached an all-time record of 49 million head. Since then a steady decline has reduced them to fewer than at any time since the Civil War—28 million head, and it is by no means certain that the bottom has been reached.

In spite of the sheepmen's furious denial of such suggestions, there are indications that the archaic and uneconomic organisation of their industry may have more to do with the decline than any outside forces. The American woollen industry grew up on the Atlantic Coast, particularly in New England and Pennsylvania. When sheep-raising moved west to the mountains and plains for which it was most fitted, the processing industry inertly stayed behind. Today almost

all American wool is produced west of the Mississippi River, yet there is practically no processing in that area, except for some speciality textile mills preparing wool for their own use. Virtually every pound of the clip, of which an average 60 per cent by weight is grease and dirt, is loaded on to freight cars and shipped all the way to New England, there to be cleaned and processed into the raw material for the textile industry. Thus the sheepman pays the freight for an unnecessary journey, 2,000 miles long, for well over 100 million pounds of useless dirt every year. The failure to adopt the natural and economical solution, of cleaning and preparing the wool in the west, is explained by the higher rate which the railways charge for the eastward movement of cleaned, compared with uncleaned, wool. The difference eats away the profit obtainable from cleaning wool near the farms and ranches which produce it, to such an extent that the margin is too slight to make a western cleaning industry worth while.

The present paradox is well illustrated by the difficulties of a Denver firm seeking to establish a local textile industry. Part of the time its storage space is used for wool moving eastward to be cleaned. Part of the time it is occupied by wool yarns bought from processors 2,000 miles away in the east, at something like 10 times the price of the uncleaned wool. Yet this firm does not use enough wool, nor can it see a big enough western market for processed wool, to warrant starting a wool processing business on a scale large enough to make it pay.

Governors of Rocky Mountain States got together after the war to organise a Western States Wool Council to encourage the establishment of a local wool processing industry. But the Council's efforts have been ineffective because the Interstate Commerce Commission, when it at last granted lower freight rates for the eastward movement of unprocessed wool, 60 per cent grease and dirt, refused to extend the lower rates to cleaned or processed wool. The Commission's reasons for the refusal were that there was no movement of cleaned wool, and that few persons in the west appeared to be seriously interested in establishing a cleaning industry there. It is indeed true that the official spokesmen of the wool-growers have always thrown cold water on attempts to establish a western cleaning industry, on the grounds that they must not forsake the eastern processors, their only steady customers for 90 per cent of their clip. The decision, therefore, appears to set the American wool-growing industry still more firmly in its traditionally uneconomic and inefficient pattern.

American Notes

Pensions for All?

Senator Taft is fond of calling the welfare state the "farewell state"; and it is hard to imagine a more unlikely ally for the redoubtable Dr Townsend, whose lobbyists are still assaulting Washington with the slogan "\$50 every Thursday." But it was left to Senator Taft to draw the obvious moral from the pension victories won in the steel and automobile industries, and the determination of other strong unions to provide as handsomely for the old age of their members. Mr Taft very reasonably inquires, if a steelworker or miner is entitled to \$100 a month at 65, why not a moulder or waiter?

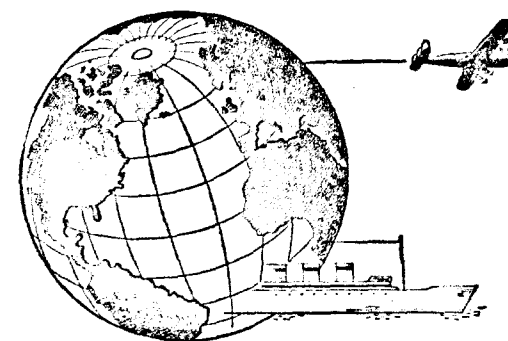
The question is not to be taken as indicating Senator Taft's support, but as grounds for the inquiry into the problem that he believes the Senate Finance Committee

should undertake in January when it opens hearings on the Bill, passed by the House, to increase the coverage and benefits of the federal insurance scheme. Such an inquiry should estimate the probable cost of a flat \$100 pension for all, which Mr Taft puts tentatively at \$12 billion a year—a fixed cost that he doubts if even the American economy can stand. No invested reserve could be built up to meet such an outgo; the cost would have to be met from current revenue, and thus from the income of the working community. Senator Taft's aim may be to kill the proposal with kindness—and reason, as well as to point out the lopsidedness and unfairness of private pensions for the strong. Mr Tobin, the Secretary of Labour, untroubled by such considerations of cost, has, however, seized with enthusiasm upon the goal of immediate pensions of \$100 a month for everyone.

The miners, though they were first in the field, are receiving no pensions at present, because no contract has been signed to replace the one that expired in June, although Mr Lewis has reinstituted the three-day week. This last somersault, performed a few hours after the fourth coal strike of the year had begun, has the advantage of allaying the miners' growing grumbles and making federal intervention unlikely. Local unions have been authorised to seek independent agreements, and the three-day week, which does not quite replace the coal withdrawn from stocks for consumption, may bring forward a "coal Bethlehem," a company or section of the industry, perhaps the anthracite owners, willing to make the first concessions and set a new pattern. Until the new contract is signed, Senator Bridges, a welfare fund trustee, whose approaching resignation makes him willing, for once, to brave Mr Lewis, is unlikely to consent to renewed payments from a fund run in a signally improvident manner in the past.

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givers is the Bell Telephone System, which ordered an immediate increase in the minimum monthly pensions it pays, from \$50 to \$100 less federal security payments. But the union, instead of welcoming the concession, without a shot being fired, of one of its main claims, turned and bit the hand that fed it; it proposes to bring unfair labour practice charges against the System for having increased the pensions without consultation and collective bargaining with the union.

The winning of these private industrial pensions in the steel, coal, and telephone industries, and the foothold secured in the automobile industry, mean that the unions have secured formidable allies in their campaign to force Congress to raise federal old-age pensions, which now stand at the pitiable average of \$26 a month—only slightly more than half the national average old-age assistance awarded by the States to those whose only claim is based on need. For as federal pensions rise, industry's commitments fall. Another lever to pry open the federal treasury has been suggested by the state chairman of the Congress of Industrial Organisations in New York, who would have the state government supplement the incomes of old age pensioners until federal payments reach \$100 a month. But even the results of the last two elections have hardly chastened Mr Dewey and the Republican legislature to this extent.

* * *

Butter in ECA's Mouth

The bridge across the dollar gap certainly is not paved with butter. But it has caused some temporary embarrassment to the Economic Co-operation Administration and Mr Hoffman, who, when he is not urging Europe to concentrate upon the American market, is spreading on the other side of the Atlantic, with equal fervour, the gospel that Americans must increase their imports by at least \$2 billion

a year, if they do not wish to continue present subsidies to the Marshall countries.

After devaluation, it was found that Danish butter could be sold in New York at three cents below the domestic price, and importers were prepared to take the 4,400,000 lb. offered. Import licences have, however, been refused, on the ground that with the Commodity Credit Corporation holding nearly 100 million lb. of surplus butter, imports would interfere with the orderly liquidation of these stocks, which the Department of Agriculture is endeavouring to sell. Butter is one of 15 fats and oils whose import may be suspended to make possible orderly sale of "temporary" surpluses. Mr Hoffman is not alone in looking slightly yellow; the State Department, which negotiated trade agreements to permit the entry of 60 million lb. of butter a year at a reduced tariff of 7 cents a pound, points out that these concessions were subject to American ability to carry them out, but this is poor consolation to Denmark and New Zealand, which have not withdrawn the reciprocal concessions made at that time.

The villain in this collision between the freer trade policies of the State Department and the Department of Agriculture is, of course, the agricultural price support system continued by one Congress after another with an eye to the farmer's vote. Given the law, it would be unreasonable to expect the United States to provide a haven for foreign butter when each pound imported sent a displaced pound of the domestic product into store, at a cost of 62 cents. Nor can deficit economies expect to pay their way by carrying coals to Newcastle, or butter to the dairy. But the domestic effect of high butter prices in the past can be seen in the decline of butter consumption from 17.8 pounds per person in 1935-39 to 10½ pounds this year. Americans, recovering from this year's recession, are expected to spread slightly more butter on their bread in 1950, but the creameries are turning out nearly 20 per cent more than they did last year.

* * *

Whose Credit Policy?

One of the controversial questions to which the Joint Congressional Committee on the Economic Report is seeking an answer, is whether the Federal Reserve Board is still able to carry out its function of adapting credit policy and interest rates to the economic situation, or whether, with the growth in the Government debt, it has become a mere instrument to maintain cheap money rates for the benefit of the Treasury. Mr Eccles, in testimony written with that pungency and disregard of official corns which may have been responsible for his demotion last year from the chairmanship of the Federal Reserve Board, hotly espoused the latter view. The Board's warnings, he said, were frequently disregarded by the Treasury; it had become a "mere engine of inflation," since cheap money for the Government meant cheap money for all. Mr Eccles was particularly critical of the decision to hold the interest rate on a new series of one-year certificates at 1½ per cent, which he said took no account of the Board's belief that short-term interest rates should be allowed to rise slightly to check possible inflation.

Mr Snyder's warm endorsement of a balanced budget relieved the doubts raised earlier about his financial orthodoxy; but everything he said reinforced the suspicion that, to the Treasury, any departure from a cheap money policy is unthinkable. This is understandable, in view of a public debt of \$257 billion, the interest on which already absorbs over 13 per cent of the national budget, and in view of the need for further heavy deficit financing and refunding in 1950.

Mr Snyder testified he had always found the FRB co-operative—which was just what Senator Douglas feared. Mr McCabe, chairman of the Reserve Board, had equally kind things to say of the Treasury, and cited the agree-

ment of the Treasury in an announcement last June favouring easing of credit and interest rates. But to Senator Douglas, that agreement had no more virtue than the agreement of a small boy to accept a box of sweets, and he wanted to know whether the Treasury would be as amenable if the Board felt it necessary to raise interest rates. Pressed as to whether the Board wholeheartedly approved the continuation of low interest rates in its forthcoming January financing, Mr McCabe begged to be excused from replying.

Further testimony on this clash was to be heard in private session. One remedy, put forward by the president of the Federal Reserve Bank of New York, would have Congress instruct the Treasury that its management of the public debt must be carried on "within the structure of interest rates appropriate to the economic situation." Another would create a national advisory council on credit policy; still another would give the board power to restrict private credit while maintaining cheap money for the government. None of these legislative devices appealed to Mr McCabe, who urged Congress to have confidence in the responsibility—and co-operation—of officials and keep them free of political bias and control.

* * *

New York Runs Dry

The announcement that drinking water will only be served in New York restaurants on request climaxes the barrage of warning and advice which the city's water shortage has brought about the ears—and eyes and living habits—of its inhabitants. They have been told to wait for a full supply of dirty linen before switching on the washing machine that needs 45 gallons each time it is used and to wash themselves under showers, which only use 5 gallons if turned off while soaping, instead of in baths which take 25 gallons to fill to a comfortable level. If these economies are not effective, water pressure will have to be reduced. Already there are places in New Jersey where there is no water at all in the pipes.

The reservoirs to the north-west of New York City, which largely supply it and have a capacity of 300 billion gallons, are only 37 per cent full; there is only enough left for 60 days consumption at the normal rate of over a billion gallons a day. The immediate crisis springs from the exceptional heat and drought last summer, but it is also due to the increase of a million in the city's population since 1940. If this growth continues, as it looks like doing, only temporary relief will be found from the new reservoirs in the watersheds of the Delaware River which will add some 540 million gallons a day to the city's supply by 1956.

*

New York's difficulties are shared, although less acutely, by other growing cities in the supposedly water-rich east. Such rapidly expanding industries as oil refining and chemical manufacture are heavy users of water. So is the industrialised agriculture of today; it is said that five gallons of water are needed to produce one of milk. The modern love of clean, cool comfort is another culprit. But the problem still reaches its most serious form in the arid western half of the country, with annual average rainfalls ranging from 20 inches down to 10 inches or less a year. Here lack of water is the main check on both agricultural and industrial expansion, especially in areas like Los Angeles where the ground water supplies are being used at double the rate of their natural renewal. Here water rights are the subject of bitter argument and litigation not only between individuals, but also between cities and States.

In recent years there has been sufficient rain in the great plains to keep the Dust Bowl muddy and, therefore, out of the news, but the Department of Agriculture has not forgotten the need for soil conservation. It is only one of the many government agencies that are concerned with the country's water supplies, and lack of co-ordination and agreement among them is one of the barriers in the way of the development of water resources on the wide regional scale

that is called for. Another is the absence of basic knowledge and research on the subject, which the US Geological Survey is trying to remedy.

Shorter Notes

In mid-November total employment, at 59,518,000, was as high as at any time this year and unemployment, at 3,490,000, was well below the ominous 4,000,000 mark which it reached in July. At that time there were 35 areas in 14 States with 12 per cent or more of the total labour force out of work; between July and the end of September over \$80 million in federal procurement and construction contracts and loans went into these depressed areas. It is difficult to judge how much of this government expenditure was due to the emergency programme for relief of these areas but, in combination with the general improvement in business, it has provided substantial alleviation for many of them. A few, however, are said to be suffering from a chronic condition—the exhaustion of a coal vein, for instance—and to require more drastic treatment, which is to be prescribed in the "not too distant future."

*

The Feinberg Law, under which school-teachers in New York State were liable to dismissal for belonging to an organisation which the State Board of Regents considered subversive, has been declared unconstitutional by the State Supreme Court. The judge condemned it as an unlawful Bill of attainder, inflicting punishment without judicial trial, and found further that it established guilt by association and that its terms and procedures were too vague to guarantee a fair trial. The law's threat to civil liberties had already been widely recognised, but the problem of how to protect the State's schoolchildren from Communist influence still remains.

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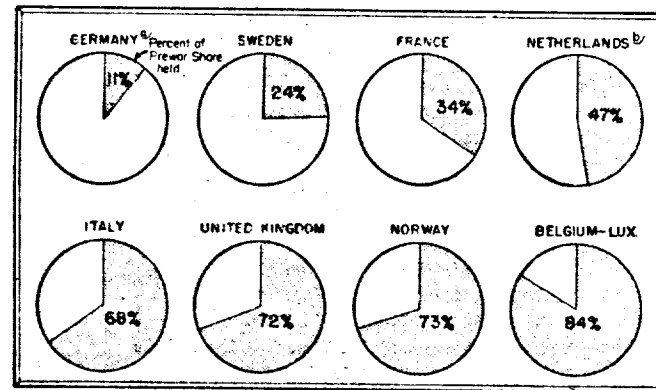
Europe's Lagging Dollar Exports

THE depressing level of western Europe's exports to the dollar world is one of the most baffling and intractable aspects of the entire dollar problem. Probably no topic related to the Marshall Plan has had more talk and analysis lavished upon it—with less fruitful results. It is true that since the end of the war western Europe's dollar exports have staged a remarkable recovery, but they have still not regained their prewar volume. And, even more important, the exporters of the Marshall area have failed to maintain their prewar share of the market in the United States. Their sales have not kept pace with an American market which has grown considerably for a variety of imported products since the years before the war.

U.S. IMPORTS BY ECONOMIC CLASS (Billions of Dollars)			
	1936-38 Average	1948	% Increase
Crude materials	0.8	2.2	175
Semi-manufactures	0.5	1.7	240
Finished manufactures ..	0.4	1.3	225
Crude foodstuffs	0.3	1.2	333
Manufactured foodstuffs ..	0.4	0.7	75
TOTAL	2.4	7.1	200

As the table above shows, the United States last year imported nearly three times as much in value as it did in the period immediately before the war. But meanwhile the value of total exports from the Marshall countries scarcely doubled—it rose from an average of \$600 million in the years 1936-38 to less than \$1,000 million in 1948. In other words the ERP nations provided one-quarter of United States imports before the war: last year their share was only one-seventh. The inability of European exports to retain or improve their position in the American market was most conspicuous in the case of semi-manufactured and finished goods, the two categories which accounted for the bulk of Europe's dollar exports before the war. This fact is graphically illustrated by the following chart, reproduced from the latest pictorial survey of European recovery, published by ECA (Economic Co-operation Administration). It shows the current share which the ERP group provides of total American imports of finished and semi-finished goods as a percentage of the prewar share.

Current share (1949—6 months) as % of 1938 share.



(a) Excluding German shipments of iron and steel-scraps in 1949, which, if included, would increase the prewar share to 26 per cent.
(b) Excluding unusual Netherlands shipments of tin in 1949, which, if included, would increase the prewar share to 81 per cent.

Generalities such as these tend to swallow up some of the significant changes that have occurred in the American market for European products. And if the trade between the two areas is dissected, commodity by commodity, it becomes a good deal plainer why and where European producers have run into trouble. Before the war the "food and drink" group of industries was Europe's biggest single dollar earner; in 1948 it had dropped to third place, partly because Europe itself was short of such articles as cheese and partly because the United States was producing more at lower prices (cheese and wine) and found the European product either superfluous or too expensive. Still another obstacle to European sales of food has recently appeared in the shape of US farm support prices. These have resulted in a large holding by the American Government of surplus stocks of butter; and therefore the only way butter exporters, such as Denmark, can earn dollars with their product is to sell to American occupation troops in Germany. It is, however, in the category of vegetables and vegetable preparations that the greatest expansion of American food imports has taken place, and here neither Italy, the chief prewar exporter, nor France, has shown any competitive strength.

Textiles were Europe's second biggest dollar earner before the war and they have now risen to first place, in spite of the discouraging fact that the American market for cotton and flax goods has shrunk. In terms of steady consistency Europe's best record to date is for exports of woollen textiles. The Marshall nations also enjoyed an early and spectacular success with synthetic fibre exports, which fell off abruptly last spring when the American recession set in and when the main suppliers—France, Holland, Italy, Switzerland and Britain—priced themselves out of the market. However, those countries which have recently devalued may be able to repair the damage.

New Sources of Supply

Third in importance among Europe's prewar dollar exports were wood pulp and newsprint. These products now run a poor fourth, although American imports have more than trebled in value since before the war. Here the explanation lies in the development of American and Canadian resources which are fast replacing the more expensive Swedish wood pulp and newsprint.

Diamonds came fourth on the list of Europe's prewar exports to the United States; they now rank seventh. Last year American imports of diamonds from the whole world had multiplied fourfold as compared with prewar, while exports of diamonds from western Europe, largely Belgium, to the United States had risen by only 46 per cent. A substantial part of this large expansion was due to purchases for the American stockpile, which have now slackened. The reason for Europe's declining share in the market is the popularity of diamonds as a convenient form of transporting capital from one country to another, thereby making a profit from the differential free rates that exist for various European currencies.

On the other hand, metals and metal manufactures have shot from fifth to second place in western Europe's schedule of dollar exports. They reached nearly five times their prewar value last year and thus captured almost a quarter of an enlarged American market for this type of imported goods.

Included in this group, however, are a number of such unreliable items as iron and steel scrap and old brass clippings for which the market may be temporary and indeed already appears to be passing. But although these particular articles may decline in importance, "semi-manufactured goods" is a category which is growing and which fills an obvious gap in the postwar American economy.

Watches and clocks deserve special mention because last year Europe sold, in monetary terms, six times as many watches to the United States as it did before the war, and they now occupy fifth place instead of tenth in the export total. Their sales success in the United States goes far toward explaining why Switzerland has the best record for increased dollar exports of all the Marshall nations.

The complete tale of success and failure can be read behind the details of the following table.

(Million of dollars)			
Main US Imports from ERP Countries			Total US Imports
	1936-38	1948	1948 as % prewar
Food and drink	78.5	101.0	129
Textiles	64.8	131.0	202
Wood pulp, newsprint	46.5	81.2	175
Diamonds	29.6	43.2	146
Metals and manufactures ..	23.4	115.3	493
Furs	23.1	17.5	76
Antiques	20.1	15.0	75
Cigarette leaf	19.2	44.4	231
Chemicals	14.7	16.1	110
Watches	9.2	60.0	652
China	2.3	9.3	404
Cars, tractors	1.4	42.0	3,000
TOTAL	773.7	2,195.9	284

On the whole, then, the general pattern of Europe's exports to the United States is much what it was before the war. There has been some reshuffling among the main traditional exports, but very few new items have made their

appearance. Probably the most diligent seekers after new American markets have been the Italians, but all their ingenuity netted them no more last year than an extra \$12 million, made up of such miscellaneous products as cherries in brine and sewing machines. All in all, the American markets that the Marshall nations have lost for their old and tried products seem of far greater importance than any new markets they are likely to gain.

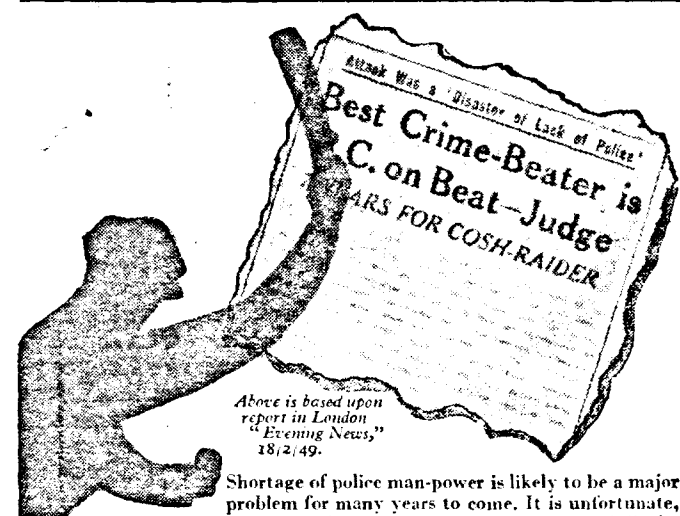
The relative decline in the exports of western Europe to the United States has not affected all the Marshall nations with equal force. Some, either by luck or initiative, have done better than others. Switzerland heads the list with dollar exports which are over four times their prewar value. Turkey and Portugal follow close behind. The worst performers in 1948 as compared with prewar were Germany, the Netherlands and France. Britain occupied a midway and unsatisfactory position with dollar exports at a mere 67 per cent above their prewar value.

Nazi Groups in Western Germany

[FROM A CORRESPONDENT IN FRANKFURT]

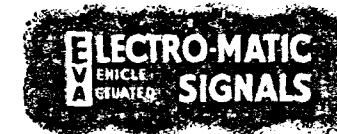
SINCE the cancellation in the American zone of licences for political parties, a number of hitherto subversive groups are beginning to come into the open, and a certain wry amusement has been caused among correspondents in Germany by the publication by the Office of Public Affairs of the American High Commission of the findings of a survey which has come to the conclusion that

there is no evidence of any recent upsurge in nationalist feeling among the German people. Interviews with a representative cross-section of the population indicate that whatever



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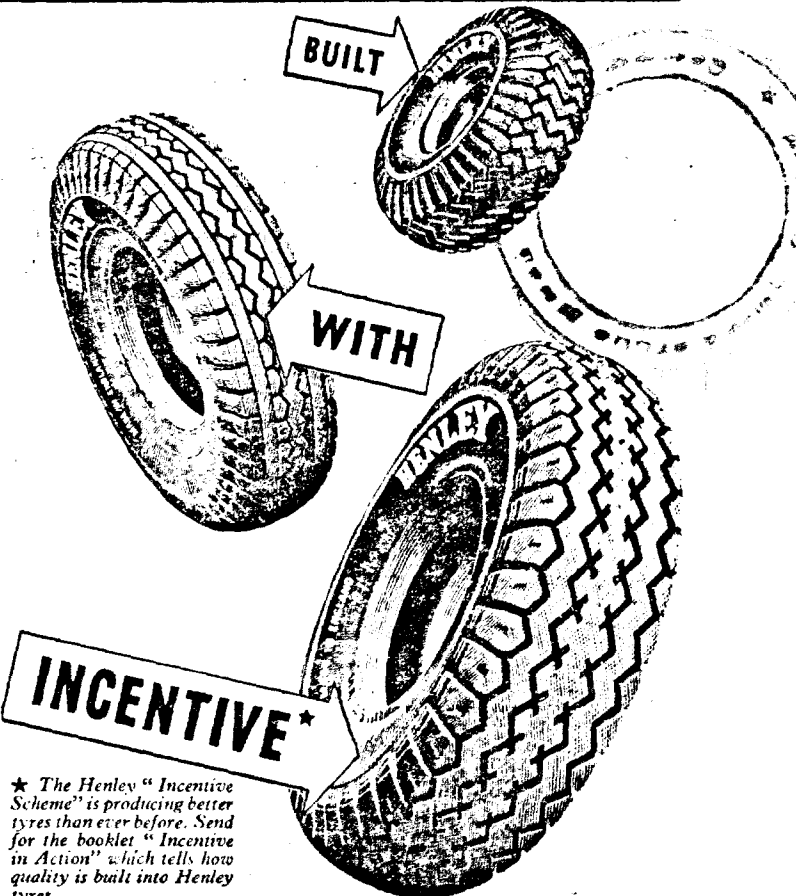


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changes have occurred in trends since the establishment of the German Federal Republic have been on the side of less nationalism.

Yet during the period under review the British authorities saw fit to ban a projected rally of the "Friends of Otto Strasser" in the Ruhr; Minister President Peter Altmeier forbade a meeting of Professor Noack's *Nauheimer Kreis* in the French zone (an action which the Professor is turning into a court appeal against the stifling of free speech); and August Haussleiter's *Deutsche Union* joined with some smaller organisations to form the *Deutsche Gemeinschaft*, an embryo *Rassemblement* on Gaullist lines. It also saw the emergence of the first post-Nazi political machine, the "Union of Independents," which obtained 11 per cent of the votes in the Austrian national elections—an event which cannot be considered separately.

In a narrow sense, the American statement is partly true. A strong body of opinion in Germany supports the Bonn Government's declared intention of dealing ruthlessly with right-wing radicalism, and the diplomatic successes of Dr Adenauer which culminated in the signing of the Bonn Protocol, have spiked a number of nationalist guns. Nonetheless, a number of post-Nazi groups still exist. Continually splitting, splintering and rejoining, with leading and minor figures emerging in various guises in the petty struggle for administrative posts, their present weakness is counter-balanced by the threat that they might combine together in the event of widespread economic distress or a shift in the international balance of power.

Activities of the "Black Front"

At present three main groups can be distinguished. First, there are the radical right-wing deputies, mostly former minor Nazis, who have been elected to the Bonn Parliament and who, as the *Deutsche Rechtspartei*, are seeking to wean away all but the orthodox conservative elements from the Liberal Party and the *Deutsche Partei*. Their activities at least take place in public. Second, there are the extra-parliamentary groups, such as Professor Noack's *Nauheimer Kreis* and the *Deutsche Union* of August Haussleiter; and, third, there are the more or less underground conspirators of the Otto Strasser persuasion. Some idea of the confusion of the more esoteric elements may be gained from the fact that no less than four groups profess to represent Strasser's "Black Front" philosophies, distribute his news letters and circulate clandestine German language pamphlets, such as the *Kurier* (which is published in Canada and usually carries a Strasser leading article) and neo-Nazi publications such as *Die Brücke* and *Der Weg*, which filter through Switzerland from Buenos Aires.

Strasser's principal prophet in Germany is Karl Sprengel, who lives in Wildehausen, a small town in the province of Lower Saxony, with a group of adherents calling themselves the *Bund für Deutschlands Erneuerung*. Two genuine former "Black Fronters" named Bauer and Kampf, who were active with Otto Strasser in the days before his organisation was banned by Hitler in the 1930s, have formed the *Freundeskreis Otto Strasser*, their principal fields of activity being in Bremen and the Ruhr. Where Sprengel seems to be toying with the idea of a political party along more or less orthodox lines, the other groups are definitely conspiratorial in character, and seek to set up a whole underground network of cells, ready to emerge at the decisive moment.

Another splinter group, calling itself the *Nationale Freiheitspartei*, run by two more "Black Fronters," called Peschke and Frese, operates in the Hanover area, while another more independent group with growing strength in Lower Saxony, called the *Sozialistische Reichspartei*, has been founded by Fritz Doris, who was once associated with the ubiquitous Joachim von Ostau. Doris and Ostau parted company and Doris joined the *Deutsche Rechtspartei* for long enough to be elected to the Bonn Parliament.

New Names for Old Ideas

Joachim von Ostau has been one of the prime movers in the formation of post-Nazi groups, of which no less than seven have collapsed under him or have been banned by military government. He has managed to ring one more set of changes out of the half-dozen nouns with which all these organisations juggle for nomenclature and now heads the *Nationale Union*. Himself a minor textile manufacturer in the Ruhr, he is at present toying with Professor Noack's *Nauheimer Kreis*, with specious promises to enlist the financial aid and assistance of Ruhr magnates more prominent than himself.

The chief characteristic which distinguishes the *Nauheimer Kreis* from its fellows is the amount of favourable comment which is devoted in the Russian zone press to its programme for the neutralisation of Germany, the withdrawal of occupation troops and the installation of a unified German government. The group is chiefly active in Lower Saxony, although Noack himself lives in Bad Nauheim, north of Frankfurt. Noack has incorporated a like-minded movement in Hamburg called the *Freiheitsbund*, and another organisation calling itself the *Sammlung zur Tat*, led by a former Nazi named Steinfeld in the French zone of Germany. His chief contact in the Russian zone is Otto Nuschke, head of the rump Christian Democrats.

This leaves for consideration the most important and best led of all these groups—the *Deutsche Union*—in which August Haussleiter, former Deputy Chairman of the Christian Social Union in Bavaria, and Major von Stauffenberg, brother of the July 20th bomb-thrower, play the leading roles. This apparent contradiction is explained by the fact that the *Deutsche Union* itself is in a state of imminent dissolution in its present form. Originally formed in Berlin by Stauffenberg and a journalist named Guenther Scholz as a non-party national group of liberal-minded conservatives, its centre of gravity moved to Bavaria with Haussleiter's adherence.

At a meeting in Frankfurt a few days ago with representatives of such organisations as Pastor Goebel's refugee-based *Tatgemeinschaft freier Deutscher*, a co-ordinating committee, calling itself the *Deutsche Gemeinschaft*, was formed into which Haussleiter is likely to lead his purely nationalist wing of the *Deutsche Union* with a programme designed to attract *Entrechteten* of all types—ex-Nazis, refugees and those bombed out of their homes. The ultimate aim is to form a radical right-wing political party, leaving the original members of the *Deutsche Union* to their vague freemason ideas at their former headquarters in Berlin. Haussleiter himself is a man of vigorous personality and unquestioned political capacity. He is one of the leading contenders for the role of human magnet which all the neo-Nazi elements are seeking. His platform is a plan for a permanently neutralised Germany with its status guaranteed by the four Allies. If his appeal to the refugees and the new underprivileged succeeds, his party could well become the third largest party in the state overnight.

Australian Election Issues

[FROM OUR MELBOURNE CORRESPONDENT]

RARELY has a political party gone to the polls promising less than the Australian Labour Party in the general election on December 10th. The Prime Minister, Mr Chifley, in his policy speech, made only one specific pledge—that if Labour were returned to power it would "again do everything to make Australia a better place." In plain words, Mr Chifley's Government is seeking re-election on its past record alone. On the main highly contentious political and economic issues, such as bank nationalisation, petrol rationing, or socialisation of industry, no specific promises have been given by the Government. The electors are again being asked to give Labour a blank cheque for three more years.

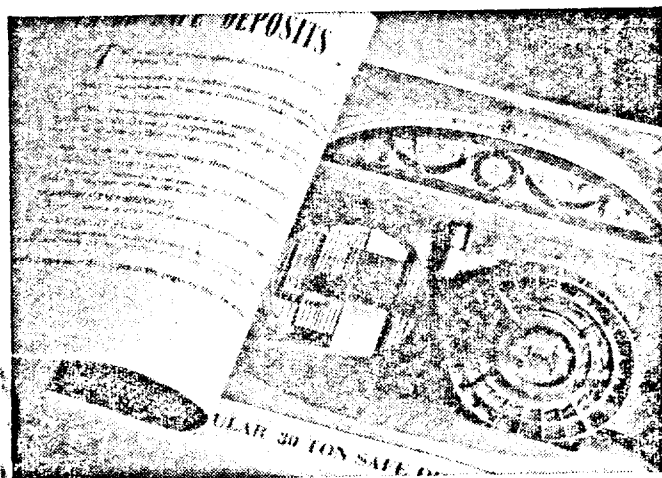
The Opposition, represented by the Liberal and Country Parties, are asking for anything but a blank cheque. They postulate with all the force at their command that the vital issue of the elections is socialism and that a return of Labour will mean a general mandate for the Government to proceed at full speed with a policy of nationalisation, as shown in airlines and shipping, and as unsuccessfully attempted (because of constitutional barriers) in banking and free medicine. Although obviously extravagant, almost grotesque, this sentence from the policy speech of the Leader of the Country Party (Mr Fadden) expresses the tenor of the anti-socialist line of the Opposition parties:

If you choose the Labour Party, then your ballot paper will truly be your last will and testament, disposing in your own lifetime of your liberties and your property and condemning your children and your children's children to the living death of Socialist regimentation.

The Opposition Leader, Mr Menzies, undertook in his policy speech to give endowment to first children, to obtain petrol and subsidise it if necessary, to repeal the Bank Nationalisation Act and to amend the Constitution to prevent such future legislation without referendum; to declare the Communist Party subversive, unlawful and dissolved; to uphold White Australia, to enforce defence service, and to reform coal mining. In addition, Mr Fadden, who has joined Mr Menzies, pledged himself to abolish petrol rationing if a Liberal-Country Party Government is returned, a pledge which is certain to have a wide appeal to an important section of electors. "Empty out the Government and fill the bowsters" may be an effective catchcry among motorists who are by no means confined to anti-Labour supporters.

Impressive Record of Progress

Besides all these political issues, which are being debated with much heat and vilification on the hustings, the Chifley Government is able to point to an impressive record of economic progress in Australia achieved in the four years



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since the war ended. It is able to show that unemployment is virtually non-existent, while at the same time there are soaring figures of national production and personal incomes, all factors which affect the individual directly.

This, the Opposition is careful to point out, has not resulted from any inspired policy of the Chifley Government, but from the fortuitous coincidence of its being in office during a period of unprecedented high commodity prices and buoyant markets as a result of conditions generated by the war. But it would indeed be a foolish Government not to claim the major part of the credit for a period of prosperity achieved during its administration. And this Mr Chifley is exploiting to the full.

His policy speech was much more a recital of things done rather than things to do. He showed that the Government had deliberately fostered and encouraged the development of private industry in Australia, the number of factories having increased from 27,000 to more than 37,000 since Labour took office. Since 1938-39, employment in factories had increased from 542,000 to 823,000. Great hydro-electric, water conservation and primary development schemes had been planned by Labour or were actually under way, and the Government had £A743 million of essential public works planned which would be a potent factor in maintaining spending power and employment should Australia again find itself threatened with a depression. Only 1,067 persons were today receiving unemployment relief out of a total labour force of 2,429,000; unemployment in 1938 was 9.3 per cent of total wage earners. Since the war there had been five successive cuts in direct taxation. Today a single person did not become liable to income tax, apart from social service contributions, unless his income exceeded £A500 a year, and a married man with two children did not become liable to tax unless his income exceeded £A827 a year, or nearly £A16 a week.

It might well be, of course, that the electors will want something more specific than a policy based on the past and

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not on the future. Such a policy succeeded in 1946, but it gained no ground for Labour. Since 1946, however, the major issue of bank nationalisation has been raised, but not irrecoverably disposed of, even by the Privy Council's decision. There seems little doubt that public reaction to bank nationalisation was hostile when it was originally announced in August, 1947. Whether it is still so hostile remains to be seen. The Victorian State elections, fought on that issue in November, 1947, resulted in the Cain Labour Government being thrown out of office—which is probably why Mr Chifley and his senior ministers seem to want to regard the bank nationalisation issue as dead, although it has been resuscitated with vigour and frequency by the Opposition.

The progress of the election campaign has disclosed, however, cases in which the leaders have met on common ground on even some of the most controversial issues. For instance, Mr Chifley and Mr Menzies have both stated that if any utility were not being conducted efficiently in the public interest, or were exploiting the public, it should be nationalised. Both the Labour and Opposition Parties also subscribed to the principle of full employment, but they differ in the means of achieving it. And in the extension of social services, the Labour Party has by no means the monopoly, for Mr Menzies himself made it a cardinal point of his policy speech that he would endow the first as well as other children as at present.

New Organisation of Constituencies

The redistribution of electoral seats which became effective for this election seems to have given Labour more "certain" seats than it has given to the Opposition parties. The new organisation of constituencies, which was passed by both Houses of Parliament a few months ago, provides for an increase in the number of seats in the House of Representatives from 75 to 123 (including two without full voting powers) and an increase in the States' representation in the Senate from 36 to 60 members—that is, ten senators for each State. In the old House of Representatives, Labour held 43 seats against 32 held by the Liberal and Country Parties and Independents combined. Labour held 33 seats out of 36 in the Senate (only one half of the senators come up for re-election every three years), but in this election 42 candidates will be elected under a proportional representation system (a preferential system is followed in the House of Representatives), which is an innovation. Under the proportional representation system it is claimed that it is impossible for one party to win more than four Senate seats in any one state.

Mr Nehru Discovers America

[FROM A CORRESPONDENT IN NEW DELHI]

NEHRU'S "discovery" of America is the way in which Indians, and Nehru himself, have referred to his visit to the United States. But no one for a moment supposes that the process of discovery has penetrated very far, or indeed beyond the off-shore rocks and shoals. It was high time that the two-way process should begin, and that real contact should correct a distant and illusioned view. Nehru's visit was, ostensibly, a goodwill mission. These are apt to be written up fulsomely by the press of any country and soon forgotten, the Indian press being no exception. For Nehru, there was goodwill in America pressed down and running over. But from the very beginning comment in India seemed to realise that more than just goodwill would be involved. The American Ambassador had flown home in advance of Nehru; Pandit Nehru was accompanied by Sir Girja Bajpai and by Sir Chintaman Deshmukh, both formerly of the Indian Civil Service, and probably the best political and economic brains, respectively, in India today.

The Prime Minister's programme was so full that there would clearly have been little time for serious talk with

President Truman or his colleagues. But subjects might be started which it would be well to follow up, and this was to be the function of Pandit Nehru's advisers. Three pressing issues were likely to arise—and they did. First, where does India stand in the east-west cold war? Second, what is India's attitude towards recognition of Red China? Third, how far is the US Government prepared to help India, immediately and practically, to solve its economic difficulties, particularly by giving or lending a million tons of grain? The answers to these questions have not, so far, been satisfactory to either party; the further study of their implications will provide the first steps towards the understanding which both countries desire.

Dollars Without Strings

The attitude of the American press has been quoted in India thus: "Nehru wants our dollars, but will not take our side." To this, intelligent opinion in India has replied somewhat as follows: "We understand America's interest in India. Nationalist China is broken, and the western democracies are looking for a stable anti-Communist base in Asia. India is the obvious base. We are stable, we are large and we are not weak. But we are not a great power. We can hold no balance of power in world affairs, nor even mediate effectively in our neighbours' affairs. We see no object in taking sides openly in the cold war. But why worry? Short of taking sides, have we not done everything else to declare our sympathies? We have not been gentle with our own Communists; we have provided ourselves with a democratic constitution; and we are members of the Commonwealth. If you want to rush us into some system of formal military and political alliances, and the leadership of some South-East Asian league of small countries banded together in a declared defensive hostility towards northern aggressors, would that not be inviting, while we should still be collectively weak, the consummation of the very aggression you are hoping to prevent? Mao Tse Tung would then have an excuse for marching openly into Tibet and Indochina, with probable infiltrations into Burma and Malaya. It is no use reminding us of Europe in 1940. Our heads are not in the sand; but international Communism is farther away from us than Hitler was from Holland. There is still time (though not much) for what we consider the better course, in your interests and in our own. Help us to build up our economic strength, and particularly to remedy our shortage of food, the root of all our other economic troubles. It was less dignified than we could have wished to bring out the begging bowl so soon. We are honestly trying to help ourselves by encouraging foreign capital, extending compulsory savings, stimulating exports. But we need your help. A million tons of your surplus wheat, for which we need not pay cash down or by mortgaging our valuable, strategic raw materials, would do the trick. For goodness sake, let your generosity and your commonsense once more overcome your hard-headedness and suspicion. We cannot see eye to eye with you in all things overnight. Rightly or wrongly, socialism, nationalism and humanitarian progress mean more to us, probably, in our present circumstances, than they do to the western nations from whom we imbibed these ideas. If we cannot throw ourselves at once into your arms, we can still be your friends."

Goodwill and Home-Truths

That, by and large, sums up what Indian commentators, with great unanimity, have been saying. There are flaws in the argument of course, and several question marks; but the views are sincerely held. There is no disposition to claim that Nehru's American tour was roses all the way, or that Americans (and Indians) have not been disappointed in some respects, or that American aid is just round the corner. What is rightly claimed is that the visit was, in the context of world affairs, most opportune; that friendship based on honest recognition of differences at the outset is more likely to be firm and enduring, and that scarcely any

other statesman in the world could have exchanged goodwill for home-truths as charmingly as Nehru has done in America.

Since the Prime Minister's return, the Delhi Secretariat has not been working overtime, as might have been expected, to follow up the ideas and subjects which arose in the course of his tour. This is because his deputy, Sardar Patel, had already given them plenty to think about and work on while Nehru was away. Politics went into the background and, as one paper puts it, "a new edge was given to economic decision." The effects of devaluation provided cause enough. Such attention as is given to Pakistan these days is not in connection with Kashmir, but over the price of East Bengal's jute. Export promotion, company law amendment, rationalisation and the right of employers to retrench, the reconciliation of controls with a fair run for private enterprise, economy in government spending, relief of direct taxation and income tax investigation, the integration of States and Union finances—to say nothing of the new Constitution and a session of Parliament which hopes to crowd fifty Bills into eighteen working days—all these are keeping officials busy, practically to the exclusion of the effects of the Prime Minister's tour.

The Commonwealth Conference in Ceylon, in January, will pick up some of the threads, and briefs have to be prepared for that. Mao Tse Tung's glances towards Tibet have stirred some interest, and may suggest conditions for India's recognition of the Chinese Communist Government. The negotiations for exchange of American wheat for Indian manganese and mica are in a sticky patch, but India feels no pressing urgency, fortified by a good harvest and a successful deal for 390,000 tons of Argentine grain. These are about the only echoes of the tour that can be heard today, while other hammers are at work. But the voice of America, and the beginning of mutual understanding and friendship, are beginning to work already, without reverberations, on Indian confidence, as well as on its prejudices—and in ways which may come as a surprise to Pandit Nehru himself. A few days before his return a fellow Socialist remarked that the Government of India seemed to have reorientated their entire economic policy in favour of capitalists; and Nehru, questioned on the point in his first press conference after his return, was equivocal in his reply. Is he perhaps beginning to wonder whether facts are not already overtaking doctrine?

Civil Aviation in Hongkong

[FROM A CORRESPONDENT]

SINCE the Communists took over the greater part of China, the China National Aviation Corporation and the China Air Transport Corporation found themselves faced with the loss of about two-thirds of their routes. They still had, however, an important role to fill in linking up cities in Central China and connecting them with the outer world through Hongkong. With the defection to the Communists of both managing directors and a number of members of the staffs, who took with them ten CNAC planes and two owned by the CATC as well as spare parts and equipment amounting altogether to about £156,000 in value, the two companies suffered an even heavier blow, as they no longer knew whom they could trust. As a result they had no option but to cancel the registrations of their aircraft and to leave them grounded at Kai Tak.

As both concerns are largely Government-owned—the Nationalists having an 80 per cent interest in the CNAC (20 per cent being American interests) and possessing a majority interest in the CATC, which was formerly the Eurasia Air Corporation with a majority of German shareholders and reorganised after the last war—the Communists, who now regard themselves as the Government of China, consider themselves the legitimate owners of the 84 aircraft in Kai Tak. The Governor of Hongkong, however, has considered the matter of sufficient importance to issue a statement explaining that as long as the British Government has not

extended full diplomatic recognition to the People's Republic none of the aircraft will be given clearance to fly into Communist territory. In any case, they will have to be re-registered and flight schedules will have to be negotiated on an individual basis before they can be flown out of the Colony.

In the meantime, not only China but also Hongkong are suffering from the cancellation of the CNAC and CATC flights. They had spread such an efficient network of flights into the remotest parts of this vast country that not only Chungking but also Kunming and other towns are feeling the deprivation.

Second Airfield Needed

In the course of his recent visit to Hongkong Mr Rees-Williams, Parliamentary Under-Secretary of State for the Colonies, found time to visit the airport at Kai Tak, which stands on the Kowloon side to the east of the harbour. He was surprised at the amount of traffic handled, and he stated that he would press for the development of the new site at Deep Bay in the New Territories at the western end of the Colony. The importance where Hongkong is concerned of an early decision by the British authorities for work to proceed on the new site cannot be over-estimated. No matter how quickly the work may be carried through, it cannot be completed for at least two years and aviation developments are not likely to stand still during that period—to which must be added that the recognition of the Communist Government will most certainly bring increased air traffic through Hongkong. The fear that Hongkong may be side-tracked as a result of the use of larger aircraft has already been fulfilled in at least two cases: one important line from Scandinavia has had to make Bangkok its terminus, with a connection to Hongkong by smaller types of aircraft because Kai Tak airfield does not offer facilities for the larger ones now coming into use; in the same way the large stratocruisers used by an American line stop at Tokyo, using smaller planes as a link with the Colony. Even the new BOAC Canadair aircraft can at present only use the airfield up to a capacity of 74,000 lb., although it is hoped that as a result of the resurfacing of runways the weight will be increased to 80,000 lb.

As far as air traffic goes Kai Tak comes second in the British Empire and third where world aviation is concerned, and this position has been attained in the last three years in spite of handicaps imposed by the inadequacy of the airfield's size and the dangers from down draughts over the runways caused by the high hills surrounding it. The claim that Kai Tak is one of the three largest civil air bases in the world is justified by the figures for the past ten months issued by the Hongkong Civil Aviation Department, which show that from January to the end of October 23,675 aircraft used the airfield, comprising ten different nationalities and carrying between them 298,766 passengers, 287,485 kilograms of mail and 5,253,692 kilograms of freight—a daily average of 78 aircraft, 983 passengers, 945.6 kilos mail and 17,281 kilos freight. This is not a bad showing compared with the daily number of movements at London airport for the twelve months ending July last, which averaged 89. In October, which started with record figures but fell off after the taking of Canton by the Communists, 2,337 aircraft used the airfield, carrying 26,523 passengers and 27,061 kilos of mail and 1,366,185 kilos of freight.

With the present large air force in Hongkong, the airfield has often been hard put to it to arrange matters satisfactorily for the aircraft using its two runways; frequent comment is made by travellers as to the speed and efficiency with which such formalities as are required by the immigration, customs and medical departments are complied with. It is a matter of pride to all concerned with Kai Tak that accidents to civil aircraft have been reduced to a minimum, notwithstanding that the port is subject to high winds and fogs at certain times of the year which make landings particularly hazardous.

Infra-red Photography

Astronomers today are able to photograph stars invisible to the eye, pilots can take aerial photographs through fog and haze, and detectives are able to expose forgeries of anything from bank notes to Old Masters—all by means of modern infra-red photography. Although infra-red rays are similar to the radiations which we call visible light, they cannot be seen by the human eye. Nevertheless, photographic plates can be made sensitive to these rays by treatment with certain dyes. These plates can then be used to photograph objects that are invisible. A boiling kettle, for example, can be photographed in complete darkness because of the infra-red rays which it emits. Infra-red rays can also be used to photograph distant landscapes or stars because they can penetrate the atmospheric haze which scatters normal light.

The first crude forerunner of the infra-red photograph was made just over a century ago by Sir John Herschel. He exposed to the sun's rays a piece of blackened paper, the reverse of which had been moistened with alcohol. But during the decade following the end of the first world war investigations by W. J. Pope and W. H. Mills and their collaborators at Cambridge contributed greatly to the systematic study and preparation of infra-red sensitising dyes.



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THE BUSINESS WORLD

Conversion and Monetary Policy

THE Government's conversion offer, announced at the end of last week, to holders of the maturing $1\frac{1}{4}$ per cent Exchequer Bonds has a significance extending much beyond the limited and professional circle of investors to whom it is primarily addressed. Rightly construed, this operation should set at rest many recent questionings about the role which monetary techniques are intended to play in the Government's economic policy as a whole.

The offer itself is simple and straightforward. During the seven business days up to and including Monday next, holders of the £787 million of $1\frac{1}{4}$ per cent Exchequer Bonds maturing on February 15, 1950 have the right to convert at par into a new $2\frac{1}{4}$ per cent Exchequer Stock redeemable exactly five years after that date. The significance of this operation lies, in fact, precisely in its straightforwardness. Among the various alternatives open to the authorities, an operation of this type was the only one which promised hardly any disturbance of the existing investment pattern. Indeed, if the authorities wished to avoid disturbance, they had scarcely any choice but to offer a "money market" security of this character. On the one hand, mere repayment of the maturing bonds out of the proceeds of additional floating debt borrowings from the banking system would have increased the Government's difficulties in dealing with future maturities and would also have been condemned as a relapse into a lax monetary policy reminiscent of 1946. On the other hand, recourse to a funding issue of medium or long dated stock would scarcely have been feasible in the present distinctly shaky state of the gilt-edged market's convalescence and would, in any case, have necessitated a yield basis involving much loss of face for the exponents of cheap money. Between these two extremes there lay only the limited range of "money market" securities. Within this range, the authorities could conceivably have contemplated the two-year bond which some City circles had been discussing; but to borrow as short as this would have involved an "unfunding" only one stage less objectionable than repayment by floating debt, and would have been construed as an admission of defeat. Each of these alternatives, it will be seen, would have involved a distortion of the existing equilibrium, such as it is, between money and securities. Once they had all been ruled out, there remained—as suggested in these columns a fortnight ago—only a security with a life of about five years.

In making its choice within this narrow range, the Treasury has wisely heeded the strongly held view in the money market that, for an issue of this character, a single redemption date is greatly to be preferred to the "spread" of dates which had become the rule (and from which, indeed, the maturing bonds were the only exception). The result is a bond which will mature in the only proximate year—except 1952, when the £1,911 million of $3\frac{1}{2}$ per cent War Loan becomes optionally redeemable—which previously had no compulsory maturity. By

issuing a short-dated security the authorities will minimise both the proportion of the maturing bonds which they will have to repay in cash and the amount of credit expansion which the operation may involve. This follows from the fact that a high proportion of the Exchequer Bonds is held by institutional investors who would be prepared—and may even be anxious—to exchange into the new security.

Of the total of £787 million, fully half was probably already held by official agencies before the conversion was announced, while the bulk of the remainder was in the hands of the banks, discount houses and other financial institutions. Among these, only the discount market is unlikely to convert the greater part of its holding. Although a five-year bond is technically a "money market" security, it is virtually the longest permissible date for the discount houses, and it would be undesirable for them to carry any substantial proportion of their portfolios in this form. Thus, although Lombard Street's holdings of the Exchequer Bonds had been reduced substantially in recent months—to a total of perhaps £80 million or so—only a part of them is likely to be converted. The unconverted portion, which will be repaid in cash, will not, however, involve any credit inflation. In effect, the repayment will simply mean that the discount houses will be carrying more bills and fewer bonds. A similar switching of banking portfolios would also occur if, and to the extent that, the banks abstain from converting. From this it follows that the only net creation of credit which this operation may involve will arise from the marginal sums which may be needed to repay unconverted bonds held outside the circle of financial institutions.

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In each of these ways, therefore, the operation proves to be a strictly "neutral" act of monetary policy. Moreover the authorities have been careful to ensure that this neutrality extended to the precise terms of the issue. Just before the Chancellor's announcement, the $2\frac{1}{4}$ per cent National War Bonds, 1954-56, which are the nearest comparable security, stood at $101\frac{1}{2}$, and at that level returned £2 4s. 11d. per cent to their earliest date (3 months short of five years) and £2 6s. 4d. to the latest date. The indicated yield for a five-year bond was thus one penny or so above $2\frac{1}{4}$ per cent—and the sacrifice of this tiny fraction was plainly a negligible price to pay for the advantage of a single-dated security. In other words, the terms were strictly in line with the market.

Needless to say, many people have not been slow to point out that these same terms would have been strikingly above the market had the issue been made three weeks ago. On November 10th, at the moment of worst demoralisation, the 1954-56 Bonds stood a fraction below par, and their yield to the earliest date was rather more than $2\frac{1}{4}$ per cent. The difference between that situation and last week's is very largely due to the intervention of the Chancellor and his "creature," and is the

measure of his success in sending the bears scurrying for cover. For all that, responsible City observers are not disposed to draw from this sequence of events the same conclusions as were rightly drawn when apparently comparable tactics were employed by Dr Dalton. The renewed weakness in the medium and long-term market this week derives partly from a feeling that the Chancellor has now shot his bolt, and also reflects doubts about the reasonableness of the flattering yield basis produced by the bear covering. Second thoughts are now giving place to third thoughts. But, despite this scepticism about the current level, it is generally conceded that the fall in early November was overdone, almost to the point of demoralisation, and that the authorities acted sensibly and rightly in intervening. The City bears no grievance against the Chancellor for the $\frac{1}{4}$ per cent or so which has, in effect, been lopped off the yield of the new bonds by City activities—though tolerance on this occasion doubtless owes much to the fact that end-year balance sheets can now be contemplated without the terrors which confronted institutional investors a few weeks ago.

Even so, it is questionable whether City comment would have been as lenient if the rise in gilt-edged on the eve of the conversion really had been engineered by the methods of three years ago. In other words, if the Government broker had bought aggressively in an obvious attempt to resist the major trend of the market—or even if, without necessarily buying heavily, he had followed the market upwards in his dealings—the tactics would rightly have been condemned as rash and inflationary and even, given the imminence of the conversion, as dishonest. But, in fact, the authorities did neither of these things; they merely timed their momentary and modest intervention to ensure that the bears were given a push at the psychological moment, in the knowledge that, given the narrowness of the market, mere speculative covering would do all that was necessary. The fact that any intervention in the market necessarily involves a corresponding creation of credit does not mean that it ought never to take place. The authorities cannot be denied the right to “manage” the gilt-edged market in a technical sense; and the test of the quality of their management is whether it is conducted with restraint and whether it stops short of the point at which artificial conditions are created by efforts to swim against the tide. By these standards, official policy for some time past has been almost blameless. The only real lapse, which has caused much raising of eyebrows in the City, has been perpetrated by Sir Stafford Cripps himself, in his

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remarks a fortnight ago at Bristol—remarks since echoed by Mr Douglas Jay and all too reminiscent of Daltonian efforts to “talk” the market higher.

With this one exception, all the recent evidence suggests a determination to follow a circumspect monetary policy. The lesson to be drawn from the terms of this conversion operation, and from the preparatory methods of the previous few weeks, is that the Government's intentions in this sphere have altered much less than many people were beginning to suspect. At least until last month's intervention, every observer of the monetary scene was impressed by the contrast between the monetary policy of the past two years (and especially of the past twelve months) and that of the Dalton phase. In that phase, monetary policy was a blatantly active influence, aggressively working against the avowed objectives of economic policy in its wider sense by rashly creating credit in the hope of forcing an unnatural reduction in interest rates. By contrast, in the past two years, especially in the past six months, the drift of gilt-edged values has been steadily downwards, and yet the authorities have made no perceptible effort to stem the decline.

Especially after the long-term interest rate had broken through the $3\frac{1}{2}$ per cent resistance point and began to rise towards 4 per cent—carrying it to levels beyond even the prewar normal range of “cheap money”—the continued inertia of the Government broker led many people to wonder whether the authorities were not becoming converted to the view that rising interest rates could impose a valuable discipline to supplement their physical controls. If this had indeed been the official view, it might even have been expected that, sooner or later, the whole structure of interest rates would be brought into line with the higher yields on gilt-edged. In itself, the fact of the Government's intervention last month was not sufficient to rule out such possibilities—because it was so restrained, and because it was clearly designed to correct the extremes of technical weakness in the market. But, in conjunction with other evidence—such as the Chancellor's refusal to alter the lending rates of the Public Works Loans Board and his decision that “there is no advantage to be gained” from a rise in short money rates—it is clear that rising gilt-edged yields, though they may have been tolerated, are still regarded as undesirable. On the other hand, there is no sign whatever that the authorities are slipping back into a Daltonian frame of mind. However much they may dislike the downward trend of the gilt-edged market, they now know that it can be dangerous to offer any large resistance to this trend.

The timing and form of this latest conversion, as well as the absence of any aggressive effort to check this week's relapse, are the final proofs that this is indeed the shape of official policy. While there is no longer any danger of a strongly negative policy such as Dr Dalton pursued, there is equally no hope of the strongly positive monetary policy which could powerfully reinforce—and even progressively supersede—the instruments of physical control. The aims of monetary policy, in short, are strictly neutral. Marketwise, this means that the degree of underlying pressure upon gilt-edged will be determined, not by monetary devices, but by the extent to which the various economy measures are inadequate to achieve a true disinflationary equilibrium. And, superimposed upon whatever underlying pressure is thus generated, there will remain the risk of sudden “liquidity” crises such as that which followed the devaluation.

Future for Films

NO cure-all for the ills of the British film industry was to be expected from the report, published this week, of the Plant Committee.* The committee has done what was required of it—

to consider, against the background of the general economic situation in the film industry, the arrangements at present in operation for the distribution of films to exhibitors and their exhibition to the public in the commercial cinemas, and to make recommendations.

In doing so it has also enabled the economic state of the industry to be seen in its relation to the state of the British economy as a whole; this is a great service, and something of a novelty.

Public attention tends to be concentrated on the producing end of the film trade. A week ago the report of the Gater Working Party showed that in the organisation and method of film production in the British studios, all is far from well; but it left little doubt (and the same suggestion is an underlying assumption of the Plant Report) that the producing end is also weak in its revenue-earning position and in its bargaining relationship to the distributing and exhibiting sections, to an extent which an internal reorganisation of production itself would be unlikely fully to correct. How, then, can production be put on its feet? By giving it a bigger share at the expense of the middleman? Certain recommendations of the committee tend in that direction. By reducing taxation? This the committee supports; but taxation can be reduced only at the expense of something else, and the proposal therefore concerns fiscal policy in general. By increasing the total earnings of the trade? This, again, is a general question, since what is spent additionally on films will be diverted from some other outlet. But further, in urging an expansive course, the committee uncovers some of the factors which restrict and depress the trade; and it is illuminating to note how far these correspond to general tendencies at work in the British economy as a whole.

The circuit system, together with the degree of vertical integration of the film industry, was inevitably a first candidate for attention. As the report points out, nearly a third of the 4,800 cinemas in the United Kingdom

* *Distribution and Exhibition of Cinematograph Films*, H.M.S.O., 1s. 3d. Lord Portal, the first chairman of the committee of inquiry appointed by the President of the Board of Trade, died on May 6th, and Sir Arnold Plant succeeded him as chairman.

are owned by companies which control not less than 20 each; and 974 of these are controlled by two groups which have also their own distributing companies, their own film producing companies, and their own studio space. The groups are the J. Arthur Rank Organisation (310 cinemas in the Odeon circuit and 414 in the Gaumont-British; the group also extends further into film processing and the production and sale of film-making equipment and cinema equipment) and the Associated British Picture Corporation (414 cinemas in the ABC circuit). These figures do not express the real power of the circuits, which is based largely on their control of the big cinemas. The three circuits own a third of the aggregate seating capacity, and the average capacity of their halls is 1,481 seats—double the average size of all the rest. They own 71 per cent of all cinemas with more than 1,500 seats; these are the “first run” halls which can charge the higher prices, and any distributor seeking to put a film on the market must therefore come to terms with one of the three circuits. It is the entrenched habits of the distributing and exhibiting trades which give the big groups their important place in the question. The report shows that these entrenched habits work in a restrictive and uneconomic way; and the power of the big circuits aggravates their effect.

The “barring” system is one example. Under this long-established custom a cinema which hires a film can make a condition to bar the showing of the same film in a competing house at the same time or immediately afterwards. Thus the competing house may not even announce the film as “coming shortly” so long as the prior run is on. Commercially the practice is defensible, and the report defends it, with a qualification:

The practice should, however, so operate as always to ensure that the cinema owners pay the best price they can for the best films and that exhibition is not unreasonably delayed or restricted.

But it is precisely these conditions which existing custom fails to observe. The “competitive” areas are often too large, and in country districts “they frequently embrace several small towns between which transport services are infrequent and so costly as to make a visit to see the film impracticable for many people.” Although the bar remains in force for only a fortnight in theory, the neighbouring cinemas often do not get a copy until



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the public has forgotten about the film. Thus the producer, as well as the smaller exhibitor, loses revenue. Finally, it is not always the largest cinema, or the one with the highest earning-power, or the most appropriate cinema, which gets the first offer of a film:

That is due to the bargaining power of the circuits, which are strong enough to require that some of their smaller or less suitable halls shall take precedence over larger or better ones in the same district as their condition for booking a picture at all.

Here again, the producer and the trade as a whole lose revenue; only the exhibiting circuit gains.

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The committee does not propose to demolish the circuits or dismember the vertical groups. It did consider such proposals, but felt that the present objectionable practices would quite possibly survive the demise of the circuits. Individual cinemas "in certain monopoly situations" ought, perhaps, to be detached from the circuits, and an inquiry by an independent body is recommended into this question. (This independent body would also have other duties.) But more weight is put on a series of arrangements which are proposed to create in each "competitive" district a competitive situation. The essence of these new arrangements is that in each district the renter would be obliged to offer a film to all the houses able to bid for it, and would be obliged to accept the most remunerative offer. Class distinctions would clearly have to be made between houses capable of bidding for a pre-release run, ordinary first-run houses, "A" and "B" houses—each according to size, prices, and box-office record. The novelty would be that an independent cinema could, if its earning power was higher, displace a circuit cinema in the competition for the prior run of a film which both were anxious to obtain.

This is representative of the committee's proposals, which express one fundamental contention:

The introduction of more active competitive trading at each stage of the process of film distribution and exhibition is an essential condition for any real revival of prosperity in the industry.

With this thesis constantly in mind, the committee has produced suggestions to serve three general purposes. The first of these is to increase the total box-office yield. The changes in booking methods already outlined are designed to bring each film to its best commercial outlet, and thereby "to stimulate and satisfy public demand."

The second purpose might have been expected to be to increase the share of the net box-office yield which goes back to the producer. But the committee has decided that the exhibitors—even after the reforms suggested—could not sustain a marked increase in their percentage payments for film hire; here, therefore, the committee set itself a different objective:

We have applied ourselves to the task of formulating proposals which will in our opinion make the payments by the exhibitor to the distributor for each and every film, whether a first or second feature or a short, more closely commensurate with its full potential value to the public.

Clearly the reintroduction of competitive bidding would go some way to secure this. To reinforce it, the committee suggests that the maximum of 50 per cent for film hire, maintained by the members of the Cinematograph Exhibitors' Association after their trials with

Gone with the Wind, should go. The committee is probably right in regarding this as a restraint of trade; but the exhibitors are themselves faced with many such restraints, and the abandonment of this one ought to be conditional on removal of the others. The report contends that exhibitors, while they pay less than full value for a really first-rate film, pay more than they should for the inferior films. If both practices could be cleared away, it hopes that features and supporting films would begin to get something equivalent to what each one is worth. The next proposal appears to follow from this: distributors should be prohibited from making the hire of one film (which the exhibitor wants) conditional on hiring another film (which he may not want). But here one of the members, Mr J. H. Lawrie, makes a reservation: this proposal would in his view add to the already formidable discouragement of new entrants and experimenters in film production.

The third purpose is to reduce distribution charges. The distributors keep on an average 25 per cent of their gross receipts from first-feature films: that is, in 1948 the exhibitors paid £10 million in film hire for British first features, the renters kept £2,500,000 out of this, and £7,500,000 was left for the producers. This, the report suggests, is in general too much. It is also not spread in a reasonable way; some films sell themselves easily, while others require an effort; the producer ought to be rewarded for making a film which sells itself, and the renter ought to be rewarded for a successful sales effort. Various measures are suggested for giving the producer greater control over the distribution of his product, a voice in the sales budget, and elementary information which would help him to assure himself of fair treatment. And it is suggested that a distributor's charge of 15 per cent, "after the deduction of disbursements," is enough on a film of average merit; for exceptionally successful films the renter might reasonably get as little as 10 per cent.

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If these proposals are considered side by side, it is not difficult to see that most of them relate to the same general condition. The film trade, though it is not an old industry, appears as one of those industries which have already taken on a settled, rigid, and in some ways uneconomic set of habits. Distribution has assumed a fixed pattern which does not adapt itself to the individual possibilities of the films which it has to handle. The dealings between exhibitors and distributors take too little account of the potential earning power of each exhibiting unit; they also allow too little room for the exercise of the retailer's proper function, which should be to judge the taste of his customers and to back his judgment. In the practice of the trade, public taste has to an astonishing extent come to be disregarded. In consequence, public demand is not "stimulated and satisfied," and the net earnings are neither as great as they might be, nor as closely related as they might be to the potential earning capacity of each film.

In certain ways Government policy towards the industry has aggravated this tendency to pay less and less attention to the consumer. The high quota is one example. The committee is not concerned primarily with the quota, but it observes:

The quota requirement is high in relation to the output of British first feature films, and most exhibitors find them-

selves compelled to book almost all the British films, good, bad and indifferent, which are offered to them, if they are to comply with their statutory obligations. The public is not, however, compelled to go and see them, and box-office takings record their discrimination.

Demand for many commodities today in the British home market is inelastic; the goods are scarce, and if they come up to a reasonable minimum standard of serviceability they will be bought. This will go on so long as inflation persists. But it does not fully apply to the film industry; people can stay at home.

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The present restriction of the number of copies made of each film is an excellent example of how an industry of this kind is not stimulated. An economy in film stock was enforced by the Board of Trade during the war; the number of copies made of each film was cut down, the number of concurrent showings reduced, and the exhibiting life of each film extended. After the war the rationing was officially ended—but the Board of Trade stipulated a continued thrift in the use of film stock. As a result, 35 or 40 copies of an average film are made today, while (the committee points out) 100 was not an unusual figure before the war.

As a consequence, an arbitrary and unbusinesslike limit has been placed on the number of concurrent showings of a film at the time when public interest in it is at its peak. We have had evidence that exhibitors trying to book a film have met with the reply that no copy was available. . . . Producers' receipts are both delayed and smaller in total. It is for this reason that the London general release area is today divided into three districts; the north-west gets "first-run" showings in one week, the north-east in the second, the south in the third.

The film industry is too heavily taxed; this the committee states firmly. Perhaps, however, it is worth remarking that not merely the film industry but the whole national economy is too heavily taxed. Entertainments Duty takes 36 per cent of the gross revenue of the

cinemas. This does not impede the supply of imported films. But home-produced films depend substantially on their earnings in the British home market, and this puts them at a disadvantage:

If the number of first feature films exhibited were 210, the average return to the producers would be £89,200; if 300 films, it would be £62,500. On either assumption, the average cost of production cannot be recouped at present from the cinemas in Great Britain.

High taxation is one cause of this. But it is also worth noting that the Government has used its influence to discourage any increase in the price of seats, and the tax is so graded as to make price increases unrewarding.

What, then, is to be done? The committee suggests not a direct subsidy to production, but a reduction of tax; if, it contends, the restraints of trade could be removed and competition fostered, the benefits would distribute themselves. As to imported films, the relief of Entertainments Duty could be offset by an import duty of equivalent yield.

The committee has been concerned with the film industry alone, and all its proposals arise from one assumption: that "it is an accepted aim of national policy" to make possible a certain level of British film production. Plenty of Government pronouncements have suggested that this is, indeed, the policy. The difficulty arises when an attempt is made to relate this policy to the trend in national economic affairs as a whole. There are other national policies, of a different tenor. A high level of sumptuary taxation is one feature of national policy. The restriction of prices by artificial means is another. The committee attacks both of these. It attacks restraints of trade. It urges freer competition, better rewards for successful enterprise, and heavier penalties for failure. Most shocking of all, it seeks openly to devise means for making the consumers' taste the final arbiter of failure or success in business. To concede these things for one industry would indeed be a breach in the dyke.

Business Notes

Dollar Incentives

The President of the Board of Trade attracted much public attention on returning to this country by his remarks about incentives to dollar exporters. His references to the Dutch scheme, whereby 10 per cent of dollar earnings may be retained by exporters, suggested at least the possibility that Mr Wilson had been persuaded by his observations in the United States that such a scheme would assist dollar exports from this country. On Thursday, he disclosed that no scheme was at present under consideration by the Government, but that the Dollar Exports Board was reviewing "all possible incentives" and that its views would be received with "a very open mind."

That the Government should be prepared to spare any time for the consideration of incentive schemes is, perhaps, a mark in its favour—though the Chancellor of the Exchequer also put forward on Thursday the astonishing proposition that he was tired of arguments which called for "bribes" (that is, incentive payments) to people whose plain duty was to do what the Government told them, irrespective of sordid economic considerations. It is an objection difficult to square with tax-free payments to informers about infractions of the exchange controls. But there are wider questions about specific incentives to dollar exporters. The Government earlier this year examined proposals of this kind, but rejected them on the ground that the prospective

increase in dollar earnings would not justify the administrative complications which would be involved. Mr Wilson suggested that they would be particularly difficult to operate "in the particular circumstances of this country"—which presumably means that they would fall foul of the doctrine of "fair shares," among other things.

More fundamental issues, however, are at stake than this nonsensical addiction to absolute equality. Why are specific incentives needed for dollar exporters? Surely, because the whole direction of economic policy still makes it too easy to get a comfortable living in the home market and the sterling area. Dollar incentives—whether in the form of 10 per cent of the dollar proceeds, or dollar food for workers and nylons for their wives—are simply an admission that an economy burdened with inflation at home (and in the sterling area) and shackled by suppressed prices and suppressed exchange movements, is incapable of producing the shifts of manpower, production and selling effort which the dollar shortage obviously calls for. It is an attempt to introduce a spurious "flexibility" into a system which itself becomes increasingly inflexible. As for the administrative complications, they would be legion. How does a firm which happens to be at the dollar exporting stage share the 10 per cent (if that is the right proportion) among its own workers and—no less important—among its suppliers? Or do the latter get their incentive in the form of higher sterling prices for their contribu-

tion towards dollar exports? If that step is conceded, surely the argument comes full circle in favour of more flexible economy in which relative prices and wages again have significance, and in which such neo-Schachtian devices as special dollar incentives would be dismissed in a howl of laughter.

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Development Councils and the Law

The deterioration in the Government's relations with certain industries over the setting up of development councils has been growing more marked for some time; and the wool textile industry, which has been the most open and the best-organised opponent, took a step last week which can only mark the opening of a new phase in the question. In a letter addressed on its behalf to the Board of Trade, the Wool Textile Delegation made known its intention of taking action in the courts to test the legality of the Government's actions. Precisely which actions are in question—and whether they are actions already taken or merely intended—has not been made known, and comment on the substance of the matter would in any case, perhaps, not be proper at this stage. But two things are clear. One is that the Wool Textile Delegation has taken a serious step which removes any possible doubt of its refusal to fall in with the Government's wishes. The second is that the development council timetable has, in consequence, been suddenly upset. The order to set up the development council for the wool textile industry was to have been debated in the Commons on Thursday; and the debate was postponed. It may be supposed that the Board of Trade is seeking advice before deciding whether or not to proceed further in Parliament before the legal issue is settled.

Following this news, it has become known that one of the organisations in the clothing industry has decided to take steps to test the legality of the Government's actions so far as the development council for the clothing industry is concerned. This presents the Board of Trade with a somewhat different problem. The order for the clothing industry has already been approved by Parliament, and the President of the Board of Trade should, in the normal way, announce the membership of this council by January 1st. Presumably, therefore, he now has to decide whether the institution (or, rather, the threat) of legal proceedings requires him—or even entitles him—to postpone the discharge of his obligations.

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Banking in South Africa

The large changes in economic conditions in South Africa during the past year or so have left a marked imprint upon the balance sheet of Barclays Bank (D. C. and O.), roughly one-half of whose business is transacted with or within the Union. The large deflation of the banking structure in South Africa, and especially the running-down of the Union's London balances, are clearly reflected in a sharp contraction in the bank's deposits. In the year to September 30th, these fell from £387 million to £341 million, their first significant fall since the bank's formation in 1925. Among the bank's assets, the counterpart of this contraction is mainly to be found in its cash holdings, which dropped by £40 million—or by slightly less than the decline in its balance with the South African Reserve Bank.

Despite the declining trend of deposits, the year has been one of intense banking activity, principally because of the successive drives by South African importers to secure the maximum of supplies before import restrictions took effect. Thus the bank's advances have not merely been maintained at the high level reached in 1947/48, but have actually risen by a further £2,000,000 to £106 million, or appreciably more than twice the level at which they stood three years ago. Deposits, by contrast, are now some £10 million below their

1946 level, so that over these three years the advances ratio has risen from 14 to nearly 31 per cent. Thanks to this activity—which also extended to the bank's business in bills, despite the small decline shown in the portfolio at the balance sheet date—profits have risen further, though at a slower rate than in 1947/48.

In his annual statement published with the accounts, the chairman, Mr Julian S. Crossley, emphasises the inevitability of the emergency measures which South Africa has lately had to take. He considers, however, that the improvement in the Union's terms of trade which devaluation has brought about will give a significant relief. Although restrictions on dollar imports may have to be maintained for a time, "it seems certain that South Africa should, in the near future, be able to restore her sterling resources to a figure which will permit of normal imports from the United Kingdom." This is a more cautious view than has been apparent in certain recent press reports from the Union; even so, it seems to presuppose a continued inflow of capital from Britain.

* * *

Higher Railway Charges

The debate on Thursday of last week on the first report of the British Transport Commission was hardly more successful than the debate on the Coal Board's report as an essay in the working out of a technique of public audit of nationalised industries. It was inevitably concerned more directly with the Commission's application for increased charges on freight traffic, of which an account was given in last week's issue. The Minister of Transport praised the work of the Commission in 1948 and the excellence of its report and accounts; he outlined the conciliation machinery which has been set up. The rest of his speech was almost entirely concerned with charges.

Mr Barnes denied that he appeared as the apologist of the Commission. But he certainly acted as a very sympathetic interpreter of an application on which he has to give judgment. The flat increase of one-sixth in present freight charges is an emergency measure which has no connection with the charges schemes which the Commission has the duty of preparing. On these schemes, Mr Barnes added little to the information in the Commission's report; the general principles which have been worked out on conditions of carriage and standard mileage will soon be made known, but the major tasks of classification of goods and schedules of rates have yet to be tackled.

The Minister very properly dismissed the idea of a subsidy as a temporary way out of the railways' difficulties:—

I do not consider that this House should influence the industry to assume that its problems can be transferred from the industry to the taxpayer.

To be quite fair to the Commission, such suggestions came almost entirely from back-bench supporters of the Government, not from the industry, as Mr Barnes was ready to recognise. But he would have none of the argument that the deficit confronting the railways was due in any degree to inefficiency. Every test, he claimed, proved the contrary, but the tests he quoted were confined to examples of rising costs cited in the 1948 report.

Silence on the "C" licensed vehicle was not the least of the omissions in a speech designed to put a fair complexion on the work of the Commission and to deal in a receptive manner with its claims for increased charges. This is far from encouraging. The members of the Transport Tribunal will be sitting in private early in the New Year to hear the contentions of bodies affected by the proposed increases. There will be no occasion then for an examination of the efficiency of the Commission or of the railways. Their report will be purely advisory on the merits of the application alone. Its consequential effects will be far from negligible—is. to

4s. on a ton of coal according to distance hauled, and about 5s. on a ton of crude steel. Here is a problem of major public interest. Who is to act as the custodian of that interest? Not, on last week's showing, the Minister of Transport.

Industry and Trade

Coal Output and Finance

Coal output rose again last week, and the total of 4,572,100 tons was the highest recorded this year; deep-mined output rose by 86,000 tons to 4,355,000 tons, and opencast production increased by 20,000 tons. The cumulative total from both sources for the first 48 weeks of 1949 is 198,778,300 tons, and a reasonable chance now appears of reaching the lower of the two target figures for the year (215 and 220 million tons) which were mentioned in the *Economic Survey*.

The quarterly statistical statement of the National Coal Board for the third quarter of 1949 shows something of the course of the board's financial affairs during the year. The surplus for the quarter, after allowing for interest and interim income to coalowners, and after deducting £650,000 for estimated liability for profits tax, was £2,350,235. This is £141,500 less than in the second quarter of this year, but since operations in the third quarter are considerably more disturbed by holidays it is by no means an unsatisfactory result. The third quarter of 1948, by contrast, showed a deficit of £373,000.

Perhaps the key figure at which industry will look is the cost of producing a ton of coal. This rose by nearly 4½d. as against the second quarter (from 45s. 2.2d. to 45s. 6.6d.); and it was nearly 1s. higher than in the first quarter of the year. It was still, however, below the level of the third and fourth quarters of last year, and it can be blamed on the

holidays. It is still possible that, when the figures for the full year are available, it will appear that the general trend of coal costs is now slightly downward. Proceeds per ton in the third quarter, at 48s. 2.8d., were higher than in the second quarter, and 6.7d. higher than in the third quarter of 1948. This the board attributes "partly to the price adjustments introduced in May, 1949, and partly to improvements in coal preparation resulting in the marketing of better qualities of coal."

In commenting on the statistics, the board draws attention to two "substantial provisions" which have not yet appeared in the accounts, but which "may yet prove to be necessary." The first of these is a possible increase in liability for workmen's compensation cases arising before July, 1948; it appears to turn on the question whether the five-day week constitutes in law a "change in rates of remuneration." The second possible liability will be of interest to many industrial enterprises: it is for a "taxation reserve" to cover the initial tax allowance for depreciation. This, as the board points out, has reduced current liabilities for taxation, but will add to future liabilities.

* * *

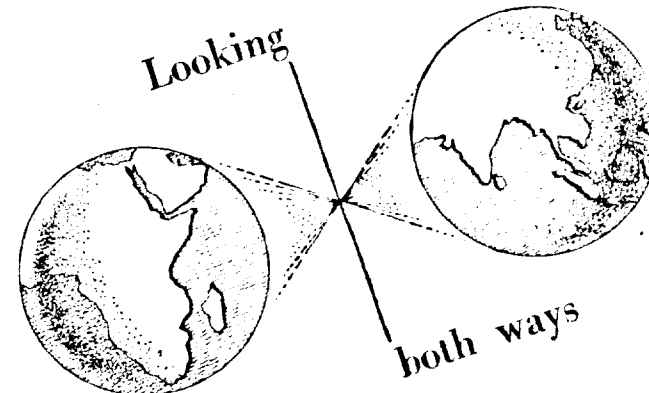
Fall in Free Sterling

The decline in the quotations for transferable and bilateral account sterling, which began very soon after the first surprise that the new official rate had been fixed as low as \$2.80 had been overcome, has gathered momentum in the past fortnight. The discounts now prevailing look distinctly threatening. As these discounts widen, third country trade in a growing range of goods and commodities becomes possible. Estimates from New York suggesting that sales of "cheap" sterling there amount to £125,000 a day or more (against £250,000 a day before devaluation) may or may not

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measure the volume of such trade with fair accuracy. But arithmetic apart, there can be little doubt that free sterling rates have fallen to a level where interest in commodity shunting has quickened, and the risk of losing dollars to third countries has increased. The table below gives recent movements in free sterling:—

FREE STERLING IN NEW YORK						
Dollars per £						
Type of Sterling	November 11th		November 29th		December 6th	
	Price \$	Discount(a) %	Price \$	Discount(a) %	Price \$	Discount(a) %
Accounts:—						
French	2.60-2.63	7	2.55-2.60	8	2.45-2.50	12
Belgian	2.61-2.64	6	2.53-2.55	10	2.44-2.47	12
Dutch	2.70-2.75	3	2.73-2.76	2	2.73-2.76	2
Chinese	2.60-2.64	7	2.50-2.55	10	2.43-2.46	13
	2.60-2.63	7	2.50-2.55	10	2.42-2.55	10

(a) Based on middle prices.

The first quotations after devaluation were around \$2.75; October saw a decline to around \$2.62 with a few quotations in one or two centres down to little more than \$2.50. The new and much more serious decline set in during the second half of November; by Wednesday of this week Dutch account sterling had fallen a further 3 cents to \$2.40-\$2.43. This discount is now fully 14 per cent compared with about 25 per cent during the summer months when the existence of the free sterling market was an important factor both in the decision to devalue and in the choice of the new rate. If, indeed, it is true that daily sales of “cheap” sterling now run well into six figures, the Chancellor of the Exchequer might surely seek reasons other than the mere assertion that “if people in this country did not go out of their way to deery sterling it would be all right.”

Freight Market Recovery

Freight rates in the tramp shipping market are beginning to revive. Many factors often combine to produce renewed activity at the turn of the year, but it is generally the chartering of new season grain in the Southern Hemisphere which affects most of the world's trade routes. In this respect the River Plate chartering market has once again provided the key to tramp freight rates. Outward chartering from the Plate, which has been stagnant for longer than usual, showed signs of activity in the last week of November, when a ship was chartered for the Continent, December loading, at 33s. 6d. The next ship for similar business obtained 35s., and current rates for January loading are in the neighbourhood of 42s. For vessels available in the first three months of 1950, the prospects are that rates will harden further, since shipments of maize, which have been held up by the Argentine authorities since October, will begin to flow according to agreements with (amongst others) France, Italy and Britain. Argentina has also entered into contracts with India and Japan to exchange commodities, and shipment of these will begin early next year.

The improved prospects of homeward employment have naturally been reflected in a fall in outward rates for coal to the Plate, which have declined several shillings from the level of 42s. 6d. Dollar freights for United States coal to Europe, however, failed to revive after the end of the American coal strike, and this market has been superseded by the revival of Continental and United Kingdom coal chartering for Mediterranean countries. Outward coal rates from UK/Continent have improved from about 17s. to 22s. for West Italy and about 19s. 6d. to 26s. for the Adriatic.

The movement of grain from Australia to the United Kingdom is still a matter for conjecture, since the disagreement over prices has not yet been resolved, but Australian grain is moving to Japan, the Far East and Middle Eastern

destinations, and in this trade there have been many fixtures at slightly improving rates. The general increase in rates can be attributed partly to seasonal chartering and trade movements, and partly to an accidental improvement in the distribution of available tonnage. Increasing demand for the carriage of North Pacific lumber to Atlantic ports, for example, has drawn off some of the tonnage which had accumulated in the East. At the same time, the decline in trans-Atlantic coal traffic has caused the laying up of many high-cost ships which need dollar freights to justify their existence.

Employment in Ship Repairing

It is easy to understand that experience has made industry on the Tyne, Clyde and Mersey sensitive to threats of unemployment in shipbuilding and ship repairing. But the agitation which has begun to appear, and the pressure on Members of Parliament and Ministers to take political action, make it necessary that the roots of the matter should be properly examined. It has to be recognised that the immense wartime expansion of shipbuilding and repairing activity could not be expected to last for ever. More than 100,000 workers were brought in from other industries during the war to deal with the abnormal demands on the shipyards, and the yards themselves were obliged to farm out much work to sub-contractors. Naval work fell off rapidly at the end of the war, but the enlarged labour force was still needed to attend to the large volume of merchant ship reconversion and arrears of maintenance.

This abnormal work was bound to come to an end, and throughout 1949 it has been declining as the ships concerned have gone back into service. Many of the workers involved are employed by firms which are not primarily shipbuilders or repairers, but which normally engage in other engineering or “finishing” trades. But they may have been classified during the war as engaged in shipbuilding and repairing, and it is likely that many are still retained as such in Ministry of Labour statistics. The regular shipbuilding and repairing firms, which are now relying much less on assistance from other industries, regard those figures as inflated. This may explain the somewhat alarming figures which were quoted at a meeting of trade union delegates in Newcastle last Saturday, when it was claimed that the industry had already shed 75,000 men and that another 75,000 were likely to find themselves unemployed before long. Such statements have to be viewed in the light of the fact that ship repairing firms employed directly only about 30,000 men on the average before the war, and never more than about 80,000 at the wartime peak.

It need not be denied that large numbers of men are finding, and will have to find, alternative employment as the ship repairing industry returns to more normal and competitive conditions. The shipbuilders have still a solid background of orders for new ships which will keep them fully employed for some two years, although the volume of work will then fall off sharply if new orders cannot be attracted at a higher rate than at present. The future level of employment, in fact, is largely a matter of competitive price in an international market, and of the ability of workers and managements to meet competition. The moment is not, therefore, a happy one for the Confederation of Shipbuilding and Engineering Unions to insist on its claim for an extra £1 a week for its members. At the same time the ship stewards have been busy lobbying MPs with some highly coloured proposals—one of which would prevent British shipowners from having their ships repaired overseas. These pay no regard to their obvious long-term effect on the maritime industries. But it seems likely that Lord Hall and Sir Stafford Cripps, who are to discuss questions of employment with representatives of the unions, will bear the longer-term considerations in mind.

Progress with Atomic Energy

In reply to a question in the House of Commons on Monday, the Minister of Supply made it clear that Britain has still only two atomic piles in operation. Both are at Harwell and are of too low a power to be more than research tools, although they can supply radio-active materials for routine industrial and medical uses. The smaller pile came into operation in the summer of 1947 and the second nearly a year later. Neither of the two piles at Sellafield in Cumberland is yet ready. This plant was to have three chain-reacting piles designed to produce fissile materials, but work on the third has been stopped. The official explanation speaks of a review of the programme and “possible developments in the near future.” The rate of progress at Sellafield must to a large extent control the speed of development throughout the entire programme because the fissile materials, at present limited to uranium and plutonium, are essential to the production of atomic weapons and will probably be the basis of any commercial development of atomic energy.

The siting of a third plant near Chester was announced a little over a fortnight ago. Beyond saying that it is “connected with” the atomic energy programme the Ministry of Supply has given no indication of the purpose of the plant.

A new cyclotron, claimed to be the most powerful in Europe, was successfully tested at Harwell this week. Although low energy piles have long superseded the cyclotron as a source of radio-active material, cyclotrons remain one of the basic tools of nuclear research. The Harwell cyclotron is one of the few to have sufficient power to produce mesons—which are believed to be the link holding together the particles in the nucleus of the atom. Since the whole atomic programme begins with the deliberate disintegration of this nucleus, knowledge of the character and behaviour of the mesons may suggest a new approach or at least simplify present methods. Hence, the importance of the cyclotron lies in its use for research into these fundamental problems. Similar lines of research are being followed in the United States.

Anglo-American Visit to Japan

The representatives of the British and American cotton textile industries have concluded their talks in the United States, and have agreed that a joint mission from both industries should visit Japan soon. The British cotton industry has been urging such a mission since last year; but the Americans showed at first some reluctance to undertake it, and were in general less interested than Lancashire in the dangers of Japanese competition. Four delegates from each of the two countries are now suggested; and the task of the mission will be confined to fact-finding. This is probably the best arrangement that could be made. Too little is known in the west about the course of affairs in Japan, and

about the considerations which are likely to govern the revival of the Japanese textile trade, for any firm proposals produced at this time to have much chance of acceptance. There is, in any case, little doubt that the picture of Japanese trade has been changing in the past year and has not finished changing. A survey and a report—if they do not proceed from unreasonable or restrictive premises—may therefore give Lancashire a better basis on which to frame its trading policy.

It is known that, where the British tend to be concerned with Japanese questions, the American cotton textile industry is more interested in its sales prospects in the sterling area and the other places (including North America itself) where British and American cotton textiles come into competition. The cautiously worded statement which was issued at the end of the talks expresses this interest. The British representatives gave an assurance that they would not use currency difficulties or Government “administrative procedures” to make “unnecessary barriers” to American textile exports. The Americans expressed understanding of the British need for dollar earnings. These general and guarded assurances may mean little; or they may conceal a genuine approach to understanding.

Trade Talks

The two-day review of trade and payments by the Anglo-French economic committee this week was concerned with the sudden emergence of a sterling surplus in France—until recently France suffered from an apparently chronic sterling deficit—but the official communiqué gives no hint of any measure to reverse the new condition. The changing trend in payments, if it persists, will call for an early revision of France's drawing rights on this country; the committee discussed this question but decided to leave over a decision until early in 1950. At the moment, French drawing rights in sterling exceed France's needs and considerable sums have not been taken up.

The trade and payments talks with Sweden were expected to be concluded by the end of this week, but some of the really difficult aspects of the negotiations have still not been resolved. Indeed, the Swedish delegation in London holds that it has gone as far in making concessions as its brief allowed, and has returned to Stockholm. One of the difficulties, it is believed, is the gap between the amount of timber Sweden is willing to supply and the amount Britain would take. On the financial side, Sweden's anxiety about its sterling surplus must be rising as the value of the pound declines in the free market. Sweden has accumulated further sterling this year—its balances now exceed £40 million—and it is most anxious to continue the revaluation guarantee under which its sterling balances must be written up in terms of kroner in the event of any sterling devaluation not followed *pari passu* by Sweden.

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While talks with France and Sweden are beset by difficulties because the two countries command at present sufficient, if not excessive, sterling, talks with Spain and Poland are conducted against a background of too little sterling. Thus the review of Anglo-Spanish trade for 1950 was unable to envisage any great expansion because Spain's sterling shortage persists. The Spaniards invariably come to these meetings armed with long lists of goods they would like to buy here; but they find it hard enough to pay for even their present level of imports.

The renewed talks with Poland concern compensation for British assets and a settlement of Polish debts. Like all negotiators from the iron-curtain countries, the Poles are unable to deviate an inch from their instructions, and when they were told, firmly, a fortnight ago that their offer was quite inadequate, they went back to Warsaw for consultations. They have now returned, more quickly than was expected, with new proposals.

* * *

Cable Scheme Rejected

The Cable and Wireless scheme (described in *The Economist* of November 5th) required 75 per cent approval. The proposals submitted to the ordinary stockholders of Cable and Wireless (Holding) failed, in the event, to secure even a simple majority. This result is the more convincing because the directors could already command the support of ordinary stock held by the constituent or associated companies. Out of £6,883,103 of ordinary stock on the register, holders of £2,447,461 voted for the scheme and £2,546,792 against, and the voters against outnumbered those for by two to one.

Although Sir Edward Wilshaw affected to be perplexed by the attitude of stockholders at the meeting a fortnight ago—they had been offered £32 million, yet they spurned it—their vote is decisive in one respect. It may not commit the opposition to the principle of liquidation and nothing but liquidation, but it clearly commits the directors to find an acceptable compromise. The criticisms of the size of the investment trust which was proposed and the cost of running it clearly struck home. No doubt in the event some stockholders who have recently argued strongly for liquidation might on certain terms be prepared to settle for a larger distribution to the ordinary shareholders and an investment trust of smaller size.

But in principle the arguments for an orderly liquidation of the company's assets and their total distribution have not been overthrown. It is no answer to this case to say that realisation will involve throwing good stocks on to a bad market; properly conducted, realisation need do nothing of the sort. The chairman has promised to give "some form of analysis" of investments in "future balance sheets." Surely, such an analysis should be given with the new proposals, assuming (as is probably safe to assume) that they are a diluted version of the original scheme and provide merely for a larger distribution of assets and a smaller investment trust. Without it, stockholders would again be invited to discuss their own fate without access to sufficient facts.

Commodities and Prices

Argentine Maize Mystery

The Ministry of Food has again succeeded in creating a mystery—this time by its purchase of 300,000 tons of maize from Argentina. It is hardly to be congratulated either on the way in which the purchase was made or on the secrecy in which the deal was encased. The contract was in fact concluded some little time ago. It was made in London by direct negotiation with one particular firm, instead of being put on to the market for general tender as in the past. (The Ministry had promised to buy through the trade and had

discussed terms for this year's Argentine contract with the informal committee of grain shippers). The deal was also made over the heads of both the British Food Mission and the British Embassy in Buenos Aires. The Ministry must clearly adapt its buying procedure to particular circumstances. But it seems odd, to say the least, that its own representatives in Argentina were not consulted, especially as they had been trying to secure a lower price for Argentine maize. This inadvertence is not likely to be lost on the Argentine negotiators in the present discussions on the revision of the Argentine meat price.

The trade agreement signed last June provided that Britain would buy £20 million worth of maize—say, 1,000,000 tons at £20 a ton. Argentina had large stocks of maize, but the Ministry decided to wait in the hope that Argentina would offer a lower price. Then it was discovered that Argentina had sold large quantities to France and Germany and that the amount still available for export had dwindled considerably. Thereupon the Ministry suddenly decided to purchase the 300,000 tons and to accept the Argentine offer of £21 a ton. This price is a decided improvement on last year's, which was £28 a ton; the current Chicago price is a little over £18 10s. a ton, and the difference between it and the new Argentine price may be a fair premium to pay to avoid expenditure of dollars. But stocks of maize are very large in the United States, and if British requirements are not covered by supplies from other sources, American maize may have to be bought with ECA funds.

If bulk purchase is to function efficiently, the department concerned must be able to take quick decisions. But on this particular decision some explanation is clearly necessary. The Ministry went back on an undertaking given to the trade. No chance was given to other firms to make competitive bids, though the price at which the Ministry bought was the lowest that had till then been offered. Moreover, there was no consultation with the Ministry's own representatives in Buenos Aires. There may have been good reasons for these actions, but so far the trade has not been able to find them.

* * *

Prices since Devaluation

The rise in sterling prices of many foodstuffs and raw materials since September is putting to the test the Chancellor of the Exchequer's optimism about the effects of devaluation on prices. It is, of course, necessary to distinguish sharply between movements in the index of retail prices (about which his forecast of less than a point rise by the end of the year is the most explicit) and movements in industrial raw materials. The latter show a rising, but not entirely consistent, trend.

Immediately on devaluation, prices of non-ferrous metals, in sterling, rose by practically 44 per cent. Since then, copper has risen, but lead and zinc have fallen. Tin, of course, is a special case; the sharp fall here has followed the reopening of the market, and it is rooted in the clear prospect of freer supplies. Again, cotton has been fairly steady though there has been another large American crop and the spot price is not much above the support level. Wool has risen, particularly in the last two months. A significant pointer is perhaps cocoa, whose price in New York has risen by over 25 per cent since September. Coffee has risen to a fantastic height owing to the threat of scarcity; the dollar price for tea has fallen while the sterling price has risen; the same condition is also true for rubber.

Some of these price changes are the direct consequence of devaluation; others arise only indirectly. All of them will affect the level of costs, including the cost of living, in Britain sooner or later. They go far to underline the conclusions reached by Professor R. D. G. Allen in a study of devaluation and prices which appears in the current bulletin of the London and Cambridge Economic Service. Professor Allen's method and conclusions are broadly similar to those

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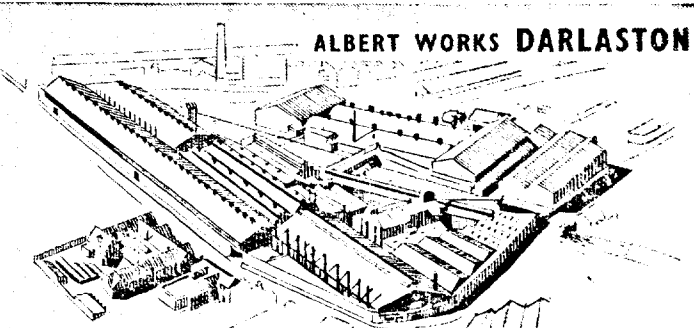
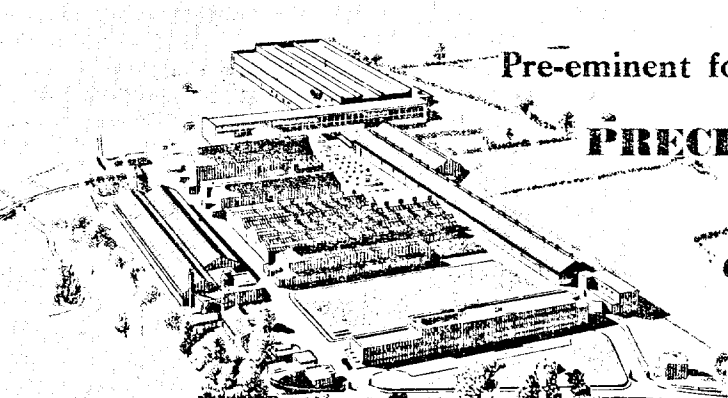
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published in *The Economist* of September 24, 1949. Four basic assumptions are made; that purchase prices for imports, in terms of local currencies, are unchanged; that insurance and freight increase proportionately with the general level of import prices; that the composition of imports from different sources and the domestic element in all sterling prices remain unchanged.

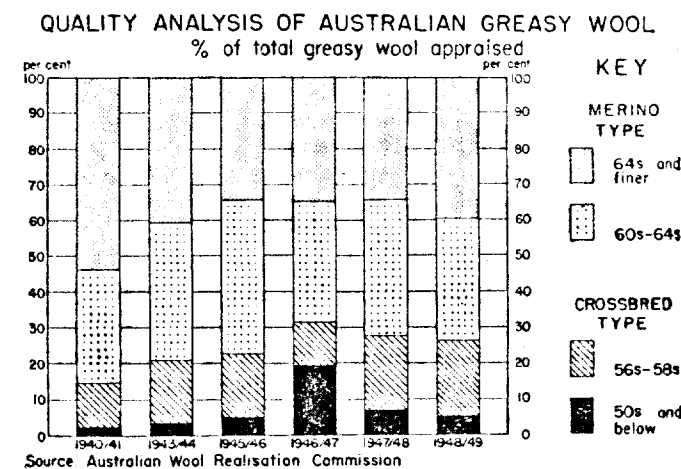
On the basis of the pattern of imports in mid-1949, it is estimated that import prices may rise by slightly over 15 per cent as a direct result of devaluation. The rise in the Ministry of Labour's index of retail prices is put at 3.3 per cent and the food component alone at 5.2 per cent. Professor Allen adds that although certain factors might tend to keep down the rise in import and retail prices, the "factors operating the other way are likely to predominate." If the indirect effects of devaluation are taken into account—as they should be, though, of course, they are impossible as yet to measure—import prices must be expected to rise by more than 15 per cent and the index of retail prices by "at least 3 per cent by the end of the year" and perhaps by 5 per cent or more by next spring. If these estimates prove accurate they will certainly confound the official optimists.

* * *

Wool at a Peak?

The wool market has been exceptionally firm in recent weeks. When the London sales opened three weeks ago, demand was concentrated on crossbred types and their prices rose sharply to some 50 per cent above the level of last July. The switch from merino to crossbred was no doubt encouraged by the recent high prices for finer wools. Bradford did most of the buying; its stocks have been at a relatively low level for the past six months. During the second week, however, there was a reverse. Bradford purchased much smaller quantities and Continental countries also gave little support to the market. Crossbred prices fell by 5 to 10 per cent. This week the same somewhat cautious tone prevailed but prices were maintained.

The sharp rise in wool prices since devaluation could not be expected to continue if inflationary conditions in Europe



were curbed—that, of course, is not a certainty. The United States has been buying certain quantities of wool since the devaluation of sterling but on a much smaller scale than was generally expected. The wool market is, therefore, influenced more by the level of European demand. On present showing, the market may again become vulnerable in the early part of next year. Purchases in primary markets in the past two months have been heavy and this wool should be available for consumption in February or March. Moreover, the Australian clip is expected to be at least 5 per cent larger than last season, while the consumption of wool in Europe is at last year's level.

What is more interesting is the steady improvement which has taken place in the quality of the Australian clip since 1946-47. The accompanying chart shows that last season merino wools accounted for 74 per cent of total output against 68 per cent two seasons earlier, while 40 per cent of the total clip consisted of 64s and finer wools. This trend is expected to continue during the current season. If these expectations materialise, there is more reason to expect some check to the rising prices for high quality wools, if not a fall.

* * *

Buying Copper

The Ministry of Supply has apparently decided to continue its policy of buying Rhodesian copper at the prevailing American price converted into sterling at the devalued rate, with suitable adjustments for freight and grade. No official announcement has been issued, but the news has been given by Mr A. Chester Beatty in his annual statement to shareholders of Mufulira Copper Mines. The system has been in force for some years, but after devaluation the Ministry of Supply suggested a revision, seeking presumably to limit the rise in the sterling price of copper. No agreement, however, was reached with the Rhodesian producers, so the old system was retained. Mr Chester Beatty also mentioned that the Ministry's contracts with Mufulira which were for six months' delivery have now been reduced to three months' delivery. The Mufulira output for January has been contracted for on the basis of 17½ cents a lb. f.a.s. for electrolytic copper and for February on the basis of 18½ cents a lb. The current American price is 18½ cents a lb. Mr Chester Beatty gave a personal opinion that during the current financial year either the London Metal Exchange would be reopened for other base metals or that bulk buying would cease, although there was no indication of either event happening at present.

Canadian copper producers were not a little disturbed recently when the Ministry of Supply announced that it was prepared to receive tenders for 15,000 tons of special shapes of copper for delivery during the first quarter of 1950. In the past, the Ministry bought these shapes direct from specific Canadian producers. But as ECA funds were being used for the purchase, the ECA authorities suggested that the purchase should be made by competitive tenders from both American and Canadian producers. The latter feared that the Americans might undercut them. As it happened the whole contract with the exception of 700 tons went to Canada because their tenders were more favourable. Similar requests for tenders will be made for each of the following quarters. The quantity will be approximately the same as for the first quarter.

* * *

Commonwealth Sugar Production

Discussions at present taking place between the Ministry of Food, Australia, South Africa and the sugar producing colonies are expected to be concluded next week. Last August, representatives of the British West Indies visited Britain to discuss future sugar policy; in order to satisfy the other Commonwealth producers it was decided to do nothing until November, when the Ministry of Food would determine its buying programme with each producing country. There is no suggestion of a Commonwealth agreement, although, as with other commodities, the form of long-term contract (if that method of procurement is decided upon) will be basically the same for all.

The problem is threefold. In some of the colonies, such as the British West Indies, unemployment is large and an expansion in sugar production might alleviate some of the social distress. In that case, the approach may understandably be social rather than economic. Secondly, if British consumption of sugar is to expand, output from the sterling area would have to be increased. Yet some of the Commonwealth countries—Australia is an example—are high-cost producers,

and either the taxpayer or the consumer would have to pay correspondingly more. Thirdly, there is the problem of surplus supplies in the dollar area—chiefly in Cuba. In the past, ECA funds have been allocated to Britain to purchase Cuban sugar, and so long as Marshall Aid is available, such allocations are likely to continue. But reports have suggested that Cuba would be willing to accept sterling rather than accumulate cumbersome surpluses, provided an international sugar scheme existed.

These problems hold out little prospect of a single solution. The social development of the colonies is clearly a matter for the Colonial Office rather than the Ministry. The Commission of Inquiry into the sugar industry of Leeward Islands, Antigua and St. Kitts rejected, on a majority verdict, the suggestion to nationalise the sugar factories, but recommended the use of under-cultivated land, improvements in wages and working conditions and the establishment of a Wages Board to improve industrial relations. A commission in British Guiana has now proposed a subsidy or bonus to sugar growers of £1 (at the old dollar rate) for each ton of sugar raised in the next fifteen years. Such a proposal would undoubtedly increase profits from growing sugar, but its contribution to the social welfare of the colony would be secondary. A subsidy is generally the easiest solution but seldom the best. The West Indian proposal is apparently a ten-year contract with guaranteed prices.

Clearly a series of long-term contracts is the likely solution, though opinions vary as to their length. Increased sugar production within the Commonwealth should be encouraged, so long as the risk of inflated costs is avoided. If the colonies have a guaranteed market for their output, the development of their sugar industries could be studied from a social standpoint. On the other hand, the long-term contracts could be fitted within the framework of an international marketing scheme in the same way as the American contracts for Cuban supplies were before the war.

Export Prospects

Canada to Buy British Steel

The British steel industry expects to send 160,000 tons of steel to Canada within the next twelve months; orders have recently been signed for rails worth \$1.850,000, and orders under negotiation for other steel products are expected to bring the total to between \$15 and \$20 million. Under normal conditions, Canada imports between 700,000 and 1,000,000 tons of steel a year. The bulk of the imports has always been supplied by the United States. The Canadian steelmakers themselves produce about 3 million tons a year.

But Canadian imports have been increased to 1½ million tons this year, and the figure in 1950 is expected to be the same. Consumption will remain at a high level for several years to meet the needs of big capital investment projects. The Canadian government expects \$3 billion to be spent over the next five years on oil equipment to develop the Alberta and Manitoba oilfields and to build the refineries connected with them. An iron ore industry is being opened up on a large scale in Labrador, and a big hydro-electric development programme is in hand. The biggest demand at present is for steel for the pipelines from Alberta to the Great Lakes and to Vancouver. The Canadians hope to obtain some pipe from Britain, but will make most of it themselves from increased imports of special rolled slab from the United States. A good deal of heavy structural steel is expected to come from Britain and also a certain amount of sheet, some of it deep drawn and some motor body sheet. To supply the latter, Britain imports slab from the United States for re-rolling into sheet in this country.

Canada would buy now considerably more steel from Britain if more could be spared, but the British steel mission which has recently toured Canada expects, in the long run,

BARBER TEXTILE CORPORATION LIMITED

Year ended 31st July, 1949

CONSOLIDATED ACCOUNTS show

Issued Capital—	£
£1 Preference Shares 5%	55,000
4/- Ordinary Shares	401,667
Premium on Shares	595,323
Reserves and Undistributed Profit	298,018
Surplus (including Net Current Assets £518,261 and Government Securities £113,936)	1,350,008
Profits	352,914
Taxation	183,932
Profits (net)	168,982
Dividends (net)	45,696
Paid on Ordinary (subject to Income Tax)	20%
Increase in Reserves and Undistributed Profits over last year	123,229



118th Annual Statement

The Bank of Nova Scotia

Established 1832

Condensed General Statement as at 31st October, 1949

ASSETS	
Cash, clearings and due from banks	\$146,323,614.36
Government and other public securities not exceeding market value	264,179,655.72
Other bonds and stocks, not exceeding market value	24,950,731.03
Call loans (secured)	38,214,652.46
Other loans and discounts (after full provisions for bad and doubtful debts)	302,166,945.47
Liabilities of customers under acceptances and letters of credit (as per contra)	15,560,120.91
Bank premises	8,557,515.51
Shares of and loans to controlled companies	5,481,109.04
Other assets	852,136.84
	<u>\$806,308,701.34</u>
LIABILITIES	
Notes in circulation	\$ 1,224,016.91
Deposits	749,190,264.43
Acceptances and letters of credit outstanding	15,560,120.91
Other liabilities	773,605.56
Capital	12,000,000.00
Reserve Fund	24,000,000.00
Undivided profits	3,560,693.53
	<u>\$806,308,701.34</u>

CAPITAL \$12,000,000 RESERVE \$24,000,000

GENERAL OFFICE: TORONTO, CANADA

Branches across Canada and in

JAMAICA • CUBA • PUERTO RICO • DOMINICAN REPUBLIC
LONDON, ENG.: NEW YORK:
108, Old Broad Street 49, Wall Street

severe American competition at every point. In spite of Canada's present need for steel, and her willingness to buy it from Britain, the individual orders now being placed have been won in the face of competition. With one exception of purely local significance, there are no restrictions on the import of American steel into Canada, and the American steel strike appears to have made surprisingly little difference to supplies. Devaluation has helped the British exporters, but they still have to compete with American works which are only a short distance across the American border from the biggest centres of Canadian demand. Canadian firms themselves cannot compete with these firms when they have long-distance freight charges to bear.

* * *

South Africa Eases Motor Imports

The South African Government has allocated £10 million for the import of motor vehicles in the first half of 1950: £5,000,000 for imports from hard currency areas, £4,625,000 for imports from the sterling area and the balance of £375,000 for imports from various Continental countries. The bulk of these will have to be assembled in South Africa. Since July no licences have been granted for the import of assembled cars, and most of the British manufacturers, lacking assembly facilities in South Africa, lost business. In 1948 the Austin Motor Company was selling more cars in South Africa than any other British manufacturer. But these were assembled cars, and the company did not begin assembling in South Africa until October of this year, and then on a very small scale; it is unlikely that more than 350 Austins have been assembled there in the past six months.

In the long run the American exporters, though they have big assembly plants, are likely to be in the worse position. Both Ford and General Motors have recently built new factories believed to have cost between £1,500,000 and £2,000,000 each. The import licences granted to American exporters are not nearly enough to keep these factories working to capacity or their labour force fully employed. The South African Government has done what it can to help them by giving the largest British allocations to the two American-owned firms, Ford and Vauxhall, which use the assembly plants of their parent companies. Vauxhall have been promised licences for 3,700 cars and Ford for 3,278 cars. The Government has also encouraged American motor concerns to stretch their dollar allocation by getting from their British subsidiaries as many components as possible for incorporation into the American cars assembled in South Africa.

The share of the other British companies has been based on the capacity of the assembly facilities which they already have in South Africa, and the length of time it will take to get these plants into smooth running order. The Austin company has been allocated 2,367 cars, the Nuffield group (Morris cars) just under 2,000, the Rootes group (Hillman cars) just over 1,000 and Standard half this number. Altogether 13,000 British cars will be imported in the first six months of 1950 to the value of about £3,000,000. The balance of the sterling allocation is for spares, heavy commercial vehicles and a few motor cycles. The British manufacturers are not disposed to make any long-term plans on the basis of these new arrangements, which they consider as an expedient devised by the South African government to tide over a period of difficulty.

* * *

Markets for Farm Machinery

The British Agricultural Machinery Mission, which returned from Canada in June after a fact-finding tour, recently published its report (HMSO, 2s.). It found that with

one or two exceptions British manufacturers could supply machinery suitable for the Canadian market at competitive prices. The weak point is distribution. If British manufacturers can arrange for adequate supplies of spares—the report suggests the formation of a British spare parts organisation—they could sell machinery, though the market is difficult.

The report does not underrate the work involved, but it might have given more attention to the inherent difficulties of operating from factories several thousands of miles from the market. Because American and Canadian farming practice is identical the length of the 49th parallel, American manufacturers are able to treat the Canadian farming belt as part of their home market. They can give excellent service, carrying \$20 million worth of spares at each of their big machinery depots, and delivering parts to the farmer within 24 hours. To take customers from these firms, British manufacturers must offer equal facilities; it is hard to see how they can do this, at least without arrangements with Canadian distributors of the kind which enables the British Ford Motor Company to distribute Fordson tractors through the Ford Motor Company of Canada.

The problem is common to all exporters of farm machinery. Big American producers like International Harvester have found it easier to set up factories abroad. They have been producing certain types of equipment in British since 1946, while 1,300 combines have been built in the 1949 season by one of the British factories of the Canadian undertaking, Massey-Harris. This firm is expanding its activities in Britain, and has just publicly opened at Kilmarnock a second factory which is designed to turn out 400 heavy duty tractors a month, driven by the 42 h.p. Perkins diesel engine, and 3,500 combines a year. Allis-Chalmers is another American manufacturer with British factories.

By establishing subsidiaries in Britain, the Canadian and American firms gain freedom to retain and expand their markets in spite of barriers to trade and currency transfers. From Britain they supply more than the British market; they export to countries in the sterling area and elsewhere which lack the dollars to buy from the parent firms in North America. The market for heavy duty tractors and combines in this country and in the rest of the sterling area is becoming increasingly competitive. One of the advantages of the new plants laid down by American and Canadian firms in this country is that much of their output consists of equipment which is urgently needed by British farmers (such as one-man pick-up balers and self-propelled combines) which were formerly obtainable only by the expenditure of dollars. British manufacturers might not necessarily find in establishing factories in Canada the particular advantages which have induced Canadian and American firms to come to Britain. They might be ill-advised to open factories overseas unless they, too, were introducing new equipment. General duty spraying equipment is one field in which the British agricultural engineers may have such an advantage.

Shorter Note

The scheme of the Peruvian Corporation to extend the moratorium on its debenture stock which has been in effect since 1933, received court sanction this week with some amendments. A definite extension up to the end of 1951 has been granted. A further period of one year is provided for by the judgment on the condition that by the end of 1951, the debenture holders' committee—to be renamed the supervision or control committee—is reconstituted so that a majority of its members are not holders of the corporation's ordinary stock. The power to terminate the moratorium before December 31, 1952, is not affected by the modifications laid down.

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

VERY LIQUID POSITION

MR J. S. CROSSLEY'S REVIEW

The twenty-fourth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held in London on December 28th.

The following are extracts from the statement by the chairman, Mr J. S. Crossley, which has been circulated with the report and accounts for the year to September 30, 1949:—

We shall propose to you that the dividend of last year be repeated; as the figures show, it now enjoys the protection of a good margin. We are transferring £200,000 out of profits to the Bank's reserve fund, bringing this up to the figure of £8,000,000, and £150,000 is being applied in writing down the premium on the new capital subscribed for the Development Corporation, which was issued at a premium of 50 per cent.

I am glad to say that the Corporation is becoming increasingly active, and we believe that the foundations for a useful and valuable business are being laid. I feel sure that our stockholders will not expect to see quick results or spectacular profits. We have, as you know, always held the view that results could only be shown over a period of some years. In the meantime, it is satisfactory to know that small profits are being earned. These have only been made possible by keeping running expenses low and strict attention is paid to this aspect of the matter.

DEPOSITS AND INVESTMENTS

Turning to the balance sheet, the most striking change to be noticed is the sharp reduction shown in our deposits. On the assets side advances to customers remain as much the same figure as last year, and, consequently, represent a substantially higher proportion of our resources. They slightly exceed the total of our investments, so that the ratios of these items to our total deposits now stand at 30.88 per cent. and 29.02 per cent. respectively. Although cash has fallen sharply to 20.27 per cent., the balance sheet still shows a very liquid position, more especially since under the heading of bills discounted we hold over £42,000,000 of Treasury bills of the British and South African Government, and British Exchequer bonds maturing early in 1950.

The investments, which are the second largest item in our assets, stand at £99,832,156 and include for the first time our shareholding in the National Finance Corporation of South Africa. Although the amount is not large—£75,000—it has a rather special interest for us. The new Corporation, which was established in terms of an Act passed by the Union Government, has a capital of £1,000,000 subscribed for by the South African Reserve Bank, the commercial banks, building societies, mining houses, insurance companies and other financial institutions. It commenced operations on September 19th. Its object is to help to integrate the financial structure of South Africa. Your bank is represented on the board of the new concern, which is designed to play an important part in the financial life of the community; its progress and development will be watched with close interest.

CHANGES IN SOUTH AFRICA

The shrinkage in our deposits reflected in the current balance-sheet is notable for being

the first decline of any importance in this figure to be recorded since this bank was formed in 1925. The fall in deposits has taken place almost entirely in South Africa where great changes have occurred during the past twelve months. As an illustration it is interesting to see that whereas on September 30, 1948, our balance with the South African Reserve Bank stood at over SA£65,000,000, this figure had shrunk to SA£23,000,000 twelve months later.

The great change which has come over the picture in South Africa during the past year has been due to more than one factor. While opinions may differ as to the main cause, it seems to me that the whole matter may be best summed up in simple language by saying that South Africa—like the United Kingdom, and, for that matter, like numerous other countries—has for some time been living beyond her means. The effect of the heavy adverse trade balance is clearly shown not only in the figures of our own bank but also in the published figures of the South African Reserve Bank, where the reserve ratio on September 9, 1949, fell to 29.1 per cent., the lowest recorded.

NEED TO CONTROL IMPORTS

It is no doubt true that some slowing down in the phenomenal rate of progress of recent years had to come but the underlying factors governing the situation were for a time obscured by the flow of capital from the United Kingdom, which reached altogether abnormal proportions during the year 1948. When this flood tide eventually receded the bare facts quickly became exposed, showing unmistakably the need for drastic regulations to control imports. It was inevitable that adoption of these measures should create inconvenience and hardships but when considering the whole picture we should not allow our view to be obscured by these temporary factors; although at the time they loom large on the horizon, they are in reality symptoms of maladjustment rather than of any fundamental change. It is, perhaps, true to say that those who recently took an unduly gloomy view of the picture were doing as much harm as those who, a year or two ago, felt that there was scarcely a limit to the opportunities for expansion and profit.

DEVALUATION

It is too early yet to say exactly what effect the recent devaluation of sterling and of the South African pound will have on the economy of the respective countries, but in the case of South Africa, it must, I think, be admitted that until this change took place the "terms of trade" were weighted heavily against her; while on the one hand she had to pay greatly increased prices for her imports, she was obliged to dispose of her staple article of export at the old price.

The "terms of trade," however, have now moved once more in her favour, and, although the dollar price of gold remains unchanged and restrictions on imports from the U.S.A. may have to be maintained for a time, it seems certain that South Africa should in the near future be able to restore her sterling resources to a figure which will permit of normal imports from the United Kingdom.

WALTER SPENCER AND COMPANY, LIMITED

SUBSTANTIALLY LARGER PROFITS

The thirteenth annual general meeting of Walter Spencer and Company, Limited, was held on December 7th at the Royal Victoria Station Hotel, Sheffield, Mr E. Ransom Harrison, F.S.S.A., the chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to September 30, 1949:—

As in previous years, I am giving with the report and accounts a brief review of the company's activities during the past year, with notes on the accounts. The substantial increase in profits is very gratifying, especially as this has been accomplished during the completion of the overhaul and improvement to existing plant.

Expenditure on new plant during the year has been considerable and the commitment for new capital expenditure and further improvements is estimated at £30,000. All the plans have been approved and contracts placed and it is hoped to complete the scheme before the end of the next financial year. In this connection, your directors feel that it is prudent to place to a Contingencies reserve a sum equivalent to the initial allowances arising out of the capital expenditure during the year under review.

With regard to taxation, members will observe that estimated taxation on profits earned for the year to September 30, 1949, has been charged in the profit and loss account. The deferred repairs, for which a provision was made in the last accounts, having been executed, the excess profits tax allowance has been agreed and repayment made.

TURNOVER AND EXPORT TRADE

The volume of turnover has been well maintained and taking into account the reduction in the price of some of our products, production has actually increased. Every effort is made to increase the export trade, but this is getting increasingly difficult, owing to the restrictions imposed by the importing countries.

With regard to the future, it is very difficult to predict, but we have a considerable amount of work on our books and as a large proportion of our output is of a specialised quality and design, we look forward to the future with reasonable confidence if no further handicaps are imposed. I am pleased to say that our employees will again share in the prosperity of the firm and this has been allowed for in the accounts. Your directors recommend a final dividend of 10 per cent., less income tax, making with the interim dividend of 5 per cent., less income tax, paid on May 31st last, a gross dividend of 15 per cent., less income tax, leaving a sum to be carried forward of £7,904.

It is desirable that longer time be allowed for the preparation of the accounts for submission to the shareholders and therefore the annual general meeting next year will be called for at least a week later than has been usual. The board again wish to place on record their appreciation of the continued good service and co-operation of the staff and workpeople during the year, without which the results shown could not have been achieved.

The report and accounts were unanimously adopted; the proposed dividends were approved; the retiring director, Mr Oscar S. McNery, was re-elected and the remuneration of the auditors, Messrs Hart Moss Coppley and Company, was fixed

NATIONAL BANK OF AUSTRALASIA LIMITED

CONTINUED RECORD OF EFFICIENT SERVICE
MR H. D. GIDDY ON DISTORTION OF ECONOMY

The ordinary general meeting of The National Bank of Australasia Limited (with which is united The Queensland National Bank Limited), was held on November 30th in Melbourne, Australia.

Mr H. D. Giddy (the chairman), in the course of his speech, said: It is with pleasure I once again submit for your approval a balance sheet recording the continued progress of our institution. The balance sheet totals of £176,935,000 are approximately £19,000,000 higher than a year ago, and, of course, constitute a record in the history of the bank.

Though I believe our nation has got a foothold from which great development is possible, a really forward movement cannot come until we shake off the prevailing lethargy toward work, toward enterprise and risk-taking, toward rapid completion of the task in hand, and toward the conversion of ideas and vague aspirations into practical achievements. I am certain that two main causes of this lethargy are the present inflationary bias and unduly high taxation, but it is to the former that I propose to address myself today.

To be in the grip of an inflationary drift, a community does not have to be rapidly smothered to death under a plethora of paper money as, for example, Germany was in 1923. It is not the acute form of the disease that as yet is troubling Australia so much as what might be termed the chronic, maiming variety, which has now spread into the fertile field of the real costs of our domestic industry and business. Its entrance into the system may well have been through wartime credit expansion, but the illness now is more deep-seated and accordingly more difficult to combat and cure.

DEVALUATION OF STERLING A NEW FACTOR

Twice during recent years it appeared that something approaching equilibrium in the fight against inflation was in sight. Hopes rose in 1946 and again around the close of last year, when export prices had steadied. Then, on September 19th, came the sudden announcement that the United Kingdom Government had devalued sterling in terms of U.S. dollars by no less than 30.5 per cent., and along with it the decision by the Commonwealth Government that the Australian pound would be retained at its old rate of exchange with sterling.

One of the early effects of devaluation has been to lift our export prices once more. British costs and prices have also tended to be pushed higher, and this, together with the obvious fact that our essential imports from the North American continent must now cost much more, will lift prices still further over a wide range. All this means another whirl of our inflationary spiral. In addition to producing a feeling of perplexity, virtually on a nation-wide scale, the inflationary bias has been responsible for the development of a serious distortion in the Australian economy. In this, our primary industries and those which produce in the main the capital equipment of the community have suffered most.

I feel the weakness in the present Federal Government's policy is that it has tended to encourage the community to be satisfied with money without seeing that it gets value for it.

PRODUCTION LETHARGY MUST BE OVERCOME

I am convinced that our inflationary drift cannot be answered on the monetary side, if for no other reason than the existence of a widespread fear that any deliberate deflation of monetary incomes might upset full employment—something which nobody wants to do.

I am equally convinced that improvement in the value of our pound rests very largely in the willingness of every person in the community to take a new interest in national production and creative effort. This requires a change in the psychological outlook of not a few of our people. It involves a realisation that the mere earning of money, no matter how much, is in itself not enough, and that value can only be put into the money earned as a result of productive and creative effort.

CHANGE NEEDED IN NATIONAL POLICY

I am bound to plead that national policy be modified and its emphasis changed so that the willing and capable workers of all classes, who are, of course, in the very great majority, will be encouraged, by one means or another, to give of their best in the daily round.

The attempt to destroy the trading banks and to establish in their place a Federal Government monopoly bank represented the peak of the Government's efforts to change the social and economic pattern of Australia.

When I addressed you last year, we were awaiting the hearing of the Government's appeal to the Privy Council. On July 26th the Privy Council gave its judgment dismissing the appeal, and late last month the reasons for its decision were made public. You may recall that at the time the Judicial Committee granted the Commonwealth leave to continue with its appeal, the Committee reserved its opinion as to whether or not it had jurisdiction in the actions. In the end, the Government's appeal was dismissed precisely on this point, because the Privy Council concluded that it did not have jurisdiction in the matter unless the Commonwealth Government first obtained a certificate from the High Court of Australia, permitting an appeal to their Lordships. This the Commonwealth had not done.

OTHER METHODS OF ACHIEVING BANK NATIONALISATION

Though one possible method of destroying the trading banks has been rejected, the expression of opinion given by the Privy Council nowhere constitutes a firm guarantee that a nationalised banking system could not be established in Australia. With such a vast step there are a number of possible methods by which that objective might be reached. Some may be slower than others, some may require, as it were, more than one bite at the apple, and there are conceivably one or two that might precipitate nationalisation at one bold stroke.

It is true some Government leaders, but some only, are doing their utmost to induce people to forget the Bank Nationalisation Act of 1947—the most unpopular measure ever passed by an Australian Parliament. On one hand, they are endeavouring to lead the community to believe that the Government has changed its mind and will not now attempt to gain control of the people's money; on the other hand, statements by these leaders continually imply that the trading banks have designs to attack the 1945 Act with the object of taking unto themselves banking and credit control, which rightly rests with Parliament. Any such suggestion is entirely without foundation.

As an integral part of the system, I believe that our bank has played and continues to play its full part in giving Australia one of the most efficient and most secure banking services in the world. That is not to say the service cannot be better still. We have ever in mind the duty of improving our efficiency and substantially widening our present services to the community.

The report and accounts were adopted.

HARRIS LEBUS LIMITED

RELAXATION OF TIMBER CONTROL

The second annual general meeting of Harris Lebus, Limited, was held on December 8th in London, Sir Herman Lebus, C.B.E., J.P., chairman and managing director, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year to July 15, 1949:—

In my review last year I referred to difficulties beyond the control of your directors resulting from "the furniture industry still being under the control of the Board of Trade and dependent upon the Government for the supply of most of its material, in particular timber, which is allocated to individual manufacturers by licence to purchase and consume." This situation continued into the year under review. In the first half of the year the quantity of both hardwood and plywood available to the company for manufacture into furniture, while varying from one allocation period to another, remained quite insufficient for full-scale production.

The second half of the year proved to be very different and a really satisfactory situation developed. The relaxation of control by the Board of Trade of most types of hardwood resulted in more and better timber being available, enabled production to be increased, timber waste to be reduced and a saving in costs of production to be achieved. Various amendments to the specification which were made by the Board of Trade further eased the situation, and your company was able to produce once again furniture to which its organisation and equipment are best suited. The new designs sold excellently and a large order book was carried forward at the end of the period under review.

The available net profit for the period, after deducting taxation, is £114,522. After charging the 4 per cent. Preference dividend of £22,000 and the proposed 6 per cent. Ordinary dividend of £66,000, the balance of profit remaining undistributed is £26,522. Of this sum the directors propose to appropriate £20,000 in reduction of preliminary expenses and to increase by £6,522 the balance of unappropriated profits. The balance of £28,898 brought forward from the previous year is thus increased to £35,420, which is carried forward.

The profits for the last six months of your company's financial year were very satisfactory, and I am glad to be able to add that this state of affairs has been maintained into the present year.

IMPROVEMENT CONTINUED

The Chairman, addressing the meeting, said: In my review I said that the profits for the last six months of the company's financial year were very satisfactory. I also said that since the close of the company's year there had been a significant improvement on those results. I am happy to report that our internal accounting figures show that this improvement in profits has continued up to this date and this in spite of some increases in the cost of some of our ancillary raw materials. In addition, I can report that our current rate of sales and the state of our order book remain entirely satisfactory.

I am still not going to venture upon any forecast of what may be the final result for the current year. There are still seven months of the year before us and in the present circumstances of the country it would, in my view, be both bold and foolish to do more than place on record, as I have done, the factual position to this date. I will, however, go so far as to say that unless circumstances develop which seriously change your company's present situation, I trust we shall, at our next annual general meeting, place before you results with which every stockholder should be satisfied.

The report was adopted.

MUFULIRA COPPER MINES LIMITED

MR A. CHESTER BEATTY'S STATEMENT

The twentieth annual general meeting of Mufulira Copper Mines Limited will be held in London on December 15th.

The following is an abridgment of the statement of the chairman, Mr A. Chester Beatty, dated November 24, 1949, which has been circulated to the shareholders:—

COPPER PRICE

For some years the pricing basis for the copper delivered by us to the Ministry of Supply has been the American quotation converted into sterling at the official rate of exchange, and adjusted suitably by freight and grade differentials. I have previously stated that our sales to the Ministry are for delivery six months ahead. Last July at the Ministry's request we reduced this pricing period to three months.

It is public knowledge that the Ministry, subsequent to devaluation, asked the Rhodesian producers to consider some new pricing basis. This matter has been the subject of consideration for some weeks, and although I am not in a position to announce any final agreement, the Ministry has indicated that the previous pricing basis shall continue, that is to say, the American quotation converted into sterling at the new rate of exchange will be used as the pricing basis.

However, I am not in a position to say what price this will result in, at the present time, as there are other matters still under discussion with the Ministry on which agreement has not yet been reached, namely, questions relating to the freight and grade differentials. An official announcement will be issued in due course as to the result of the negotiations.

RESULTS OF THE YEAR

Production was restricted during two months of the year, due to the fuel position. In spite of this, copper production for the year was 70,966 tons (53,360 tons during the previous year). The cost of production was £54 12s. 2d. (£58 10s. 1d.) per ton of blister copper. This is the first time in 10 years that the upward trend of costs has been reversed. However, the devaluation of the £ has altered the whole outlook and costs will undoubtedly be affected, although it is too early to say by what extent they may increase. The ore hoisted was the record of 2,973,935 tons. The whole production of blister copper was sold at an average price of £121 8s. 9d. (£115 8s. 9d.) per ton.

A provision for replacements has been made this year in the sum of £500,000 (£400,000). In the year ending June 30, 1948, a sum of £500,000 was transferred to general reserve as a first instalment towards the eventual cost of the electrolytic refinery, and this year the sum of £550,000 has been transferred to general reserve, which may be regarded as the second instalment.

The board recommend the payment of a dividend of 8s. 6d. per share for the year, of which 3s. 6d. was distributed as an interim dividend in May.

PROGRESS OF THE COMPANY

These results will, I trust, be as gratifying to shareholders as to those of us who for so long had to watch Mufulira struggling to overcome the difficulties which beset it in its early years. I have recently been reading some of the reports of the proceedings at the earliest shareholders' meetings of this company and of Rhodesian Selection Trust Limited. I submit that events have justified the confidence which I always expressed in the Mufulira Mine. For instance, 20 years ago, in addressing a meeting, I described Mufulira as already a very valuable mine,

and I looked forward to it becoming one of the premier copper mines of the world. Again, three years later, I described Mufulira as ranking as one of the largest high grade sulphide copper mines ever developed; that it was a remarkable mine with first class equipment and high grade ore, and that it should be capable of producing copper on a large scale at a price to compete with the lowest cost producers in the world. With these high expectations of the mine it was disheartening to watch its ill-fortune, first in reaching the stage of production in the middle of the depression of the early thirties and later during the war years when this company was affected so exceptionally by the severity of the excess profits tax.

MINE CONDITIONS

The diamond drilling for the location of the Peterson Shafts has exposed new sections of the ore bodies, which outline approximately a further 34,400,000 tons of ore at 4 per cent. copper, which are not yet included in the published ore reserves. The caving methods, which account for an increasingly large proportion of the mill feed, are working well.

The Peterson Shaft programme is proceeding satisfactorily, but until certain parts are completed, it is unlikely that, for another year or two, the production rate will be exactly up to the planned maximum production of 285,000 tons of ore per month. For the current financial year the production may be in the neighbourhood of 80,000 tons copper, provided there are no delays due to fuel shortage. It will be necessary in the near future to begin the process of augmenting our copper stocks, and it is likely, therefore, that sales for the current financial year will be less than the full production for the year.

LABOUR RELATIONS

The last year has seen the formation, under Government sponsorship, of an African trade union. Within a short time the union had formulated certain demands and at conciliation proceedings agreement was reached resulting in an adjustment to some of our native labour wage scales. There is no progress to report on the subject of the advancement generally of Africans in industry, following the discussions referred to last year, between the Government, the Salaried Staff Association, the Northern Rhodesia Mine Workers' Union, and the companies.

There is a dispute between the Copper Companies and the Northern Rhodesia Mine Workers' Union, the union having requested the companies to recognise the principle of a 40-hour week. The dispute was referred to conciliation, at which no agreement was reached, and there the matter stands.

GENERAL

The coal position is still not satisfactory. We should receive more coal this year, but it will still be necessary to undertake intensive wood-burning.

The outlook for the copper market still depends largely on the business outlook in the United States. At the present time, the copper market in the United States is in a sound position.

The London Metal Exchange has reopened this month for transactions in tin. No indication has been given of the market being reopened for the other base metals nor has any indication been given of the cessation of bulk buying. I should, however, expect that there would be developments in one or both of these directions during the course of the current financial year, although I am only expressing my own opinion in this matter.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

DEVALUATION BENEFITS

The annual general meeting of this company was held on December 8 in London.

Mr Robert Annan, the chairman, in the course of his speech, said: The profit and loss account of the operating company, New Consolidated Gold Fields, covers a year in which the difficult conditions which have prevailed in the gold mining industry for some years past continued unrelieved. The operating company having declared a dividend of 12½ per cent., less tax, on its ordinary shares, your directors recommend the payment of a like dividend by the parent company.

In our own group the start of milling operations at Libanon last March raised the number of producing mines under our administration in the Union of South Africa to ten, and the tonnage milled, just exceeding eight million tons, was a record.

Turning to future prospects, the picture has been completely changed by the rise in the price of gold following on the simultaneous devaluation of the pound sterling and the South African pound, the effect of which was to increase the price from 172s. 6d. to 248s. 3d. per fine ounce, an increase of approximately 44 per cent. It was not to be expected that the mines would retain the whole of this benefit, and the Chamber of Mines took immediate steps toward meeting some of the claims of labour, whose position in terms of basic earnings had deteriorated by comparison with other industries. Other consequential effects of devaluation are difficult to estimate at this early stage, but it is probable that the overall increase in costs for the producing mines will be between 10 per cent. and 15 per cent.

The report was adopted.

AMALGAMATED BANKET AREAS LIMITED

SCHEME FOR AMALGAMATION

An extraordinary general meeting of Amalgamated Banket Areas Limited was held on December 5th in London.

Major-General W. W. Richards, C.B., C.B.E. (the chairman), said:—

This meeting has been convened for the purpose of presenting for your approval a scheme for amalgamation, whereby this company would acquire the undertakings and assets, subject to liabilities, of the Gold Coast Banket Areas Limited, and the South Banket Areas Limited, and certain mining concessions from Banket Gold Fields Limited.

I should like to mention a few of the financial and technical advantages that we confidently believe would follow:—

1. Economies in administrative expenses, both in West Africa and London.
2. Pooling of ore reserves; concentration of development work; and general centralisation of operations.
3. Delivery of ore from all sectors to one central mill, with corresponding reduction in treatment costs.
4. The ability to utilise the full capacity of the central mill with good-grade ore from the Underground sections; and the construction of a separate milling unit for the low-grade ore of the Pepe deposit.
5. The pooling of the European and African staffs, and the utilisation to the best advantage of the bungalows and villages; also the hospital, welfare and sanitation services.
6. One central store in the place of the three now operating.

The resolutions were carried.

At meetings of Gold Coast Banket Areas Limited, and South Banket Areas Limited, the scheme was also approved.

GREAT UNIVERSAL STORES, LIMITED

RECORD TURNOVER AND PROFIT

MR ISAAC WOLFSON ON THE OUTLOOK

The thirty-first ordinary general meeting of the Great Universal Stores, Limited, was held on December 5th, in London, Mr Isaac Wolfson (chairman and managing director) presiding.

The following are extracts from the chairman's statement circulated with the report and accounts:—

I am again happy to place before you the consolidated accounts of the group showing a further increase in trading profits. The year under review has been a record one in the history of the group both as to turnover and profit. The results disclosed have been brought about solely through a substantial increase in the volume of business transacted by the group, having suitable stocks available, and as a result of sound planning in previous years.

A SATISFACTORY RESULT

The consolidated trading profit of £4,576,290, which is an increase of £1,647,842 over the previous year, will, I feel sure, give to stockholders every satisfaction. To the above-mentioned trading profit must be added £64,905 in respect of dividends from trade investments and sundry items receivable, making a total revenue of £4,641,195. From this has been deducted £332,517 for depreciation, £41,539 for auditors' remuneration of the group, £370,013 for interest paid, and £364,497 for the proportion of profits relating to outside shareholders of subsidiary companies.

This leaves a resultant balance of 3,532,629 Out of which taxation takes the substantial sum of 2,091,760

£1,440,869

Appropriations made by subsidiary companies and the recommendations made by the directors in respect of the parent company then take the following amounts:—

	Parent Co.	Subsidiary Cos.	Total
Amount written off "good-will" item	£	£	£
Transfer to reserves	437,500	439,166	439,166
Prof. dividends of parent co.-spt.	61,738	113,169	523,960
Out. dividend of parent co.-net	285,133	...	61,738
And that the balance of profit be utilised to increase the carry forward to profit and less account	448	103,494	285,133
	784,819	656,050	1,440,869
			1,440,869

RESERVES STRENGTHENED

Over a period of years your directors have ploughed back much of the earnings of the group and it is with considerable pleasure, knowing the conservative valuation which has been placed upon our current assets, that I am able to report that the revenue reserves and undistributed profits (apart from £1,395,701 reserve for future income tax) have increased by £619,127 to the sum of £2,345,189, and furthermore the capital reserves of the group, which include share premiums, amount to no less than £3,806,946, which is an increase of £1,067,968 over last year.

The total group capital and revenue reserves now amount to £6,152,135, which is

over one and a half times the amount of the total issued preference and ordinary capital of the parent company, or over four and a half times the amount of its issued ordinary capital.

EXCESS OF ASSETS

Total current assets at £29,203,913 represent an increase of £3,475,849 in relation to last year, whereas total current liabilities have only increased by £659,962. The surplus of current assets over current liabilities is now £11,465,432, as compared with £8,649,545 last year, which is a very large addition to the surplus.

Total net assets (deducting £1,395,701 reserve for future income tax) amount to £17,443,476, of which £7,741,362 is attributable to outside shareholders in subsidiary companies, leaving £9,702,114 as the net asset value of the Great Universal Stores stockholders. This amount is represented by £2,250,000 preference and £1,299,979 ordinary stock of the parent company and total reserves of £6,152,135 applicable thereto.

GROWTH SINCE 1933

I now refer to the acquisitions which have been made since the last annual general meeting. In all cases these have, or will, contribute to the consolidation of the group's activities. In no instance have any additional bank facilities been utilised for the purpose of making these purchases which have either been acquired as a result of issues of shares of the parent company or for cash paid out of the resources of the group.

Here I might be permitted to refer to the time when I assumed control of your company's affairs in 1933. Then the capital of the parent company was only £600,000, with net assets of £707,000, and the year before a trading loss had been shown. In the succeeding sixteen years you have seen your company and its subsidiary concerns grow into a large and important undertaking whose profits have steadily increased to the present level and whose reserves are now over £6,000,000. I have steadfastly maintained my objective of establishing the Great Universal Stores, Limited, as one of the most sound and progressive trading organisations in the country, built up on giving the best possible value to its customers. I hope that you will agree that I can claim some small measure of success.

CURRENT YEAR'S PROSPECTS

Last year, in my supplementary remarks, I stated that we were budgeting over a four-year period (which includes the year under review) to earn annual trading profits in the group of not less than those shown for last year—namely, £2,928,448. Also that on this basis we should be able to add substantial sums to reserves of the group which would provide additional working capital. I am happy to state that the budget for the first year has been realised with a substantial margin. Despite the difficulty in forecasting the future trend of business which is subject to price control and other legislation which naturally affects resultant net profit, I see no reason to alter my views.

I am able to state that turnover of the group for the current year to date is in excess of last year, and I anticipate that profits for this year will be no less than those for the year now under review. Our organisation is ready to grapple with and overcome more difficult trading conditions should they arise.

The report was adopted.

E. W. TARRY AND COMPANY, LIMITED

The annual general meeting of E. W. Tarry and Company, Limited, was held on December 7th, in London.

Sir H. Fortescue Flannery, Bart. (the chairman), in the course of his speech, said that it gave him much pleasure to report the completion of another successful year. A record turnover was reached and exceeded that of the preceding year by £296,654, notwithstanding the control on dollar imports into the Union of South Africa towards the latter part of 1948. He was also glad to say that the gross profit earned had been well maintained at all their branches. They had, he thought, sufficient stocks on hand to meet the demand.

Although there had been an overall rise in costs, mainly in respect of higher wages and salaries, the gross profit earned had been steady, and they had made a trading profit of £208,878, as against £143,582 for the previous year. The provision for taxation made an unduly heavy inroad into profits and absorbed no less than £110,500, and illustrated forcibly the stultifying effect of the high profits tax in addition to income tax on a successful year's trading.

The net profit for the year was £78,309, and with the balance of profit brought forward from last year, made a total of £99,862. The directors recommended that a dividend of 15 per cent be paid on the ordinary shares.

In these uncertain times he hesitated to make forecasts, but he was pleased to report, however, that during the current year there had been no serious decline in sales and, although the imports into the Union of South Africa were now on a much reduced scale, the supplies to their Rhodesian branches had increased and their sales had improved, but any curtailment in imports must of necessity be reflected in their turnover.

The report was adopted.

PRICES TAILORS, LIMITED

TWENTY-ONE YEARS' PROGRESS

The twenty-first annual general meeting of Prices Tailors, Limited, was held on December 5th at Leeds, Sir Henry Price, chairman and managing director, presiding.

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

This is the twenty-first annual general meeting since we became a public company, and I feel that it is particularly appropriate that on our "coming of age" I can report upon a year the financial results of which give solid grounds for satisfaction.

The net profit of the group amounts to £297,531. After various provisions there remains £349,426, of which 35 per cent. has been appropriated as ordinary dividend and 65 per cent. has been retained in the group. Net current assets of the group are £1,374,727, a satisfactory figure.

In 1928 we took over 75 retail branch establishments and one factory in Leeds. The business has been continuously and systematically developed with every extension carefully planned, so that on June 30, 1949, we had 350 retail branches and nine factories.

Production grew in volume proportionately to the new branches and factories opened, but we never lost sight of the need for continued improvement in quality and style, and I am confident that our products today are the very best that can be bought at the price. We have always had a policy as regards price to provide a suit at the cost of not more than the average man's weekly wage.

I have not the slightest doubt that with our experience and resources, together with the undoubted loyalty of all our staffs, factory, retail and administrative, we shall continue to make sure and steady progress.

The report was adopted.

BRAZILIAN WARRANT COMPANY, LIMITED

THE DOUBLE TAXATION BURDEN

The annual general meeting of the Brazilian Warrant Company, Limited, was held on December 2nd, in London.

Mr A. K. Graham, the chairman, in the course of his speech, said: The figures in the accounts represent the Brazilian currency converted to sterling at 75 to the £1. As a result of the devaluation of sterling and the revised rate for the cruzeiro to 52, the sterling surplus of whatever may be the balance at December 31, 1949, will be considerably increased which will create liability for United Kingdom taxation as profit in exchange, which in turn may create a difficult problem because of the severe restrictions imposed by the Brazilian authorities which limit the amount to be remitted to a quota regulated by local conditions having no relation to commitments abroad.

Your board have been giving serious and continuous consideration to the possible ways and means by which we might do something to mitigate the heavy burden of double taxation, and I am glad to say that we are now, with the aid of our professional advisers, on the lines of a policy which we hope will provide a real solution or as satisfactory a solution as is attainable under the very difficult conditions of taxation that exist today.

I am under the impression that so distinguished a person as the Lord Chancellor, after a visit to Brazil last summer, was greatly impressed with the potential wealth and future of that country, and in stressing the good will that was evident on all sides for Great Britain, and the courtesy and hospitality of the people for those of this country who were fortunate enough to visit Brazil, concluded with the opinion that Brazil's economy was complementary to that of Great Britain.

The report was adopted.

TANGANYIKA CONCESSIONS LIMITED

DIVIDEND OF 10 PER CENT

The annual general meeting of Tanganyika Concessions Limited was held on December 8 in London. The chairman, Mr Maurice Hely-Hutchinson, MC, presided.

After crediting an amount of £630,599 received from the Union Minière Company in respect of dividends and royalties for 1948 and £249,950 in respect of amount received from the Benguela Railway Company on account of redemption of 4 per cent income

debentures for 1948, and after providing £475,000 for taxation, the surplus on profit and loss account was £388,244, appropriated as to £126,818 for dividend on the preference stock at the rate of 10 per cent, less tax, and £172,682 for dividend on the ordinary stock at the rate of 10 per cent, less tax, the balance of £215,680 being carried forward.

Gross operating receipts of the Benguela Railway for 1948 amounted to £1,571,903 as against £1,128,354 in 1947, and after transferring £65,000 to renewal reserve account, the excess of income over expenditure was £793,804 as compared with £250,865 in the previous year, but in 1947 £360,000 was charged against operating expenditure in respect of the renewals and betterments reserve account, compared with £65,000 in 1948.

Milling operations at the Geita Mine showed that improved results were to be expected consequent upon the rise in the price of gold.

The Uruwira board has obtained an advance of £160,000 from the Patino interests, who have already a substantial investment in the Uruwira Company, and this will enable mine development to be continued, particularly on the 9th level.

The report and accounts were adopted.

UNIVERSITY OF BIRMINGHAM

The Faculty of Commerce is undertaking a Sociological Survey for the City of Coventry, and requires skilled interviewers.

Qualifications should include training or experience in case work, social work, anthropology and sociology.

Applications in duplicate should be submitted to Professor P. Savant Florence, the Dean of the Faculty of Commerce and Social Science, The University, Edgbaston, Birmingham, 15.

LADY ACCOUNTANT

Lady of personality required by West End firm. First-class knowledge of book-keeping, ability to keep complete set of books and prepare trial balance sheets and PAYE statements are essential. Age not over 35. A progressive post for the right applicant. Salary by arrangement.—Box 291.

THE COUNCIL OF INDUSTRIAL DESIGN has a vacancy for a Liaison Officer concerned with the exhibition of shipbuilding and heavy engineering to be held in Kelvin Hall, Glasgow, as a part of the Festival of Britain, 1951. Essential qualifications: good general education (preferably graduate) and a capacity for clear expression in speech and writing; ability to mix easily; experience in position of senior responsibility in industry, commerce or the Civil Service. Temporary post to end of 1951. Starting salary £1,000 p.a. Write, giving full particulars of age, education, qualifications and posts held, with dates, to Recruitment Officer, Council of Industrial Design, Tilbury House, Petty France, London, S.W.1, marking envelope "G" and enclosing addressed envelope for acknowledgement.

ECONOMICS GRADUATE, Chartered Secretary (Top Prize) 29, seeks change. Administrative experience, some journalism, public speaking, ex-Patfinder Officer. Salary approximately £800. What offers?—Box 292.

A Company in the North of England has openings in its Market Research Department for one or two executive trainees. This Market Research Department is a comparatively large one, and it operates in most fields of Market Research. The successful applicants will be aged between 22 and 30, and have a good educational background which includes mathematics, statistics or one of the scientific subjects, preferably to University standard. An initial interest in Market Research is desirable. The training given is very comprehensive and includes a certain amount of field work. The commencing salary for a man aged 22 will be above the average for this type of traineeship. In fixing the commencing salary for an older man, his additional age and experience will be taken into account. The prospects for promotion to an executive appointment within the next few years are good. Please write in the first place to Box 278.

MARKET RESEARCH department of company manufacturing consumer goods invites applications for post of ASSISTANT STATISTICIAN to undertake analysis of consumer survey results. On appointment training will be given in all work of department, including field research. Salary and future prospects are attractive and there is a Pension Fund. Applicants aged 25-30 with good qualifications in mathematics/statistics and/or economics, should write, giving details of career and reasons for their choice of this kind of research work, to Box 279.

THE International Wool Secretariat invites applications for the post of Director (Male) in their Department of Economics. Essential qualifications are a good honours degree in Economics, ability to write, and considerable experience in economic research or economic journalism. Applications with full particulars of experience, specimens of written work and salary required, to The Secretary, International Wool Secretariat, 18/20, Regent Street, London, S.W.1.

WANTED for Railways in Peru. Young man for accountancy work, knowledge of Spanish and South American experience desirable.—Write, Box "C.R." c/o J. W. Vickers & Co., Ltd., 7-8, Great Winchester Street, London, E.C.2.

Investment Statistics

Company Notes

Avon India Rubber.—Net profit fell from £289,901 in the 53 weeks to October 1, 1948, to £166,936 for the past year. The distribution of 10 per cent is unchanged.

John Holroyd.—Consolidated net profit declined from £106,935 to £90,264 in the year to September 30, 1949. The dividend of 20 per cent is maintained. A free bonus issue to ordinary shareholders on a one for three basis is proposed.

Bass Ratcliff and Gretton.—Net profit for the year to September 30, 1949, amounted to £612,133 (£609,672), after charging £680,017 (£665,971) taxation. Miscellaneous exceptional losses and debts of £30,221 have been charged to contingency reserve. A total distribution of 24 per cent, tax free, is recommended for the year, compared with 25 per cent, tax free, for 1947-48—the dividend of 20 per cent, tax free, is maintained, but the bonus has been cut from 5 per cent, tax free, to 4 per cent, tax free.

Hammonds United Breweries.—Group profit declined from £608,968 to £499,192 in the year to September 30, 1949, before deducting £237,811 (£276,668) taxation. The dividend of 20 per cent is unchanged.

Proprietors of Hay's Wharf.—Consolidated trading profit for the year to June 30, 1949, amounted to £402,413 (£448,666) and total income to £441,587 (£490,122). The ordinary dividend is 10 per cent for the year (same).

Butler (W.).—Group trading profit for the year to September 30, 1949, amounted to £448,298 (£497,069), and net profit to £208,124 (£229,095). The dividend of 16 per cent, tax free, is maintained.

Singer Motors.—A loss of £44,069 was sustained in the year to July 31, 1949, compared with a profit of £90,480 before tax for 1947-8. No dividend has been recommended on the ordinary capital, against 5 per cent. Retooling for the new model restricted output during the year to 55 per cent of the previous year's level, but current production is double the 1948-49 rate.

Humber, Limited.—Consolidated trading profit increased by £88,395 to £864,458 and

net profit from £258,632 to £380,520 in the year to July 31, 1949. The dividend of 15 per cent on both the preferred and deferred ordinary capital remains unchanged.

Meyer (Montague L.).—Group trading profit declined from £355,753 to £282,834 and net profit from £138,336 to £92,181 in the year to March 31, 1949. A dividend of 25 per cent is recommended on the increased ordinary capital (equivalent to 100 per cent—same—on capital before the bonus issue).

Allied Bakeries.—Consolidated gross earnings amounted to £2,869,758 (£2,855,077), and group net earnings to £1,131,828 (£1,276,070) in the period April 4, 1948, to April 2, 1949. The ordinary distribution is unchanged at 20 per cent.

H. and G. Simonds.—Net profit for the year to September 30, 1949, was £247,283, compared with £313,909 in the previous year. The total recommended distribution for the year is 28 per cent (30 per cent).

Aerated Bread Company.—Consolidated total profit fell from £715,219 to £512,396 and net profit from £262,901 to £169,443 in the year to October 1, 1949. Net current assets at the year-end were £558,118 (£736,185).

Slaters and Bodega.—Trading profit declined from £180,072 to £112,515 in the year to September 30, 1949. Net current assets amounted to £189,622 (£294,763) at the year-end.

Rhodesian Anglo-American.—Consolidated profit amounted to £7,382,912 (£5,746,199) for the year to June 30, 1949. Group net profit attributable to the parent company was £1,723,503 (£1,237,864). The market value of investments in subsidiary companies has fallen from £21,589,246 to £13,340,414 on the year, but the book value at cost remains at £11,159,044.

Capital Issues

2½ per cent Exchequer Stock, 1955.—Lists will remain open until December 12th for acceptance of the conversion offer of 2½ per cent Exchequer Stock, 1955, in exchange for 1½ per cent Exchequer Bonds,

1950. The total amount of the old stock outstanding is £787 million.

South Essex Water Works.—Tenders are invited for ordinary (1935) 5 per cent maximum stock at a minimum price of £100 per £100 stock. It is intended to issue stock to raise, including premiums, £288,537.

Fremfins.—Lists opened and closed on December 9th for the issue of £1,300,000 4½ per cent redeemable debenture stock 1962-80 at £100 per cent. In addition to the loan capital subject of the issue the share capital is £1,050,000 in £350,000 7½ per cent cumulative preference stock and £700,000 in £1 ordinary stock (including an offer now made to ordinary shareholders of 350,000 £1 ordinary shares at 28s. per share).

Morgan Brothers (Publishers).—Application has been made for permission to deal on the London Stock Exchange in the whole issued capital of £473,250 in £200,000 7 per cent cumulative £1 preference shares and £273,250 in 5s. ordinary shares. Profit for years ended March 31st before deducting income tax: 1939, £36,505; 1948, £123,239; 1949, £138,131. Assets as at March 31, 1949: Fixed assets, £77,058; total current assets, £348,895; net current assets, £210,389.

New Issue Prices

Issue	Issue Price (a)	Price, Dec. 7, 1949
Acros, 5½% Pref.	22/0	20/3-20/9
Booker Bros.	22/0	4/0-4/6pm
Constructors, 5½% Pref.	21/0*	22/10-21/11
Crowther (Holdings), Pref.	22/0	21/6-22/5
Derby & Mid. Mills	11/6	11/6-12/0
East African Power, Pref. (10/- paid)	20/0	10/1d-71d 1/2
Do. Ord. (20/- paid)	30/0	3/7 1/2-3/10 1/2pm
Ever Ready (S.A.), 5½%	...	16/0-16/9
General Mining	5/1	7/8-7/8
Haden, 5½% Pref.	20/6	19/0-19/5
Lansil, 5½% Pref. (5/- paid)	20/0	4/0-4/9
New Zealand, 3½% (25/- paid)	30/0	8/-8 1/2pm
Perry (Holdings)	30/0	31/0-32/3
Roots, 5½% Cum. Pref.	20/0	20/6-20/7 1/2
South Africa, 6½% (10/- paid)	99	14-14 1/2
Western Holdings	50/0	12/6-13/6pm
Whessoe	30/0	36/5-37/6
Willows Francis, 2½%	3/4 3/4	3/5-3/5 1/2
Do. 6½% Pref.	22/0*	21/6-22/3

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Birmingham Small Arms; South Durham Steel and Iron; Fairey Aviation; J. Brockhouse & Co.; Combined Egyptian Mills; Guy Motors.

Prices, Year 1949 Jan. 1-Dec. 7	Name of Security	Price, Nov. 30, 1949	Price, Dec. 7, 1949	Yield, Dec. 7, 1949	Price, Year 1949 Jan. 1-Dec. 7	Last Two Dividends	Name of Security	Price, Nov. 30, 1949	Price, Dec. 7, 1949	Yield, Dec. 7, 1949
High	Low			(a)	High	Low	(a)	(b)	(c)	
101 1/2	100 1/2	War Bonds 2½% Aug. 1, 1949-51	101 1/2	101 1/2	0 5 10	1 12 10 1/2	106 1/2	95	95	3 5 8 1/2
100 1/2	99 1/2	Exch. Bonds 1½% Feb. 15, 1950	100 1/2	100 1/2	0 15 5	1 19 7 1/2	103 1/2	91	91	2 19 3 1/2
102 1/2	99 1/2	War Bonds 2½% Mar. 3, 1951-53	101 1/2	101 1/2	0 18 2	2 1 11 1/2	8 1/2	5 1/2	50	3 5 3 1/2
105 1/2	99 1/2	War Bonds 2½% May 1, 1952-54	101 1/2	101 1/2	0 18 2	2 1 11 1/2	8 1/2	5 1/2	50	3 5 3 1/2
104 1/2	98 1/2	War Loan 3½% (after Dec. 1, 1952)	94 1/2	94 1/2	2 1 6	3 15 5 1/2	9 1/2	6 1/2	25 1/2	4 7 5 1/2
103 1/2	98 1/2	War Bonds 2½% Aug. 15, 1954-56	101 1/2	101 1/2	1 4 7	2 8 1 1/2	80 3/4	68 1/2	10 1/2	4 5 9 1/2
105 1/2	99 1/2	Funding 2½% June 1, 1952-57	101 1/2	101 1/2	1 4 7	2 8 1 1/2	80 3/4	68 1/2	10 1/2	4 5 9 1/2
105 1/2	99 1/2	Nat. Def. 3½% July 1, 1954-58	104 1/2	104 1/2	1 4 9	2 12 8 1/2	33 10 1/2	22 1/2	40 1/2	5 17 6 1/2
106 1/2	100	War Loan 3½% Oct. 15, 1955-59	103 1/2	103 1/2	1 6 6	2 13 6 1/2	81 1/2	65 3/4	7 1/2	4 0 0
102 1/2	94 1/2	Funding 2½% April 15, 1956-61	99 1/2	99 1/2	1 14 4	3 2 2 1/2	181 9	129 1/2	15 1/2	3 12 9 1/2
104 1/2	92 1/2	War Bonds 2½% April 15, 1959-69	98 1/2	98 1/2	1 15 9	3 3 5 1/2	36 9	32 1/2	7 1/2	4 8 11
115 1/2	101 1/2	Funding 4½% May 1, 1960-90	107 1/2	107 1/2	1 8 11	3 3 11 1/2	20 1/2	15 9	7 1/2	4 2 9 1/2
103 1/2	91 1/2	Sav. Bonds 3½% Sept. 1, 1960-70	97 1/2	97 1/2	1 17 0	3 5 1 1/2	34 1/2	27 1/2	8 1/2	4 8 3
99 1/2	88 1/2	Sav. Bonds 2½% May 1, 1964-77	94 1/2	94 1/2	1 10 6	3 5 0 1/2	37 1/2	27 1/2	8 1/2	4 8 3
116 1/2	104 1/2	Vict. Bonds 4½% Sept. 1, 1920-76	109 1/2	109 1/2	1 18 7	3 7 1 1/2	125 1/2	92 1/2	13 1/2	4 14 1 1/2
103 1/2	88 1/2	Sav. Bonds 3½% Aug. 15, 1965-75	95 1/2	95 1/2	1 10 6	3 5 0 1/2	37 1/2	27 1/2	8 1/2	4 8 3
102 1/2	94 1/2	Consols 4½% (after Feb. 1, 1957)	104 1/2	104 1/2	2 2 10	3 18 4 1/2	47 1/2	39 1/2	10 1/2	4 14 1 1/2
107 1/2	83 1/2	Conv. 3½% (after Apr. 1, 1961)	95 1/2	95 1/2	2 1 1	3 15 0 1/2	51 6	39 1/2	10 1/2	4 14 1 1/2
81 1/2	64 1/2	Treas. Stk. 2½% (after Apr. 1, 1975)	71 1/2	71 1/2	1 19 9	3 12 5 1/2	63 1/2	52 1/2	6 1/2	4 8 6
100 1/2	76 1/2	Treas. Stk. 3½% (after Apr. 5, 1966)	85 1/2	85 1/2	1 19 9	3 11 11 1/2	53 6	35 0	17 1/2	4 11 1/2
102 1/2	82 1/2	Redemp. Stk. 3½% Oct. 1, 1986-96	80 1/2	80 1/2	1 19 10	3 9 2 1/2	34 1/2	27 1/2	8 1/2	4 8 3
81 1/2	65 1/2	Consols 2½%	72 1/2	72 1/2	1 17 10	3 6 0 1/2	57 9	51 3/4	12 1/2	4 15 3
103 1/2	89 1/2	Brit. El. 3½% Gd. Apr. 1, 1968-73	96 1/2	96 1/2	1 10 6	3 5 0 1/2	37 1/2	27 1/2	8 1/2	4 8 3
102 1/2	88 1/2	Brit. El. 3½% Gd. Mar. 15, 1974-77	94 1/2	94 1/2	1 18 10	3 7 3 1/2	74 1/2	67 1/2	24 1/2	4 5 7
102 1/2	84 1/2	Brit. Tpt. 3½% Gd. July 1, 1978-83	90 1/2	90 1/2	1 19 11	3 8 8 1/2	6 1/2	5 1/2	12 1/2	4 5 6
103 1/2	89 1/2	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	96 1/2	96 1/2	1 18 5	3 6 7 1/2	87 1/2	69 1/2	11 1/2	3 18 11
101 1/2	82 1/2	Brit. Gas Gd. 3½% May 1, 1990-95	89 1/2	89 1/2	2 0 3	3 9 8 1/2	45 1/2	38 1/2	55 1/2	4 21 0 1/2

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (floating 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) Assumed dividend 18½% after capital bonus. (f) To latest redemption date. † Free of tax.
(m) Yield basis: 35% after capital bonus.

EXCHEQUER RETURNS

For the week ended December 3, 1949, total ordinary revenue was £64,817,000, against ordinary expenditure of £96,504,000 and issues of £120,000. Thus, including fund allocations of £10,987,000 the net revenue since April 1st is £47,424,000 compared with a surplus of £268,844,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	April 1 to Dec. 4, 1948	April 1 to Dec. 3, 1949	Week ended Dec. 4, 1948	Week ended Dec. 3, 1949
ORDINARY REVENUE					
Income Tax	149,000	485,511	489,036	9,033	12,173
Sur-tax	105,000	31,400	43,000	1,550	1,000
State, etc., Duties	176,000	121,800	127,700	4,300	3,800
Stamps	48,500	38,013	34,700	1,300	1,200
Excise Tax	240,000	125,640	181,660	5,500	5,400
E.P.T. Refunds	1,000	67,152	29,000	1,200	600
Other Inland Rev.	1,000	105	30	30	30
Special Contributions	25,000	25,500	16,000	2,100	100
Total Inland Rev.	208,500	893,119	921,176	24,983	24,273
Customs	829,650	566,888	552,893	24,175	29,130
Excise	663,600	514,520	493,715	4,009	8,321
Total Customs & Excise	1493,250	1081,408	1046,608	28,184	37,451
Motor Duties	54,000	12,192	12,468	139	152
Supplies War Stores	44,000	75,557	65,120	436	205
Receipts from Trading	18,000	2,826	15,945	...	...
P.O. (Net Receipts)	12,000	6,505	7,150	...	1,250
Wireless Licences	1,000	600	480	...	60
Grain Lands	20,000	10,694	11,916	98	...
Receipts from Sundry Loans	50,000	109,438	53,543	4,257	1,426
Miscell. Receipts	377,750	192,339	213,466	57,688	64,817
Total Ord. Rev.	394,308	2,300,363	2,249,861	60,227	67,634
SELF-BALANCING					
Post Office	159,630	102,550	107,300	2,350	2,500
Income Tax on E.P.T. Refunds	5,700	5,474	8,295	189	317
Total	394,308	2,300,363	2,249,861	60,227	67,634

Issues out of the Exchequer to meet payments (£ thousand)

Expenditure	Estimate, 1949-50	April 1 to Dec. 4, 1948	April 1 to Dec. 3, 1949	Week ended Dec. 4, 1948	Week ended Dec. 3, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	336,924	331,937	30,277	29,061
Payments to N. Ireland	30,000	15,976	23,075	938	...
Other Cons. Fund Services	12,000	3,945	6,104	24	23
Total	527,000	356,845	361,116	31,239	29,084
Supply Services	280,270	155,817	180,987	59,250	67,420
Total Ord. Expend.	332,970	191,262	217,070	90,489	96,504
Sinking Funds	...	10,832	10,987	260	120
Total	332,970	191,262	217,070	90,489	96,504

Net Receipts (£ thousand)

Net Issues (£ thousand)

Net Receipts (£ thousand)

Net Issues (£ thousand)

Net Receipts (£ thousand)

Net Issues (£ thousand)

CHANGES IN DEBT (£ thousand)

RECEIPTS	PAYMENTS
Tax Reserve Certs. 6,281	Treasury Bills 16,082
Other Debt 3,138	Nat. Savings Certs. 1,650
Ways & Means Advances 24,655	2½% Def. Bonds 32
Treasury Deposit Receipts 31,000	5½% Def. Bonds 461
	Other Debt 618
65,074	18,783

FLOATING DEBT (£ million)

million						
Date	Treasury Bill		Ways and Means Advances		Treasury Deposit by Banks	Total Floating Debt
	Fender	Fap	Public Depts.	Bank of England		
1948						
Dec. 4	2250.0	2390.3	296.6	8.5	1447.0	6392.4
1949						
Sept. 10	2430.0	2238.5	357.8	0.75	1078.0	6105.1
" 17	2490.0	2272.7	346.4	1.5	1026.0	6136.6
" 24	2540.0	2241.2	350.6	4.8	970.5	6147.0
" 30	2415.9	2185.9	341.5	5.3	911.0	6145.1
Oct. 8	2650.6	2226.5	398.8	4.3	830.5	6150.1
" 15	2700.0	2238.7	369.7	12.5	876.5	6147.1
" 22	2770.0	2210.0	369.0	11.5	797.5	6130.0
" 29	2850.0	2164.3	384.7	0.3	778.0	6157.2
Nov. 5	2870.0	2122.9	375.7	3.5	755.5	6127.6
" 12	2900.0	2091.8	371.1	1.8	752.5	6117.2
" 19	2920.0	2079.8	387.1	8.0	753.5	6148.5
" 26	2930.0	2069.8	397.7	7.7	754.5	6159.7
Dec. 3	2940.0	2043.7	423.6	6.5	785.5	6199.3

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Printed in Great Britain by THE CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative R. S. Farley, 111, Broadway, New York, 6.—Saturday, December 10, 1949.

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OTHER NOTICES APPEAR ON PAGE 1325

The Economist

Established 1843

December 17, 1949

One Shilling

LEADING ARTICLES

Election Calendar - - - - 1329
Mr Bevin's Record - - - - 1331
Stalin and his Heirs - - - - 1332
Manchester Leviathan - - - - 1334

NOTES OF THE WEEK - - - - 1335

Mr Strachey on the Spot; A Selfish Strike; End of Session; Victory Speeches in Australia; China's Vicars of Bray; Two Views on Formosa; Free Trade Unions Under Way; More British Beef?; Cruelty to Children; Patchwork Policies in France; *Apartheid* Postponed; Leaving Out Germany; Report on Police; Problem for the Welfare State; Exodus from London; Dollar Premiums for the Middle East; Leadership Needed; The End of the *Sand*; Another Snoot; Correction.

LETTERS TO THE EDITOR - - - - 1344

BOOKS AND PUBLICATIONS 1345

AMERICAN SURVEY

Foreign Policy in the Doldrums - - - - 1350
Texas Transformed - - - - 1351
Invitation to a Political Party; Doctors Shoulder Arms; Dust Settles on Formosa; Atoms for Allies; Attacks on Segregation; Oil's Indian Summer; Shorter Notes.

THE WORLD OVERSEAS -

Return to the Frontier Villages 1356
The French Budget for 1950; Prescription for Portugal; Recovery in Ireland.

THE BUSINESS WORLD

Sterling in Europe - - - - 1362
Softwood Shortage - - - - 1364

BUSINESS NOTES - - - - 1366

Uneasy Gilt-edged; Colombo and the Sterling Balances; What is a Balance?; Na "Hiving Off" for Dorman Long; Australian Pound After the Election; Firmer "Free" Sterling; Kaffir Dividends; Fiduciary Issue Raised; Record Exports; No Quarter for Gas Stockholders; The Film Debate; The President and the Rank Group; A Persistent Improvement in Steel; Dual Prices: The British Case; One European Market for Coal?; Swedish and Italian Trade; Two Chairmen on Devaluation; Wages and the Cost of Living; Dilemma in Sugar; No Canadian Eggs and Bacon?; Shorter Notes.

COMPANY MEETINGS - - - - 1378

INVESTMENT STATISTICS - - - - 1390

STATISTICAL SUMMARY - - - - 1391

Vol. CLVII No. 5547
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3.
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

Election Calendar

FOR some months past, speculation about the date of the general election has dominated the political conversation of the nation. Political activity is quickening. Ministers and their opponents are embarking upon high-pitched oratory and low-pitched insinuation, the inevitable accompaniments of election time. Back benchers are trickling away from Westminster to raise the fiery cross in their constituencies. Figures of the various opinion polls are discussed and disputed with vehemence, and straws in the wind—South Bradford, New Zealand, Australia—are being built into haystacks. The Right, though it discounted President Truman's victory a year ago, now claims that the recent defeats of Labour in New Zealand and Australia are portents of things to come in Britain. The Left, having hailed the American election as a sign of the invincible march of Labour, now professes to ignore New Zealand and Australia.

The Prime Minister, having decided against an election this year, has now to find the most advantageous date in the first six months of next year. But the magnitude of his mistake in not having already gone to the country has become very apparent. This he could have done with the whole of the Labour Party's 1945 programme on the statute book, if the Government had been prepared—or alert enough—to make the same compromise in July with the House of Lords over the vesting date for steel nationalisation as they did, in fact, make in November. Parliament could then have been dissolved at the end of the summer session; an election could have been held in October or November, and there would, by now, be a new government in office refreshed by a new mandate to tackle the tasks ahead.

By postponing the election until next year, the Prime Minister has set himself and the nation a very difficult problem. The choice he must now make is between an election held in January or February or possibly March (difficult campaigning months even in a mild winter) and an election postponed until after the middle of May. This awkward choice arises from inescapable duties of government which far transcend the niceties of politics or calculations of party advantage. Expenditure has to be approved and taxation provided for. And in April there are the local government elections. These two facts virtually rule out the possibility of a general election in the fourth and half of the fifth months of next year. Mr Attlee is left with two extremes, one physically and politically unpleasant, the other nationally disastrous.

His dilemma is apparent by turning over the political calendar for January to June. There is no bar to a general election during the months of January or February. Parliament, having been prorogued this week, could be recalled for dissolution immediately after Christmas and the election could be held any time between the third week of January and the end of February. From the Government's point of view the main deterrent would be the weather, which would certainly produce a low poll. On the other hand, a date in late February, say the 23rd, would enable the enthusiasm engendered by

the party's jubilee rally on February 3rd to be effectively deployed.

But late February is the last date on which a general election could be held without running into difficulties. It is conceivably possible to have an election in March since the necessity to scrutinise the expenditure of the Crown for the coming financial year can be confined to voting part of the service estimates and passing a vote on account to cover expenditure until the Estimates are formally passed in the summer. But to dissolve Parliament in the first week in March for an election in the fourth week means that the state visit of the President of the French Republic will occur at the height of the election fever. To have an election early in March with a view to reassembling Parliament in time to pass a vote on account before March 31st would immediately anticipate the publication of the new electoral register.

It is equally necessary for Parliament to be in session at some time in April; with the start of the new taxation year Parliament must scrutinise the Budget. In theory, it would be possible to introduce the Budget on April 5th next year (two days before Good Friday), to pass a quick series of Ways and Means resolutions to give effect to the Budget changes until the Finance Act is passed and then to dissolve Parliament. But, in practice, this timetable would involve the political disadvantage of having the general election campaign side by side with the county council elections in mid-April, and the administrative drawback of leaving any changes in taxation largely in the air for a month or more.

A dissolution in the middle of April for an election at the beginning of May would be pointless since the borough elections must be held about May 10th. Mr Attlee seems, therefore, to be faced with the choice either of going to the country in January or February, or of following Mr Baldwin's example in 1935 and dissolving Parliament about May 10th for an election at the beginning of June.

★

Confronted with this choice, and reckoning on the possibility that the sterling reserves will improve, that exports will continue to rise after the recent devaluation, —or governed merely by the inertia which ties politicians to the cares of office—some members of the Cabinet will doubtless urge on Mr Attlee the advantages of waiting until the summer.

A moment's reflection, however, shows how undesirable this course would be. The Parliament which is due to reassemble in the third week of January would have no important legislation before it and would be bound to fritter away its time in wordy battles intended for the consumption of the electorate. With an election fever on the country, no politician could behave with detachment, and all would make fools of themselves at one time or another. The economic affairs of the country would be debated in an atmosphere of acrimony and vote-catching. The result would be to lower the confidence of the public in the leadership of Parliament and to blunt the edge of its interest in the issues of the election. The effect upon the sensitive points of the economy—industrial output, trade and the Government's credit—would be profound. If the Prime Minister wishes the election to be fought with a maximum of bitterness and folly, he could promote it by no surer means than to postpone the decision until June.

But the domestic setting of the election is not the only aspect to be considered. Quite apart from the necessity for giving some galvanic direction to home policy, the movement of events in the world at large will not be arrested while the British have their general election. In the first six months of 1950, profound and far reaching adjustments in British policy may have to be made. The debates on Marshall Aid in Washington—which will last, perhaps, for the whole period from January to June—may well produce a scaling down of the third instalment which will call for swift and drastic action in Whitehall. The Colombo Conference in January may involve important decisions about Britain's commitments to the Commonwealth. Almost certainly, far reaching decisions will have to be made on Britain's role in the defence of the west and its contribution to Europe's economic liberation. Such decisions cannot be taken by a Cabinet and government which is idling in neutral gear.

★

The British constitution rightly gives the Prime Minister in office the power to decide when, within the five year limit, he will lead his party in an election. No Prime Minister ever lacks advice from the party managers about the balance of electoral advantage between one month and another. But, in the last resort, the decision is his, and his alone. Mr Attlee must be well aware that public opinion forms gradually during the lifetime of a government but that, once formed, it stays formed and is not profoundly altered by the excitements of an election campaign. The majority of the British public are unlikely to revise their opinions, whether the sterling reserves, the meat ration or the gilt-edged market go up or down, or whether the election is held in June or January. Moreover, the spectacle of a government dawdling on from inertia or love of office does not please the British electorate. It was just such action on the part of A. J. Balfour in 1905 that contributed, in large part, to the Liberal landslide of 1906. The Prime Minister, if he waits till June, could well be accused of risking public confidence at home and British prestige abroad to alter only slightly the pattern of a die that is already cast.

The decision rests entirely with the head of His Majesty's Government. There is nowadays no separate element in the British constitution designed to safeguard the national interest as opposed to a political interest. The Prime Minister, the sole arbiter, must make the distinction within his own heart and mind however much he is convinced that the return of his own party is essential to national salvation. Mr Attlee is a wise man whose record of quiet statesmanship suggests that he would go further than most Prime Ministers in bearing this distinction in mind.

Having committed the initial blunder of failing to dissolve this year, the national interest positively demands that he faces the consequence and permits the nation to decide on a new government at the earliest practicable date in the New Year. He may incur the odium of candidates and canvassers tramping the bitter streets and the cold moors, but he may be reviled by the whole nation if inertia or miscalculation induces him to delay the decision and to waste four critical months during which Britain's greatest need will be strong and wise leadership.

Mr Bevin's Record

WITH the end of this session, Mr Bevin has completed his last full year of office in the present parliament. If—as is devoutly to be hoped—an early dissolution is decided upon in 1950, the record which the Foreign Secretary must place before the electorate is virtually complete. It is not an easy task to assess its electoral appeal or its intrinsic value. Mr Bevin is undoubtedly the most striking personality among Labour leaders. Few of them have anything of his force. But personalities are not policies. In the case of Mr Bevin it is not easy to say whether the achievement is to the measure of the man.

It is true that the Foreign Secretary's four years of office have covered a period of great difficulty and confusion. Foreign policy is relatively easy to pursue when relations between states are stable and the balance of world power is familiar and well recognised. Mr Bevin has had to deal with a world in which many of Britain's traditional diplomatic concepts have become obsolete. The war completed the creation of a new international balance with the United States and Russia dominating the new scene. Between them, the old centres of power in Europe were shattered, while Britain itself was too gravely weakened to continue to fulfil its old role. It was—and is—a revolutionary situation in which new directions had to be set for British diplomacy.

The Foreign Secretary's greatest claim on the country's esteem is that in this critical period, when the seas were largely uncharted and the barometer pointing to storm, he set the helm on the only course capable of bringing the country into calmer waters—full co-operation with the United States and the other western democracies in building an international community proof against Communism. In 1945 and 1946, such a course was far from obvious. At that time, many would-be pilots in the Labour Party were pushing up to the bridge with courses set in very different directions. Mr Bevin was practically the first to see that the chart labelled "socialist solidarity with the great Soviet Union" would take the ship on to the rocks, but he had no easy task in persuading the lower decks of the Labour Party to accept his view. Even when the implications of Soviet rule in eastern Europe had sickened all but the tiny group of fellow travellers, the traditional Socialist dislike of "capitalist America" gave a certain impetus to the search for a third force in the shape of a neutral socialist bloc in Europe lying between the so-called extremes of right and left. Again, it was above all Mr Bevin's realisation that democracy in Europe could hardly survive without the closest support of the democracies beyond the ocean—in the United States and in the Commonwealth—that relegated the third force to the pages of the pamphleteers and prepared the ground for the Marshall Plan and the Atlantic Pact.

It can thus be said that the Foreign Secretary, more than any other European leader, has been responsible for formulating the general policy of close co-operation within the western world. During the first three years of the present administration, his achievement in the shape of the European Recovery Programme, the setting up of the Organisation for European Economic Co-operation, the Brussels Pact, and the negotiations leading up to the signature of the Atlantic Pact would seem to be

sufficient to establish the record of any statesman. Indeed, if Mr Bevin had left office early in 1948, blemishes already apparent in his handling of affairs—for instance, in Germany or in Palestine—must have seemed minor compared with the achievement of western solidarity. But Mr Bevin has continued in office for eighteen months since the signing of the Brussels Pact, and for over two years since his quick reaction to General Marshall's Harvard speech set the Marshall Plan in motion; his latter period has unhappily done much to confuse the earlier picture of achievement and purpose.

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The paradox of the Foreign Secretary's record is that, having established the right general principle—close co-operation with the Commonwealth, America and western Europe in pursuit of a stable international order—he appears to have drawn none of the necessary conclusions. In the last two years, the chief need of British statesmanship has been to expand and fill out this general idea of co-operation by means of specific applications of policy to particular areas and problems, but when one endeavours to discover what the particular policies may be, the record is one of disconcerting obscurity. In Europe, for instance, who can say what precisely is Britain's attitude to closer co-operation? It is over a year since Mr Bevin declared that the time for Western Union was ripe, but it is still impossible to say what he meant by it then or means by it now. It is not close economic integration. It cannot mean some mere regional arrangement—and even if it did, such notions as "Uniscan" would still have to be dismissed as window dressing. It is not federation. It foresees no particular developments in the Council of Europe. Behind much of the discussion is the implication that Britain has special Commonwealth interests to safeguard. But they have yet to be specifically defined and reconciled with European needs.

At the same time, there is evidence of uneasiness and questioning in the Commonwealth about Britain's relations both with its imperial partners and with Europe. The conference at Colombo may clarify these doubts, but it is not far from the truth today to say that, while Europe cannot be sure of Britain because of its special place in the Commonwealth, the Commonwealth is perturbed about the implications of Britain's special links with Europe. Yet it should surely have been possible to dispel the uneasiness of at least one set of partners.

The sense of uncertainty and fumbling in British foreign policy seems, however, most noticeable in Britain's crucial relations with the United States. In the last year, it has become increasingly apparent that the future of western world order may well be determined by the relations between the dollar and the sterling areas. It has become equally obvious that present policies—generous as they have been on the American side—are insufficient to close the dollar gap. By restoring prewar levels of production, the Marshall Plan has done four years' work in two. The new problem—of re-establishing equilibrium in world trade—cannot be solved without new measures demanding a new phase in the Anglo-American partnership. Yet, in spite of the Washington Conference in September, it is doubtful if

understanding between the two peoples is as close as it was even a year ago. On the American side, various *ballons d'essai*, one of them at least more specific than General Marshall's address at Harvard, have gone up—the President's "bold new programme" for investment in backward areas, the State Department's privately circulated project of Atlantic Union, the widespread unofficial canvassing for an American move to underwrite part of the sterling balances. It may be that the British response to some of these overtures has been as quick and as frank as Mr Bevin's reaction to the Harvard speech. If so, public opinion on both sides of the Atlantic is unaware of the fact.

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This, then, is the present position, in such marked contrast with the picture of, say, 1947. What is the explanation for Mr Bevin's very uneven record? There are, of course, extenuating circumstances. American policy has hardly pursued a constant course and, particularly in Palestine and in Germany, the zig-zags and reversals have made any British attempt to keep in step extremely arduous. It is also true that Mr Bevin has been called on to preside over a phase of policy which few nations have conducted with complete ease and dignity. Britain is no longer the dominant world Power. America has taken its place and it is not always easy for Britain to accept the new relationship with generosity and grace. Even so, there are undoubtedly particular reasons for the stagnation of British policy in the last eighteen months and for this Mr Bevin must bear at least part of the blame. Ideological prejudice, for instance, against "capitalist America" has not been wholly banished from Britain's relations with its chief colleague. Doubts seem to persist whether a socialist policy at home is really compatible with an American partnership. To a lesser extent a similar distrust of Continental conservatism has hampered the development of a consistent British policy towards Europe.

Stalin and His Heirs

(By a Correspondent)

DURING the war Stalin once boasted to President Roosevelt that he had made all the arrangements necessary to ensure the smooth functioning of the Soviet leadership after his death. He had settled, he said, the problem of his succession and was confident that the settlement would work. The story, if true, would illustrate the narrow-minded conceit of the man: he seems to believe that history will obey his commands even after his body has been embalmed and laid by the side of Lenin's in the mausoleum. The story also throws a sidelight upon the democratic pretensions of Stalinism: the leadership is to be bequeathed by the leader, as if the Soviets had by their "most democratic Constitution in the world" been transformed into an hereditary and absolute monarchy.

The orgy of hero-worship indulged in by the faithful on the eve of Stalin's seventieth birthday—which falls next week—gives new point to speculation about the succession. The incense burnt to the septuagenarian has an almost funeral smell. For a long time now Stalin has been conspicuously absent from the party and state occasions at which he used to take the salute or address

Another difficulty has arisen from divided authority at the highest level of government. In the last four years, economic problems have become the very stuff of diplomacy. The result has been an uneasy overlapping of command between Treasury and Foreign Office, and Mr Bevin's dislike of any incursions into "his" field has led on occasion to remarkable reversals and obscurities in British policy, particularly in Europe.

The gravest charge, however, is that in the last eighteen months it has become more and more apparent that Mr Bevin has, in fact, no foreign policy worthy of the name. In all diplomacy, but particularly in diplomacy dealing with a revolutionary world, two elements are needed. One is the caution, the assessment of national interests, the careful balancing of pros and cons—all functions of the permanent Foreign Office official. The other, the role of the statesman, is to provide the imaginative grasp of policy, the capacity of seeing foreign relations in the round, of providing both the impetus and the vision which troubled times demand. At first Mr Bevin appeared to have—indeed had—that quality. But the drive has slackened, the grip on policy has relaxed. His interest has become spasmodic, his interventions unpredictable. More and more he appears to be in the hands of his permanent officials whose very function is to assess difficulties, measure obstacles and counsel caution. The conduct of policy thus becomes a succession of defensive acts and the ship of state, instead of keeping to its course, tacks from expedient to expedient.

That is the defect of Mr Bevin's record. After a promising and worthy start, he has shown little capacity for following up an original policy with its detailed application. As a result, British diplomacy now bears a negative stamp. It is, indeed, difficult to avoid the conclusion that, whether or not the Labour Party wins the next election, new leadership will be necessary at the Foreign Office.

the crowds. The few visitors who have seen him since the war have as a rule been struck by the signs he has been showing of physical decay. The recent reshufflings in the Politbureau and the government may have been made in preparation for the day when Stalin is no more. Contrary to rumour, Molotov seems so far to hold first place in the line of succession. At the official gatherings he takes the stand or the seat usually reserved for Stalin. But Molotov's role is very much like that of an heir presumptive acceding to the throne very late in life; his accession is bound soon to create a new problem of succession. That is why the much younger Malenkov has, in recent months, moved so rapidly into the limelight.

More important, however, than the identity of Stalin's likely successors is the wider problem of the succession: can the Stalinist system go on without Stalin? Stalin himself believes, or pretends to believe, that it can. He must, of course, insist on those inherent merits of his method of government which should enable the method to survive its inventor. For different reasons, this view has gained wide acceptance among Stalin's enemies and

opponents. The same question, it is pointed out, arose when Lenin died; and the Soviet regime withstood that shock pretty well. A totalitarian society, it is further argued, is devoid of all spontaneous impulses for domestic change, and the continuity of totalitarian government can be insured in advance by the political police. No totalitarian regime has ever collapsed or changed under pressure from inside; the Nazi and Fascist tyrannies were destroyed only by foreign invading armies.

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This question points back to another and much older one: what is the role of the individual in history? Can a regime addicted to the cult of a single leader have enough stability and inertia to be altogether independent of the personality of that leader? It seems that in a system in which the leader is extolled and exalted as much he is in Stalinism, his death should produce at least a crisis. A whole Russian generation has been brought up in the belief that it has owed its achievements and victories to the wisdom, vigilance and genius of the "Father of the Peoples." What will happen when that wisdom, that vigilance, that genius are no longer there to serve the people? So much authority has been concentrated in one person that it would be surprising if the disappearance of that person were to result in no confusion of authority.

One of the reasons why the crisis after Lenin's death was overcome by Stalin—although not without bitter struggle and bloodshed—was that under Lenin the Bolshevik Party had not yet become so hamstrung by the belief in the *Führerprinzip* as it is to-day. It had still retained something of the outlook of a normal political party, with a collective mind and will of its own, to carry on after Lenin's death. In contrast, the legend of the living Stalin has become so supremely important in the Stalinist system that it is not so easy to see how the one can exist without the other.

It is not difficult to guess how Stalin himself and the Politbureau envisage a solution of this problem and on what Stalin bases his confidence in the workable character of his alleged settlement. Leaders are made and unmade, they can be built up or destroyed by propaganda—this is the crude, cynical view which the men of the Kremlin take of the personal cults initiated by themselves. Since the propagandists have succeeded in building up the Stalin legend, why should they not be able to manufacture a Malenkov myth? This reasoning

begs quite a few questions. It assumes, first, that the propagandists and their bosses behind them are all agreed as to who should be the bearer and the chief beneficiary of the next legend. It further assumes that the propagandist is all-powerful, that his legends can, indeed, thrive and captivate the mind of the people regardless of a country's social needs, political climate and moral condition. Both assumptions may be unreal.

The Stalin legend undoubtedly met, at least at first, some psychological needs in the Bolshevik party and beyond its ranks. The Leninist phase in Bolshevism had been bound up with the expectation of imminent world revolution. Stalinism, with its original emphasis on socialism in one country, weakened that expectation and psychologically adjusted Bolshevism to intensive domestic development in a condition of isolation. It seems that the real need of Russian society now—a need that is likely to be aggravated and to become more articulate after Stalin—is to rid itself of the successive legends, Leninist, Stalinist or post-Stalinist, and to face its own problems soberly. From this unsatisfied need spring the strains and stresses in Soviet society, of which the outside world is every now and then made dimly aware by outbursts of heresy hunting and purging.

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The legacy which Stalin will leave behind is full of the most glaring contradictions which can hardly be covered up for long. He has presided over a great industrial revolution in his country but has kept the bulk of his people in such abject poverty as must impede the country's further advance. The Russia he will be leaving behind is armed with atomic energy but, metaphorically, still goes barefoot. He has carried through a veritable cultural revolution among the peoples of the Soviet Union and has never ceased to oppress their minds by his spiritual despotism. He has forcibly driven a semi-Asiatic community to assimilate the industrial and scientific techniques of the west and is now preaching an obtuse, malignant contempt for the west. He continues to instil some basic ideas of freedom and Socialism into the new generation and compels it to practise the opposite of those ideas. This tangle of contradictions cannot for ever, or even for very long, be covered up by clever legends and hypocritical purges. There is too much explosive stuff in it, and Stalin's disappearance may act as a cataclysm in the explosion.

But has any totalitarian regime ever broken down (or

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relaxed) under internal strain? Contemporary political theory tends to answer this question in the negative; but, perhaps, it does so under the still fresh and exaggerated impression of Nazism. It is too often taken for granted that totalitarianism is a novel phenomenon, peculiar to our own age. This is not so certain. It might be said that history is, in fact, strewn with the wreckage of totalitarian systems. In Russia, Ivan the Terrible and Peter the Great were as much totalitarian rulers as Stalin himself. Yet their respective methods of government did not survive either of them. The reign of Ivan the

The Co-operatives—I

Manchester Leviathan

THE Co-operative movement is, at one and the same time, a vast business concern and a voluntary organisation inspired by a social purpose. It is proposed to examine in three articles these twin aspects of the movement and to attempt a tentative evaluation of its efficiency as the one and its constancy and political value as the other.

Many people—even among those who shop at Co-operative stores—have only a vague idea about how their business is organised. It is therefore worth outlining it in brief. There are roughly ten million members belonging to 1,030 retail societies (the local “Co-ops”). These societies, each completely independent, are the mainspring of the movement, but they have organised themselves in a variety of ways for special purposes. In the first place they have formed two wholesale societies, one each in England (the CWS) and Scotland (the SCWS) to handle their wholesaling and also to produce certain goods solely for them. Retail societies buy over half their goods from or through wholesale societies; they also run their own insurance company and banking department through the wholesale society. In addition, retail societies have got together on a purely local basis for making certain goods or to take over factories already run by the workers on “co-operative” principles, and the products of these industrial societies often compete with those of the wholesale societies; similarly they have formed 82 local federations for retailing perishables like meat and bread which need a wider market than some of the smaller retail societies can command alone. Finally, all the societies have combined to form a Co-operative Union, whose chief function, like that of the TUC, is to call an annual congress for the discussion of common problems, but which also provides a host of services—legal, financial, informative and educational—for its members.

To deal first with the retail societies, the proportion of the total retail trade of the country done by these societies is at present roughly as follows:

Milk	...	...	32%	Meat	...	...	14%
Sugar, butter, bacon,	...	...	...	Footwea.	...	...	10%
cheese	...	...	25%	Clothing	...	...	7%
All groceries	...	...	20%	Household furniture	...	...	7%
Coal	...	...	20%	Pharmacy	...	...	6%

At first sight these are impressive figures but, measured by the resources of the movement, they are surprisingly small. The commodities in which co-operative retail trade is strongest are the staple everyday necessities,

Terrible was followed by the Time of Trouble. Ivan's principal instrument of power, the *Oprichnina*, in some ways the prototype of Stalin's political police, broke into pieces as soon as Ivan's hand was removed from it. His centralised state fell a prey to confusion, and ever new pretenders to the throne rode into and out of the Kremlin. What Time of Trouble may awake Russia after Stalin's death?

On the other hand, who can say how many happy returns of the day may not come to Stalin? Caucasians sometimes enjoy astonishing longevity.

highly standardised and lending themselves to mass-production. In clothing, footwear and furniture, on the other hand, buyers demand a wide variety of choice, and the movement's working-class traditions keep it limping far behind public taste. The expressed aim of supplying all goods and services to all consumers is still a very long way from realisation, in spite of the unbroken growth in size and trade which still continues. In certain lines conditions of supply do not favour the retail societies—they have difficulty over dividend payments with books, newspapers and branded articles. In others, the market requires skilful retailing with a personal “service” element—as with sports goods, cars or jewellery, where the traditionally working-class character of the societies would be a disadvantage in attracting the number of customers necessary to meet overheads.

But by far their greatest handicap in the process of drawing more retail trade into co-operative channels is the unavoidable conservatism of those directing the organisation. It is too loosely-knit to be galvanised from above; it relies on the still small voice of idealism to prod the solidly respectable members who give more time to directing retail societies into the appalling risks, the feverish overwork, and the braving of criticism which true enterprise demands. “No gambling with the members' money” was probably the motto that prevented the demand for cheap restaurants or sixpenny bazaars from being met on co-operative lines, and allowed private enterprise to capture the huge market for entertainment, sport and holiday facilities. In these and the numerous other new markets of the last fifty years, the Co-operatives' resources would have given the movement a running start if it had the vision to anticipate and educate demand as its competitors have done.

Local differences are another factor in holding back progress that needs a unified national effort. In the industrial north, where the Co-operative societies are older, they are smaller, more numerous and their membership is more loyal. In the south, where they grew up later, they came into keener competition with existing commercial firms and made their way by greater efficiency, by spreading their services over wide areas to cater for the rural as well as for the urban populations. These bigger societies allow more elbow room to the full-time officials and the management committees to experiment with new ideas without having to meet the eye of reproachful members at every street corner.

Wider integration, more professional management, and standardisation of advertising might seem to provide the obvious keys to expansion, but these could only be achieved by the sacrifice of a valuable business asset in the shape of great loyalty and semi-proprietary interest. It is arguable from the purely business point of view that the gain would be worth it; that indeed only by ruthlessly modernising the whole administrative structure and cutting adrift from its parochial swaddling clothes can the co-operative societies keep abreast of progress, and compete with large-scale profit-making business, let alone achieve its declared purpose of a co-operative commonwealth.

The fact that the retail societies own over two hundred factories and workshops up and down the country, producing many of the goods they sell, is commonly regarded as their strongest claim to efficiency, since this cuts out the “middleman.” Certainly the mere size of co-operative production, although it tends to obscure certain drawbacks, does confer very real advantages. Bulk buying of services and secondary materials are only two of the most obvious economies of tying together a wide variety of manufacturers for consumers' needs, although united financial control probably constitutes a temptation to “carry” the less efficient units. But the advantages which are usually associated with linking up production and retailing under one ownership are not all found here, for two reasons. The first is that most of this production is carried on by the two wholesale societies. Two-thirds of the goods supplied by these societies to local retail societies represent the normal wholesale merchandising of other peoples'—often their competitors'—goods. Production of the remaining third, therefore, is only one limb, and that not the biggest, in the leviathan wholesale societies. All sales from co-operative factories are handled through the same merchandising channels, and by the same travellers, as the bulk of the business. CWS brands enjoy less, not more,

NOTES OF THE WEEK

Mr Strachey on the Spot

A curtain raiser to the Lords' debate on the East African groundnut scheme was provided by Mr Strachey's hurried and unplanned visit to Tanganyika. His sudden departure at the end of last week under, so it was alleged in the debate, an assumed name (some are suggesting that this was Plummer's Mate) naturally had the effect of making what has become a matter of personalities more personal than ever. There was little that their lordships could add to the list of technical and scientific mistakes, which are well recognised by the Government no less than the Opposition. Even here, however, there is still room for the inquiry which the Opposition is demanding, because the decision to curtail the scheme so drastically to 600,000 acres, with the consequent writing down of capital that it will involve, can only be endorsed if the public has some reasonable assurance that groundnuts can be grown profitably on this limited acreage.

But more than anything else an inquiry should provide an opportunity for restoring the confidence of the workers in East Africa in the scheme and in those who control it. Lord Hall, speaking for the Government, declared that Mr Strachey had gone to Tanganyika to reassure them that the Government intended the scheme to continue. To this Lord Milverton retorted that a more effective step to restore morale would have been for Mr Strachey to have stayed in London and announced his own resignation or severance from the control of the scheme. A paragraph of Lord Hall's

of the single-minded sales pressure and marketing techniques devoted by commercial firms to their products.

The second weakness is that, in spite of the extent and variety of the goods manufactured by the two wholesale societies, they are not allowed to sell them outside the movement; thus the sale of over fifty different lines of production is restricted to the selling capacity of the co-operative retailers. Originally the retail societies set up the CWS and the Scottish CWS for their own purposes, primarily to manufacture and wholesale for their needs, and only incidentally to return any profit to them as dividend. “Investment for need, not for profit” is still the rule, so that the productive plants have never had a free hand to explore the economies of large-scale production. Finishing processes, like tailoring or soap-making, probably have a co-operative market far bigger than they need. But a stage further back, at weaving or fat-importing, the optimum size may be much larger than this ultimate market allows.

Both as retailers and as manufacturers, the co-operative societies are often regarded with fear by their competitors as a powerful menace to normal profit-earning enterprise. But what would not a Rockefeller or a Nuffield have made of such potentialities? Normal profit-making enterprises in direct competition with co-operatives in many spheres of trade accuse them frequently of sinister designs and unscrupulous methods on counts so palpably false as to reveal all too clearly the fear they inspire. To the unprejudiced observer, however, judging the movement not by the lip-service it pays to the goal of a “Co-operative Commonwealth,” but by the use it makes of its opportunities, its actions speak loudly of a middle-aged complacency. In spite of its large resources, in spite of its millions of devoted customers, it does not dominate a single market, and has not been responsible for a single one of the half dozen or so major innovations in the consumer trades of this century. The race is not to those who rest on their oars.

speech was very revealing. Last month, in the Commons debate, Mr Strachey said:

I went out to East Africa last June, and I was very careful to interview, privately and alone, all the senior members of the executive out there and to ask them their opinion and attitude, because these allegations have been made about the chairman and the leadership of the corporation, and their replies were that the allegations which the hon. member has just made [of a lack of confidence in the chairman among the executive staff] were not in fact true.

Lord Hall said that the Minister had asked him to say that these words were not intended to convey the only impression they could possibly have conveyed—that Mr Strachey had asked for and received a declaration of confidence in Sir Leslie Plummer. In fact, at the meeting in June, the question of confidence was not even raised, and Mr Strachey's statement implying that it was, and that he had received a positive declaration of confidence, caused great and justifiable resentment at Kongwa. This alone may have been enough to provoke Mr Strachey's visit. The whole incident is an excellent illustration of the way in which, throughout the unhappy groundnut story, the truth has been hidden.

A Selfish Strike

Whatever genuine grievances the 2,500 men on strike at the four London power stations may have had, it is impos-

sible to excuse their action. An electricity strike hits the public where it is most vulnerable—at home, in the offices and factories, in the streets and on the railways, as the nation learned only too painfully in the 1947 fuel crisis. The Government acted promptly to prevent any serious dislocation of supply, and although the introduction of troops irritated the men—indeed it was the cause of the strike at Barking—the decision was undoubtedly correct.

The dispute has been simmering for some time. Indeed, one of the criticisms made by the shop stewards was the slowness of the negotiating machinery. The trouble arose from the proposal agreed by the industry's Joint Industrial Council on May 31st to merge into a general increase of 1½d. an hour certain bonus payments formerly made to men at stations where conditions were abnormal. This was part of the British Electricity Authority's scheme for rationalising the industry's wage structure and getting rid of some of the anomalies which existed under private ownership. The general increase involved about 110,000 workers and the bonus payments applied to another 7,000. But none of this latter group, it was stressed by both the authority and the union leaders, would be any worse off actually, though they might be relatively to their fellows. A joint committee was set up to see where excess payments were and were not justified. The stations involved in the dispute were held not to qualify, though it was agreed that special payments could be negotiated for specific occupations.

The strikers agreed on Thursday to return to work, on an assurance given by the official union leaders that their grievances would be considered. But a last-minute hitch over the terms on which they should return has kept the men out at three of the four stations concerned. The dispute has left a nasty taste. It is, however, difficult to fasten responsibility on to any particular elements. Mr Frank Foulkes, President of the Electrical Trades Union, is a Communist, but has from the start been urging the men to return. If there were Communist elements behind the strike, they do not appear to have had much backing from headquarters, although the *Daily Worker* has chanted delightedly about use of "blackleg" soldiers. Mr Foulkes and his colleagues took the sensible course in agreeing to meet the men's leaders at an early stage, rather than insisting on a return to work first, as has been the case in some recent strikes.

End of Session

The fifth session of the present Parliament, distended to fourteen months in order to secure the passage of the Parliament Bill, has at long last come to an end. Its closing stages were occupied partly by a rush to complete certain outstanding items of legislation such as the Justices of the Peace Bill, partly by two major debates (on groundnuts in the Lords and films in the Commons), and partly by a series of acrimonious motions whose purpose was primarily electioneering. On Monday the Commons debated a Conservative motion designed to arouse sympathy for gas stockholders whose compensation stocks have suffered in recent months, and on Thursday it dealt with a Labour back bench motion on the publication of political accounts and a front bench motion on nutrition. Mr Quintin Hogg tabled a strongly worded motion attacking the Attorney General and Mr Morrison for their views on electoral expenses, and a group of Tory members raked up a three month old report of a speech in order to have a go at Mr Harold Wilson. These are a reminder of the mood of acrimony which will develop if Mr Herbert Morrison does not fill the proposed new session in the New Year with enough real work to keep members busy until the election date is finally promulgated.

The session which is just ending has seen the passage of some hundred public bills, including the five private members' bills which have survived the winnowing process of second reading and committee. Other private members' measures, such as the Analgesia in Childbirth Bill, though not

passed into law, had the important effect of rousing public opinion and stimulating the necessary administrative action. Of the major Bills, the Iron and Steel Bill (now the Iron and Steel Act) was, of course, the giant, and this week the Royal Assent has been granted to its companion on its tortuous passage through both Houses, the Parliament Act. The other measures were for the most part non-controversial—the National Parks and Access to Countryside Bill, the Juries Bill, Legal Aid and Advice, Criminal Justice (Scotland), the Housing Bill (dealing chiefly with the conversion of large houses), and the Nurses Bill.

A glance back over Hansard during the weeks since the King opened the session on October 26, 1948, brings sharply to mind the way in which economic affairs came from last spring onward to be the dominant general issue facing Parliament. In all there were only three full scale debates in the House of Commons on foreign affairs (including one on the Atlantic Pact), and one on the Palestine situation. But from April onwards the economic crises claimed more and more time. The combined economic and Budget debate lasted four days. In July came the Chancellor's first statement on the renewed dollar crisis, followed by the two-day economic debate in the same month. In September, there was a three-day debate on devaluation, and in October a two-day debate after the Prime Minister's statement of the cuts in expenditure.

Victory Speeches in Australia

In the first flush of success, Mr Menzies has not kept his head quite as well as he might have done. It may be that a veil should be drawn over post-election victory speeches as well as over what is said during the heat of the campaign; but, if Mr Menzies really intends to outlaw the Communists he will store up a great deal of unnecessary trouble for his government.

It is always bad politics to ban a political party, even though its existence constitutes a threat to the state. The inevitable result is to drive its members underground, where they will be sure of winning far more support than they ever enjoyed on the surface. A more sensible method is to tighten up the regulations governing the trade unions—to insist, for instance, on a secret ballot of all members on any major decision—and to enforce the sedition laws more strictly still. By such means as these, the claws of the Communists can be clipped without running the risk of driving into their arms every young hothead in the country with a taste for secret service.

As for petrol rationing, which Mr Menzies has promised to abolish, it is worth recalling that Mr Chifley kept it on after the war mainly at the request of Britain; the object was to ensure a more even distribution of oil throughout the Commonwealth and to relieve pressure on the sterling area dollar pool. If Mr Menzies can find other means of financing the extra purchases, well and good; but, if he fails, it will be Britain which will get the dirty end of the stick.

But the abolition of petrol rationing and the banning of Communists are, after all, only the extreme flanks of Mr Menzies' policy declarations. The solid centre is almost wholly praiseworthy. Relations with the United States, which Dr Evatt had to some extent neglected, are to be improved and strengthened; Australia is to play a more active part in Commonwealth affairs and Mr Menzies is already talking of trying to get together another economic conference; defence responsibilities will not be shirked and may be increased; there will be fewer government controls over internal commerce; and there are a number of financial proposals which are discussed on page 1368.

From the political point of view, Mr Menzies will have

a good working majority in the House of Representatives. In the Senate, however, the Government parties will be in the minority, and if the Senate should block any of his bills Mr Menzies will be forced to call for a dissolution of Parliament and for all the seats in the Senate to be contested. (Normally, only half the number of senators are elected every three years.) This would mean another general election and might entail some risk for Mr Menzies, in view of the very small difference between the actual number of votes cast for and against the Liberal and Country Parties.

China's Vicars of Bray

The last phase of conquest in western and southern China has been marked by the extreme rapidity of the Communist advance and the even more striking eagerness of Nationalist generals and politicians to pass over to the camp of their enemies. Hardly any fighting at all appears to have taken place, and Communist control of the Chinese mainland is now virtually complete. Some leaders, whether because of real anti-Communist conviction or because they feel themselves too deeply compromised by their past records to be safe under Communist rule, have withdrawn either to the islands of Formosa and Hainan, still held by Nationalist forces, or—like the acting president Li Tsung-jen—to the safer distance of Hongkong or America, while remnants of the Nationalist army in Szechwan are reported to be retreating into the mountainous Tibetan borderland province of Sikang. Sikang is too remote and isolated to be the seat of a government hoping to retain any contact with the world outside China. After successive moves of the capital from Nanking to Canton, from Canton to Chungking and from Chungking to Chengtu, the Nationalist Government has now flown—literally so, for there has been communication between Formosa and Szechwan only by air—to Taipei in Formosa, where it is for the time being under the protection—and control—of Chiang Kai-shek's own troops who were brought to the island from Chekiang.

The speed of the Communist conquest of southern and western China has borne witness both to the overwhelming military prestige the Communist armies have gained as a result of their earlier victories and to the longing of the Chinese people for the end of the civil war and the restoration of national unity under whatever leadership. For the moment there is no effective military or political opposition to the Communists on the Chinese mainland, and it remains to be seen whether the sea-moats separating Formosa and Hainan from the continent (respectively about 100 and 15 miles wide) will serve for any length of time to preserve a residue of the defeated faction from the further advance of the conquerors.

There are, nevertheless, elements of instability in the situation of the Communists arising from the very ease of their success. The wholesale defections which have given the Communists the southern and western provinces have brought into the Communist camp great numbers of army officers and civil officials, who are merely Vicars of Bray and who cannot possibly be regarded as reliable from a Communist point of view. If the popularity and prestige of the Communists were to ebb in the process of building up their regime, all these old-timers would be potential agents of counter-revolution. The Communists certainly know this and may be expected to strive to consolidate their power by developing police control and by a series of purges and eliminations in the approved totalitarian manner. But such a policy may itself precipitate revolts, as certain individuals who thought they could strike bargains with the Communists discover that they are destined for political, if not physical, extinction. Consolidation will not be easy for the new regime, and the difficulties to come may have a decisive effect on its relations with the outside world.

Two Views on Formosa

The Americans appear to have decided not to attempt to occupy the island of Formosa in any circumstances—even with a token force—to withhold this last Nationalist stronghold from the Chinese Communists. And this decision has put the last ingredient into a diplomatic Christmas pudding which is making mouths water among the experts. (The diplomat—in handling international relations—has to consider not only the reality of power but also its outward form.) In China, at the moment, the western powers are faced with one of the most delicate of all questions in international relations; how and when to withdraw recognition from one government and give it to another, which has not only come to power by force but whose existence is—to say the least—distasteful to them, if not a positive and lasting reminder of defeat. In this respect Formosa now looks like providing some light relief.

Since the Chinese Nationalist Government, now established at Taipei, have not asked the Americans to "occupy" the island, they are understood to have decided that nothing would be gained by doing so. With some of its strategists dissenting, Washington has abandoned Formosa to be captured by the Communists as best they can. In arriving at this decision Formosa has been treated as Chinese territory—a realistic view, since it has been regarded legally as "Chinese-occupied territory," following the agreement reached at the Cairo Conference of 1943 that the Japanese should hand it back to China when the war was over.

On the other hand, for the purposes of recognising the new Communist regime in Peiping as the Government of China, Formosa is likely to find itself on a very different footing. Mr Acheson, the American Secretary of State, has taken the lead in saying that, so long as the Nationalists retain a foothold on the mainland, there can be no question of Washington recognising the Communists. And, while he has not committed himself about what may happen when they do lose that foothold, his thoughts in this respect seem to lie along lines very similar to those which London is following. Recognition of the Communists, that is to say, may be granted under cover of the fact that Formosa is not technically Chinese territory—as indeed it is not, until a Japanese peace treaty is actually signed. By sitting in Taipei, therefore, the Nationalist Government is in exile. The diplomats look like having their Christmas pudding and eating it too. It is a dismal ending to the story of the Kuomintang.

Free Trade Unions Under Way

The new International Confederation of Free Trade Unions, which was formally established last week, starts off with a formidable agenda. Its ultimate purpose, of course, is to act as a counterpoise to the World Federation of Trade Unions, the body from which it has split off and which after its recent meeting in Peking appears to be concentrating on creating labour unrest, especially in the colonial areas, under the direction of Moscow. There is general agreement that the Confederation will best fulfil its purpose by pursuing a positive social programme, rather than by adopting a purely negative attitude of opposition to Communism, although the American Federation of Labor, at any rate, intends that the new body shall be aggressively anti-Communist. Its final declaration of social and economic aims—its charter for the free trade unions—is a spirited enough document, but the new International will have to move rapidly if it is to counter the very powerful propaganda machine of the WFTU.

In membership, the Confederation has made a promising start. The conference credentials committee reported a total representation of 48,224,335 workers in 53 countries and it was at pains to ensure that these should be *bona fide* unions and not what Mr Deakin called state "stooge" organisations

—it was on these grounds that the Thai and Dominican delegates were excluded. Fears that the British or Americans would dominate the Confederation have, it seems, proved groundless. Both, in fact, are taking a back seat. The headquarters of the new organisation is to be in Brussels, not London, and the presidency and secretaryship have gone to a Belgian and a Dutchman respectively. This does not mean that policy will not in fact be largely influenced by the labour leaders of two major nations, but it does show the anxiety of the British and American trade unionists to spread responsibility.

While there will not be the same deep ideological cleavages which wrecked the original WFTU, the new body will have to proceed cautiously, as the London conference showed only too clearly. Mr Tewson, the general secretary of the TUC, wisely emphasised the need to keep out national party politics (Lord Citrine gave a similar warning to the WFTU in 1945) for there are differences between Catholics and Protestants and between the ideas of the European "socialist" elements and the American "private enterprise" unions. Undoubtedly the colonial problem is the most urgent that faces the Confederation. Delegates from the West Indies and Cyprus were highly critical of British rule, and warned the conference that unless living standards were improved, the colonies might well become a happy hunting-ground for Communists. The regional machinery which the Confederation proposes to establish may be of value in counteracting Communist influence in the sphere where the WFTU is most anxious to increase it.

More British Beef?

The Smithfield show was a welcome reminder that Britain is capable of producing beef of the highest quality. Unfortunately, the average consumer has little reason to remember the fact. Nowhere are austerity standards so obtrusive as in the reduced quantity and quality of meat supplies. In a recent paper at the Farmers' Club, Sir Henry Turner stated that home production of carcass meat was 30 per cent, and imported supplies 17 per cent, below the pre-war level; yet there are two million extra mouths to feed in Britain. The White Paper on food consumption levels (Cmd. 7842) published this week estimates civilian consumption of beef to be 36.2 lb. per head in 1948-49 as against a prewar average of 54.7 lb. Australia and Africa, in the course of time, and South America, if trade relations improve, may be able to supply Britain with more meat—if it can afford to buy. But the prospects of a really large increase in meat imports are distant and uncertain.

It follows that there is enormous scope for increased home production. Meat production, sandwiched between the emphasis on crops and the emphasis on milk, was the worst sufferer from wartime farming policy and is inevitably the slowest to recover. In beef production an increased number of cattle are producing much less beef than before the war. The reason for this lies partly in the disproportionate pre-occupation of farmers with milk production, partly in the longer period over which cattle are now fattened.

The development of good beef breeds has been sadly neglected. Before the war, British farmers produced both the best and the worst beef on the market. Today, the latter sort predominates. The present system of Government control both discourages consumers from expressing their preferences and producers from meeting them. It is time the system was drastically modified at both ends, and a higher premium put on quality as well as on quantity.

It is reasonable that the Government, without increasing the total cost of its agricultural commitments, should offer stronger incentives to this section of the industry even if it means weakening the incentives to other forms of production. It has always been intended that the price

mechanism should be used to vary the emphasis of production. In the special circumstances of meat production, it may be worth considering an increase in the subsidies available to farmers of hill and marginal lands where cattle and sheep raising takes place; (not the same thing as subsidising marginally efficient producers). Lord Lovat recently urged this course on the Government in a Lords' debate. The results—whilst hardly matching his vision of Highland glens restocked with numerous cattle—might be worth the cost.

Cruelty to Children

Not satisfied with the results of the Curtis Committee on the care of children deprived of a normal home life, Members of Parliament of all parties passed a resolution on Monday asking for another inquiry—this time into cases of children neglected or ill-treated in their own homes. Cruelty to children is a subject which naturally appeals more strongly to the emotions than to the intellect. It says much, therefore, for the courage of Mrs Nichol, Labour member for North Bradford, who was a member of the Curtis Committee, that she was able to go against the general sense of the House and query the usefulness of the proposed inquiry.

As she pointed out, it would be virtually impossible to lay down specific terms of reference for the committee of inquiry and determine where it would stop. An essential fact to remember, in all these discussions of neglected or cruelly treated children, is that it is only working-class parents who come before the courts—or indeed are warned by inspectors of the National Society for the Prevention of Cruelty to Children, health visitors and the like. In other words, the obvious cases of cruelty and neglect, for which evidence can be produced, are confined to the working classes simply because they happen to include a larger proportion of the dull and backward section of the population than do the other classes. Yet the subtler, subjective forms of cruelty and neglect are found, as the Home Secretary rightly reminded the House, among all classes of society. Would the proposed committee be allowed to consider the lot of spruce and well-fed children who are nevertheless completely neglected by their parents? Or of those who, at an early age, are sent away to be utterly miserable in boarding schools? Children, fortunately, are far more resilient than most members seemed to think.

There is also a real danger, as Mrs Nichol emphasised, that another committee would merely add to the demand for trained people to implement all the recommendations it would be bound to produce. Already the Curtis Committee's reforms are suffering from shortage of staff. Unsuitable, ill-qualified people, pushed through a training course, and then given the delicate task of investigating alleged cases of badly treated children, as a result of which the children may be separated from their parents, would do far more harm than good. There is a great deal that could be done, under the existing law and social welfare machinery, to improve the lot of the children of dull and backward parents, and the Home Secretary announced that he has a working party looking into the extent to which the existing means are being neglected. For the time being, official inquiry should confine itself to this.

Patchwork Policies in France

To many Frenchmen it is now clear that M. Queuille should not have been allowed to go. For his departure in October marked the end of that promising phase of "third force" stability that began in the autumn of 1948. It is, of course, possible—especially if Communism and Gaullism regain their impetus—that a new coalition may be formed

among parties which are, in M. Queuille's own phrase, "condemned to live together." But at present the extremists are as frustrated as the moderates, so that M. Bidault and his re-shuffled team of ministers can play the same old game of jockeying for position. The Socialists in particular feel free to indulge in their hobby of sniping at their own representatives in the Cabinet.

Indeed, they have good reasons for doing so. The rise in the cost of living during the last three months has all but wiped out the fall that occurred between January and July, so that the poorer classes—whether wage-earners or *rentiers*—are again losing confidence. Amid what is called abundance, 10 per cent of Frenchmen are worse off than in 1946. So the Socialists—and M. Bidault's own party, too—must champion the needy lest the Communists capture all their votes.

In fact there is very little that can be proposed honestly by any party which would redistribute wealth and raise the standard of living of all the workers at once, save perhaps a rise in income tax. Certain adjustments are already being made: for example, 30 per cent of the wage fund goes (unhonoured and unsung) into social security and family allowances. There is also the levelling tendency within the working class represented by the way in which the pay of women, apprentices and young workers, is drawing up to that of fully qualified male workers. But the only healthy means of increasing absolutely the wage fund are higher production and productivity. This is the development to which the investment plan looks forward—but in several years' time.

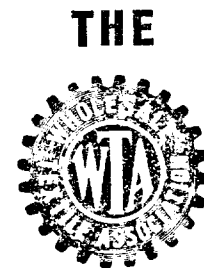
In a situation in which the popular press writes of the danger of social disorder, M. Petsche—more of a technician than a politician—is not swerving from his deflationary policy. The Bank of France is, with very small variations, maintaining the credit control system established in September, 1948. Now, indeed, when it is proposed to free wages from government control the threat of inflation seems to come

as much from employers' willingness to pay higher wages—at least in some sectors of the economy—as from the bargaining power of labour. M. Petsche's budget, the main features of which are discussed by our Paris correspondent on p. 1357, is condemned by producers, manufacturers, traders and artisans for its proposed taxes and by labour for its renewal of old ones.

Apartheid Postponed

It would be a mistake to read too much into the announcement in Capetown last Monday that *apartheid* legislation had been abandoned for the life of the present Parliament. Dr Malan has in no way given up his intention of ending the Cape franchise for coloured voters and of abolishing the special native representation in the House of Assembly. Indeed, he has expressly reserved the right to bring in the necessary legislation after 1951. The announcement, therefore, does not mean any change of policy towards the non-European races; nor is there any indication that Dr Jansen, the Minister of Native Affairs, will now slow down the present policy of tightening up the existing regulations and restrictions governing the Bantu, Asiatic and coloured peoples. Dr Malan is in fact simply placating his partner in the coalition, Mr Havenga, and possibly also trying to strengthen his case for taking over the three High Commission territories—Swaziland, Basutoland and Bechuanaland.

In the present South Africa Parliament, Mr Havenga, the leader of the Afrikaner Party and the Minister of Finance, holds the balance between Dr Malan and General Smuts. He is the political successor to General Hertzog, who was one of Dr Malan's most bitter opponents and who laid down the principle that, in their striving for political power, the



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Afrikaners should never go against the constitution which is embodied in the South Africa Act. Dr. Malan, by making it plain that he intended to carry through his *apartheid* legislation by a simple majority instead of by the two-thirds majority which the South Africa Act calls for in all legislation affecting the natives, showed that he cared nothing for General Hertzog's principle and deeply offended Mr Havenga. A compromise was necessary if Dr Malan's Government was not to fall, and that compromise was reached last Monday.

Mr Havenga is not, however, against the policy of *apartheid*, with which he has publicly associated himself and his party; his objection was to the breach of the constitution which Dr Malan had proposed. It is nevertheless unlikely that Dr Malan will ever secure a two-thirds majority in Parliament; therefore, the *apartheid* legislation should continue to be postponed for as long as Mr Havenga continues to hold the balance of power. There are, unfortunately, many other ways of putting *apartheid* into practice besides that of passing a Bill in Parliament, and the postponement of legislation will change very little the present circumstances of the natives.

* * *

Leaving Out Germany

One of the more obvious elements of fantasy in the various plans for regional union among the western European nations is the determination of most of them to ignore the existence of western Germany. Only Belgium and Holland have shown any enthusiasm at the prospect of including Germany in these experiments, and their interest was icily doused at the recent "Fritalux" meetings when both France and Italy declared that the subject was temporarily taboo. During the "Uniscan" preliminaries there has been no public mention of Germany, although it is possible that Sweden might raise the question of its inclusion. The reason for this general unwillingness to invite Germany is, of course, the fear of competition from its industries.

By shunning Germany the Marshall nations hope perhaps to hide the facts from themselves, or at least to postpone the evil day when the facts must be faced. The plain truth is that before the war Germany's trade within western Europe was larger than that of any other European nation, Britain included; it accounted for over a fifth of total trade in what is now the Marshall Plan area. It is difficult to see how any action on the part of its neighbours can prevent this pattern from being ultimately restored; indeed, the trading weight of Germany in western Europe may even tend to increase if only because it has been partially cut off—by the cold war—from its substantial prewar markets in eastern Europe.

The force of the argument in favour of including western Germany in one or more of the western European economic unions is identical with that put forward by those who advocate a political union of Europe. It will be better for all if German recovery takes place within and not outside the rest of western Europe. If Germany is left out then its reconstruction programme will inevitably be based on something very akin to economic warfare.

* * *

Report on Police

The second part of the report by Lord Oaksey's committee on the police* is a good, workmanlike document. It contains very few startling recommendations and only one which is likely to cause much controversy if the Government decide to accept it. The bulk of the report is concerned with a large number of minor improvements in the conditions of service in the police. Some small changes are recommended in the disciplinary code; there is a plea for civilian welfare

* Cmd. 7831. H.M.S.O. 2s.

officers to be attached to all the large forces; better canteens and an extra ration of cheese for those on arduous duty or without canteen facilities are asked for. The committee vigorously attacks the local authorities for not providing enough houses for married policemen; and some improvements in the present system of police representation are suggested.

The controversial recommendation is that "the legal powers of appointment, promotion and discipline in borough forces in England and Wales (now vested in the watch committees) should be conferred on the chief constables as in other forces." The recommendation was first made by the Desborough committee in 1920, but since then no government has tried to put it into practice. It will inevitably mean a fierce struggle between the local authorities concerned and the central government, for such powers as the watch committees possess will not be surrendered lightly. There is a great deal to be said in favour of the recommendation; it has for long been an absurdity in the organisation of the police that the chief constable of a borough force should have no disciplinary authority over the men under him. In practice, however, most chief constables of borough forces today get on reasonably well with their watch committees and their lack of disciplinary authority is not quite so serious as it appears to be on paper. It is also worth considering whether, in view of the modern trend towards centralisation and the danger of the police developing into a state service, it would not be wiser to leave the powers of the watch committees as they are and so to ensure that local control over the police is not weakened. However reluctant he may be to use it, the Home Secretary possesses the means for bringing watch committees to heel if need be, and, on the face of it, it seems unnecessary to stir up trouble simply for the sake of rationalisation.

* * *

Problem for the Welfare State

As it becomes more obvious that the social services cannot fulfil all the calls upon them, there is a growing demand for a financial recompense for contracting out. The latest manifestation of this claim occurred at a meeting of the Middlesex Education Committee last Monday when the committee discussed the principles on which parents with children attending fee-paying schools could receive assistance from the county council.

The issue at stake is relevant to the education and the national health services particularly. In the case of the schools the contention is that if parents choose to send their children to fee-paying schools, they are entitled as ratepayers and taxpayers to a refund of what it would have cost to educate their children in a state school. Put crudely like this the argument carries little conviction, and in prewar days the middle-class parent would rarely have thought of using it. But owing to the acute overcrowding of the grammar schools, the argument can now be presented in a stronger form. Parents can now argue that they are doing a positive service to other children in the free-place schools by removing their children to the fee-paying ones, and they ask either for the full fees, or for the costs they are "saving." In the hospital service, the actual practice is somewhat different. Regional boards pay the full cost of a patient in a private hospital who cannot be found a bed in a state hospital, but they do not do so unless they themselves have placed the patient. They do not subsidise privately made arrangements.

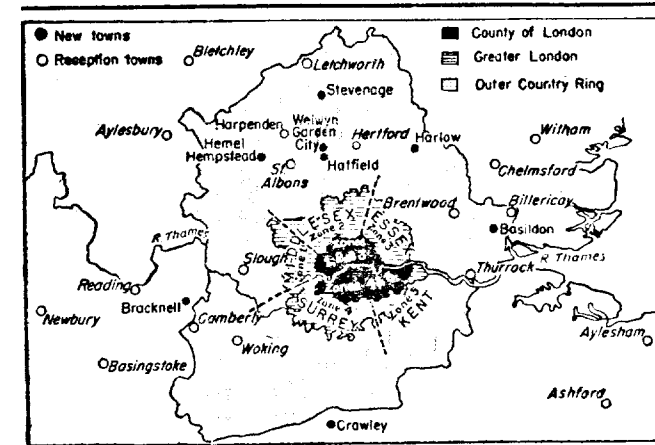
The answer to this question is not easy. On the one hand the state, by making medical treatment and education free, has assumed obligations and implied promises which it cannot fulfil, and the private citizen has some justification for assuming that the state will make good its failures by paying an indemnity. On the other hand, when beds or school places become available in "free" institutions, then

there cannot be a justification for paying for places elsewhere to suit the preferences of individuals. In the case of the hospitals the distinction is fairly easy—an empty bed is an obvious bed. But in a school who is to decide if there is an empty place? A parent and a local authority may take a very different view of what is the desirable size of classes. The whole problem is complicated by the fact that by and large it is the middle-class family which is concerned. It is therefore temptingly easy to make the issue a political one, when in reality it is a problem inherent in the evolution of the welfare state which needs dispassionate consideration.

* * *

Exodus from London

A recent leading article in *The Economist* asked whether the Government was in earnest about the proposal to disperse population and industry out of London on a large scale. The Ministry of Town and Country Planning has now put some tentative proposals about decentralisation to the local authorities concerned. The memorandum lists, in addition to the eight new towns, sixteen existing towns as being suitable "reception areas" for Londoners. They include towns as far afield as Ashford (Kent) and Bletchley, and a majority of the new centres are actually outside the London planning region. A broad plan is put forward for linking the reception towns with suitable London districts, based "on the natural inclination of people to move outward along the lines of communication"; five such



evacuation sectors are distinguished, three to the North and two to the South of the Thames. The congested boroughs will keep separate housing lists of residents wanting to move to the new centres. However, the Ministry states, perhaps not emphatically enough, that priority in the reception towns will be given to persons who will work there.

Its proposals are broadly in line with the Greater London plan; but they must be regarded as no more than a first instalment. The total eventual movement of population which they envisage is no more than 500,000, including those going to the new towns. But even this first instalment presents difficulties. The reception towns cannot afford to build houses on the required scale or to undertake what in some cases would amount to complete remodelling of the town centre. Some method must therefore be found of sharing the cost of dispersal equitably over the whole region.

The Ministry states that the proposals "must be considered experimental, because there is no previous experience to be drawn on." Humility from a Government department is always welcome, so long as it is not a cover for half-heartedness. It must be said again that a policy of dispersal will only be successful if it is carried out on a broad scale, is backed by the full weight of all Government departments (and not merely by a junior Ministry).

Dollar Premiums for the Middle East

The American diplomats from Middle Eastern capitals who met at Istanbul in the last days of November ended their conference with an unrevealing communique about "economic and social development" as the "promising path to stabilisation in the area." What they did not publicly admit was how often their discussion dwelt on the mounting problem of finance. Congress is getting tighter fisted. Yet talk kept reverting to the political and social vacuum which, in western interests, they want to fill. The question was—and remains—how is the job to be done without spending too much money?

The unevenness with which American governmental aid is spread over the area is little realised. Counting Greece as part of the Middle East—as it is in American military thinking—the Greeks come first on the list. As far as military aid is concerned, \$371 million worth of military equipment was made available to them under the Truman Aid programme; the Turks received \$175 million worth over the same period. Since then, the two countries combined are obtaining a further \$211 million worth under the Mutual Defence Assistance Act programme for 1949-50. Persia is to receive \$9 million worth of military equipment under this same Act, and has also had a loan of \$26 million for further military purchase.

Non-military aid is large chiefly because Greece and Turkey belong to the ECA group of countries, and get Marshall aid. Greece, as the only war devastated country, understandably tops the list. It has received over \$600 million in the period from January, 1945, to mid 1949. Turkey, whose share of American bounty is always thought by its middle eastern neighbours to be much larger than is actually the case, has received (in addition to its two ECA grants of \$39 million and \$61 million, respectively) one credit of \$36 million and another of \$16 million, largely earmarked for the repair of ships. Elsewhere, Israel has had \$100 million this year from the Export Import Bank, Saudi Arabia \$15 million from the same source, Afghanistan \$21 million, and Egypt a small loan for a specific purpose. Other states have so far failed to proffer the specific plans and guarantees of fulfilment for which the American lender is now beginning to ask before he puts his hand in his pocket.

If this list is studied map in hand two points emerge clearly. The first is that Congress has, even in its most openhanded mood, paid out liberally only where it considers that it is paying the premium on an insurance policy—that is, on the borders of the Soviet Union. The second is that, if the purse strings are now tightening, Congress is unlikely to be generous in countries where no military threat appears to exist. The most likely field for further middle eastern aid therefore appears to be Persia.

A kindly reviewer has written that "no annual publication is more modestly titled than The Economist Diary". It is true that the space for day-to-day entries occupies less than half the volume and that our aim has been to provide a complete reference book for the desk of the business and professional man. The price of the diary (including Purchase Tax) is 37/6d. post free; 32/6d. post free for overseas destinations. Full details are given in an illustrated pamphlet obtainable from The Economist Intelligence Unit, 22 Ryder Street, London, S.W.1.

Leadership Needed

These reflections suggest that there is at present more of goodwill than of substance behind the Clapp plan (described in *The Economist* of November 26th) for turning the provision of work for the Arab refugees into the first step towards internationally sponsored schemes for developing the Arab states. The Uno Assembly has now approved it by 47 votes to nil, with 6 abstentions. It will cost, for eighteen months, only \$54.9 million. Yet, to judge by what happened last time the hat went round for contributions towards this particular refugee problem, very few of those who voted will feel it a duty to contribute.

This means that the brunt of the expense will once more fall upon the United States. American officials have spoken of an American "fair share" of some 50 to 55 per cent of the total. But they have to satisfy Congress with their replies to such questions as: "Where does this lead?" and "Who else is contributing?" As things stand, they have to admit that Arab delegates are saying "no hand-out and no kind of job will make these people forget home." They cannot conceal that Mr Bevin has little zest for squeezing a corresponding contribution out of the British Treasury; or that the French, though so ready to resume a role in the Middle East, are too absorbed with the affairs of the French Union to spare francs for new overseas investments.

Given the inspiration of an imaginative lead, Congress might yet be persuaded that there is a useful yield to be had from Middle East investment not only on the borders of the Soviet Union but also farther south. From time to time a man of vitality and vision can charm them into action, as could General Marshall or Count Bernadotte. It is just possible that Mr Clapp is another such figure. If he is not, if—like so many of the Americans who have lately darted in and out of the Middle Eastern scene—he drops the topic because he must return to his own concerns at home, then success depends on his working for the appointment of an outstanding personality as director of his new agency. If

The Spoiled Bantling

It is within the recollection of every man in the empire, that agriculture was continually spoken of in Parliament and at public meetings, by our statesmen and our clergy, by most public writers and public speakers, as the great and vital interest of the State—that it was described as giving health to the body and peace to the mind—while other occupations were described as enfeebling and corrupting, filling the community with pauperism and crime—that it has long been spoken of as exclusively a *native industry*, and guarded like a tender babe against the rough weather to which other interests and pursuits are exposed. It has in truth been doubly wronged. It has been brought up to rely on protection. It has been continually cheated, as Mr Disraeli explained, by mere phrases and meaningless cries, and that irritating truth it has now learned. It is a spoiled child, encouraged in waywardness and idleness, indulged in the gratification of all its imprudent desires, praised in all companies, far before its brethren, as a paragon of perfection; and now it is snubbed and flouted for claiming its usual indulgences. To correct a spoiled bantling is necessary for its own welfare; but we admit that it has been wronged by the injudicious favour, and must suffer by the ruggedness of the cure, though indispensable to its permanent safety. The agriculturists may justly complain of the dotting Legislature which pampered them into weakness, and mistaking its power, now feels itself compelled to expose them, like the rest of their brethren, to the rough treatment of nature.

The Economist

December 15, 1849

there is to be just another committee, then the new United Nations Relief and Works Agency may become just another name on the list of commissions which, born of the Palestine problem, have tried and failed.

The End of the Strand

The announcement that the *Strand Magazine* will cease publication next spring is one more sign of the decline of the monthly magazine. To the two generations which read their first instalment of Conan Doyle, E. Nesbit, W. W. Jacobs, or Kipling in its pages, its disappearance will be the removal of a landmark as characteristic as those denizens of the same street, Romano's and the Lyceum. One of the difficulties that nowadays afflicts a magazine dependent upon good story tellers is that a penal rate of taxation makes it wholly unprofitable for successful writers to contribute to such a journal. Moreover the triple calculation of overhead and production costs, advertising revenue, and circulation revenue has told against monthly newspapers at the same time that it has favoured weekly periodicals.

The history of journalism is strewn with the wreckage of first-class publications which could not make ends meet, the *Pall Mall Gazette*, the *Westminster Review* and many others. But the case of the *Strand* is rather different. It is controlled by a publishing house, George Newnes Ltd., which owns a number of highly successful trade and other papers and which last year reported a net profit after tax of £526,092 on a capital of £1,232,472. It is hard to believe that, if the British press is as enterprising as it made itself out to be to the Royal Commission, the resources of a publishing house of this size could not restore a magazine with as much existing goodwill as the *Strand* to its pristine position, redesigned and reorganised to suit contemporary taste. A publishing house is a business enterprise whose projects must be financially sound, but it is also a trustee of the affections of the reading public, in Britain and overseas, and of that public's standards of taste. It is sad that George Newnes Ltd. should have decided that of the three pocket monthly magazines which they publish, they should dispense with the *Strand* and concentrate on the publication of *London Opinion* and *Men Only*.

Another Snoop

Another obnoxious snoop has been revealed. A doctor writing to the *British Medical Journal* says that he has been asked by the clerk of his local executive council to provide three prescriptions for imaginary patients. These—if he had agreed to sign them, which he did not—would have been taken by the council's "agent" to be made up by the chemists whose dispensing the council wished to test. When they were made up, the chemists would have been told their real purpose, and the drugs would have been sent off to be tested.

Doubtless, if Mr Bevan is asked about this procedure, he will defend it, as exchange control informing has been defended, on the grounds of precedent, for the testing of chemists in this way was carried out under national health insurance. But an obnoxious practice cannot be hallowed merely by reason of its old age, and the sooner it is stopped the better. As the *British Medical Journal* points out, an executive council can always test a chemist's dispensing by selecting a preparation already made up for a genuine patient. There is not the slightest need to obtain a doctor's collaboration in catching the chemist out even if such a practice were not in itself highly objectionable.

Correction

In the table of US imports in the article last week on "Europe's Lagging Dollar Exports," the totals were transposed. Those at the foot of columns 1, 2 and 3 should have been at the foot of columns 4, 5 and 6 and vice versa.

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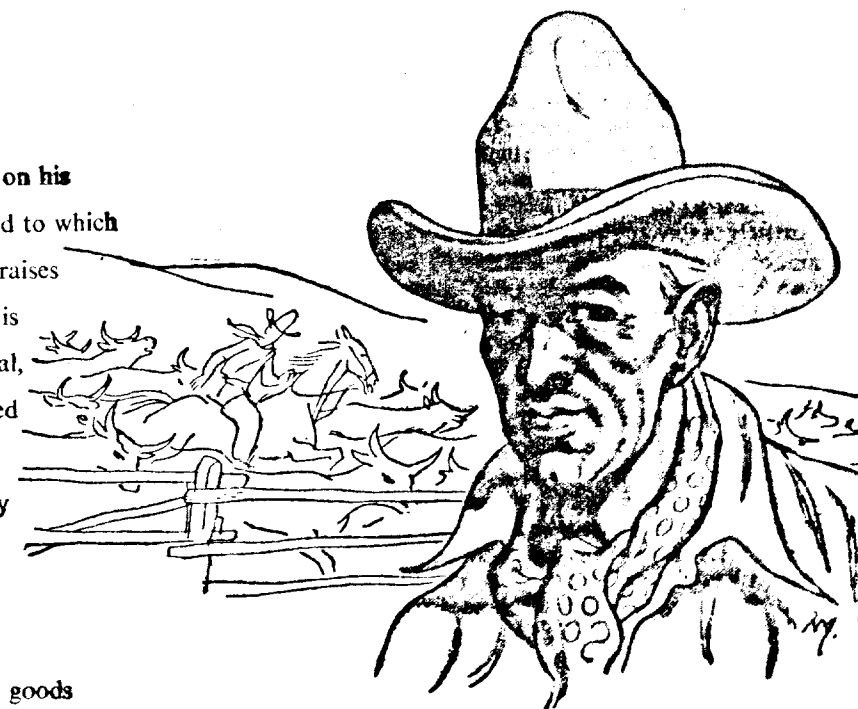
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Letters to the Editor

The Dilemma of Defence

SIR,—Your article "The Dilemma of Defence" states the problem very clearly, but gives little indication of how the British people should make the choice which lies before them.

The question is really one of security. We want economic security, which demands efficiency; we want social security which involves social services, and we want political security which necessitates defences. Without adequate armed protection we are politically insecure. Without economic security, both armed protection and social security are impossible. It is obvious that the deciding factor is economic, but history shows that in a world of power politics there is little point in being economically secure without also being politically secure. There must therefore be a balanced fulfilment of the social, political and economic conditions, and it is the achievement of this balance which constitutes the problem. So that the choice is not Social Welfare or Defence, but how much of each.

Defence is plainly subject to the same economic considerations as the social services. It is in fact exactly similar to National Insurance and the Health Service. It is an insurance against political ill-health. Why should we not then, in these days when social service is identified with government service, regard defence as a social service? It would then be a matter of deciding in what proportions to have the various social services. Mr Alexander would become as important as Mr Bevan and Mr Griffiths; the people would realise that all three are subject to Sir Stafford Cripps; and that without them all playing their full part, we could not have even Mr Attlee!—Yours faithfully,

J. A. BALDWIN

St. Catherine's Society, Oxford

Economic Documents

SIR,—During the last few years readers of your journal must have become aware that international economic co-operation has expressed itself in the formation of a large number of international organisations. These new institutions, with their strange titles, ITO, OEEC, ECA, FAO, etc., may well play an extremely important role in world economic development.

From time to time articles describing and commenting on their work appear in your columns and the reports they publish are, I suppose, read by a few financial journalists and economists. There does not, however, appear to be a general appreciation of the fact that a new and important economic development has taken place since 1945. The period 1945-49 has been in strong contrast with the period 1918-22 in this as in so many other respects.

Economic co-operation has, we must hope, come to stay. Its organisations are numerous but not very well co-ordinated. As their actions may have such far reaching consequences, ought not their plans and reports to be submitted to careful and expert analysis and a far wider public? Is there not a need for the integrated study of these documents and for this new development to be explicitly recognised in your columns, by the BBC and in the Universities?—Yours faithfully,

S. J. LANGLEY

The University, Sheffield

[The problem that Mr Langley raises is a real one. The flow of international official documents is now a very large one, of varying quality and availability. The Economist does what it can, both in its own columns and in the *Records and Statistics* supplement, to inform its readers of the existence of these documents, to summarise (or at least to indicate the nature of) their contents and, when it seems called for, to comment upon them. But a reasoned and comparative critique of all of them would be beyond the powers of any but a well-endowed institution.—EDITOR.]

The Law and Its Effect

SIR,—A recent "red petrol" case in Portsmouth seems to me to raise a matter of some public concern. The circumstances are these: the offender was a disabled ex-Service man who had built up over a period of three years a private hire business: the business grew sufficiently to require two cars, but despite repeated applications a second petrol allocation was not granted. The second car was therefore run on the basic petrol allowance only. Inevitably, the time came when an order could not be met for lack of petrol; it was then decided to take the risk and use red petrol. This was undoubtedly a rash and ill-advised decision, particularly in these days when the more enterprising have only to put a foot wrong for the less enterprising to feel it their bounden duty to inform the police. And this is precisely what happened.

The offender was fined £25 and had his driving licence and Road Fund licence suspended for a year. The effect of these penalties, in this case, was to fine a man while at the same time removing his means of paying that fine by destroying his business and livelihood. To this is added the likelihood that the offender may be involved in the loss of both his cars through inability to maintain hire-purchase payments on them.

Usually, we must all try to regard "red petrol offences" as serious and the penalties imposed in this case were not, perhaps, unduly harsh in themselves. But is it really the intention that the effect of punishment should be to put a man out of business and wreck the hard work of years? No such serious consequences result in the case of a private citizen who uses red petrol for pleasure motoring—a much less excusable offence. It is surely a rather less than adequate answer to maintain that as the penalties are known the consequences of transgression must be accepted. The effects of a just punishment may not themselves be just, and if this—very properly—is not the law's concern, it certainly should be the public's.—Yours faithfully,

P. DALLAS SMITH

18 Lennox Road South, Southsea

Steel Imports

SIR,—I have read, with considerable interest, your note, "Canada to Buy British Steel," on page 1319 of your last issue, and am concerned as to the misunderstanding which not only may arise but has already arisen, regarding the statement contained therein that, apart from structural steel, Britain is also to supply to Canada a certain amount of sheet, some of it deep drawn and some motor body sheet. To supply the latter, Britain imports slab from the United States for re-rolling into sheet in this country.

While Canada is a considerable importer of this class of sheet from the United States and would undoubtedly be a willing buyer from this country, the supply position does not permit exports of deep drawn or motor body sheet. Until our new plant begins its operations next year, supplies of this class of steel are restricted. We have in fact bought certain quantities from the United States and also a limited quantity of slabs for processing here. This country is now self-supporting in slabs and will be in sheets next year, but for the time being exports must necessarily be severely curtailed in the interests of the finishing industries in this country.—Yours faithfully,

EDWARD W. SENIOP

Steel House, Tothill Street, Westminster

Books and Publications

Roosevelt and Stalin

"Roosevelt and the Russians: The Yalta Conference." By Edward Stettinius, Jr. 367 pages. Doubleday and Company Inc. New York.

It is not improbable that the next twelve months will see Stalin pressing in his own peculiar fashion for another three-Power conference like that held in Yalta in February, 1945; and decades from now the humorous historian of "1945 And All That" will probably say that Yalta was for the Russians "a good thing." Yet no one will want to commit himself irrevocably to this view until Mr Churchill's account of his Crimean meeting with Stalin and the late President Roosevelt has been published. For the time being, it will be wise to treat each personal record strictly on its merits and to eschew any premature attempts at a comparative study of evidence.

Judged from this narrow point of view, this record by the former Secretary of State, Mr Stettinius, is important, highly interesting, but unconvincing. Mr Roosevelt emerges as starry-eyed, not by American or liberal British standards, but by those of Stalin himself and of Mr Churchill in Marlburian mood. The President had constantly in mind the possibility that the people of the United States would in less than two years swing back to isolationism, that it would be satisfied with nothing less than a world organisation as a reward for its sacrifices, and that the main purpose of the Yalta meeting—apart from the need to co-ordinate military operations with Stalin—must be to get the Russians into that body. It is quite clear from Mr Stettinius's record that the Russians were at first lukewarm about the United Nations, but became hot for it once it was clear that the Americans would regard their interest and collaboration as a vital concession. Stalin said quite frankly that it struck him as strange to enter into a political organisation which would include governments which had not thought fit to have diplomatic relations with the Soviet Union. The result was that on the crucial issue of the conference, the future status and government of Poland, President Roosevelt gave way sufficiently—at any rate on paper—to make the Russians think they could have their own way in Warsaw.

Mr Stettinius puts up a stout defence of his President and nothing in the book is more impressive than the intelligent loyalty he shows to his chief; but he gives the game away when he points out how strong were the cards in the hands of Stalin, who could give his colleagues day by day reports of the Red Army's tidal sweep across central Europe, while Shaeff was only just recovering from the shock of the German offensive in the Ardennes. Mr Stettinius even suggests, on what appears to be very slender evidence from Mr Harriman in Moscow, that Stalin's hands were being tied by members of

the Politbureau who thought he was giving away too much to his allies. This is probably the greatest compliment yet paid to the Generalissimo's diplomatic skill. As a contrast it is piquant to read of Stalin countering Mr Churchill's warnings of what British public opinion would say about the agreement on Poland with the assurance that there was no possibility of the Labour Party winning the next general election. Mr Stettinius makes it seem doubtful whether the Americans and the British can be said to have suffered defeat at the Yalta conference; but there is more than a suspicion that they had their legs pulled.

The verdict of Mr Stettinius is sober but damning: the Russians failed to honour the agreements in which their most vital interests were affected. Thirteen days after Yalta ended the Rumanians were being bullied, the Lublin government was being "widened" and not "reorganised," and there were serious delays in the Russian collaboration in plans for controlling Germany. It is true that the sudden termination of Lend-Lease affronted Moscow, that Stalin could not be expected to switch in a matter of weeks from a security system based on spheres of influence to one based on an embryo world organisation. But there were more instances of Soviet bad faith than any reasonable man can be expected to excuse.

The Wicked British

"Plot Against Peace." By Ralph Parker. Moscow, 1949.

SINCE 1946 Soviet propaganda has spared no efforts to instil into the Soviet public, through the press, the radio, the cinema and other means, the idea that western governments are evil and hostile. Most recently (perhaps inspired by Kravchenko) it has started publishing the reminiscences of citizens of capitalist countries who have changed their allegiance to the Soviet side. The first of these books appeared under the name of a former typist of the United States Embassy in Moscow, who remained in the Soviet Union in order to marry a Soviet singer (she could not, of course, have hoped to marry him had she returned to the United States). This first book exposed the imperialist and anti-Soviet policy of the State Department, and described sensationally the political and personal "crimes" of American diplomats in Moscow. For the second book of the series, which has now appeared, we are indebted to the *Daily Worker's* Moscow correspondent, Mr Ralph Parker; and this time it is the turn of the second main "imperialist" power, Great Britain.

The "plot against peace" is British foreign policy over the last twelve years, and the "plotters" are the successive reactionary and non-representative governments of Britain, and their able henchmen in the Foreign Office. Here is Mr

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Chamberlain as "the zealous propagator of Hitler's racial theories"; here is Mr Bevin opposing any attempt at de-nazification; here are our Balkan Ambassadors busy with a hundred monstrous intrigues; here are whole legions of secret agents (none of them secret enough to escape Mr Parker's exposure); and here, of course, is the ever-laudable Soviet Utopia that defeated Hitler single-handed and goes on now to fresh triumphs. In brief, it is simply the Soviet version of recent history, identical, even in the phraseology, to what *Pravda* has long been saying. Mr Parker has been brought to a new and true understanding of the events which he himself described so differently as correspondent of *The Times*, and the fact that he has been able to master so thoroughly the new viewpoint shows that he must be an apt learner—or perhaps that the Soviet Union is an apt teacher.

This book will do real harm in the Soviet Union by its "revelations" about the anti-Soviet activities and spying carried on, supposedly, by the British Embassy in Moscow. These cannot but sow suspicion and mistrust amongst ordinary Soviet citizens. The isolation of foreign diplomats in the Soviet Union will become greater, and the measure of real understanding, already small, which they can get or impart, will become smaller still.

Withal, Mr Parker is a clever journalist, and he improves his repetition of stale material with some lively personal touches—mostly malicious. The recollections of the pretentious Lancashire town where the author was born have the ring of sincerity; and the descriptions of Foreign Office personalities, diplomatic social life at Moscow, and the British Ambassador's tea-party, while not giving much impression of sincerity, have enough poignancy to make them a *succès de scandale* amongst those described. Keeping his most astonishing revelation till the last, Mr Parker ends his book by declaring that he has written it in order to further friendly co-operation between England and the Soviet Union. Unfortunately, those who write books like *Plot against Peace* are guilty of something very like the book's title.

Hitler and Traditional Diplomacy

"Documents on German Foreign Policy. 1918-1945." Series D. Vol. I. September 1937-September 1938. Neurath to Ribbentrop. US State Department. 1,220 pages. \$3.25 and HMSO 21s. Vol. II. 1937-38. Germany and Czechoslovakia. US State Department. 1,070 pages. \$3.25.

THE two volumes of German diplomatic documents which it is now possible to study in translation show the western Powers, so late as 1937 and 1938, still propping up the corpse of the old diplomacy which Hitler had stabbed in the back. Their representatives collected accurate information about traditional things which had become irrelevant. If one tried to suggest to them what we now find to be true, that the Sudeten-German party in Czechoslovakia was working for the incorporation of all Bohemia and Moravia in the German Reich ("at heart it desires nothing more ardently..."), Henlein's report to Hitler, November 19, 1937, one was dismissed as a madman, a cynic, an anti-German fanatic. It is a slight consolation to discover that—at least by August 10, 1938—Lord Runciman was aware that he was only marking time. "Success," he wrote to Lord Halifax, "depends on whether or not the Führer wants to go to war. If he does, the excuse will be found easily."

It has sometimes been supposed that Hitler's decisions were based upon inaccurate information from men who were afraid to tell him the truth. Certainly a good deal of nonsense was reported to him by Nazi Party people of the Büro-Ribbentrop and the *Auslands-Organisation*; but, allowing for their habitually chauvinistic outlook, the professional diplomats informed Hitler correctly.

It is particularly interesting to have the precise evidence that Eisenlohr, the German Minister in Prague during the most difficult period of Czech-German relations prior to Munich,

sent fair and not unfriendly reports of his conversations with Benes at a time when Goebbels was working up a picture of the President as a veritable ogre. Further, Eisenlohr made it perfectly clear (Report on Czechoslovak Foreign Policy, January 12, 1938) that the Czechoslovak Government was reticent and sceptical towards its Russian ally at a time when the Minister, for the enlightenment of the German people, was depicting the Czechoslovak Republic as a Communist spear-head pointed at the German heart of Europe. To reward his services, as we have known since the Nuremberg Trial (when many of the documents now published were quoted), the German Minister in Prague was marked down for assassination by his own people, if this should prove the most convenient way of provoking a crisis at the moment designated by the Führer.

Not only Eisenlohr, but also Dieckhoff from Washington, Dirksen (for the short time he was here) from London and even von Papen from Vienna reported unwelcome facts. Secretary of State Weizsäcker at the Wilhelmstrasse, according to the records kept and perhaps revised by himself, resisted Ribbentrop's exhortations to blind faith in the Führer, and more than once urged that the western Powers could not be hoodwinked indefinitely. On the other hand, he seems to have been nicely indifferent as to whether the "chemical" should give way to the "mechanical" process when Austria or Czechoslovakia were to be destroyed.

It is useful to have now the authentic evidence of the quarrels within the Austrian Nazi Party or within that of Henlein, quarrels which were often said to be the malicious invention of Jews and Freemasons. By admitting their close connections with Germany and their preference for violence, SA people such as Leopold, Kasper and Haider were apt to interfere with the more refined methods of the SS leaders. It can be seen that the objections of Dieckhoff to Kuhn's *Bund* in the United States were, *mutatis mutandis*, much the same as Papen's objections to Hauptmann Leopold. But Hitler allowed the apparent indiscipline of the SA people because it suited him; it served to bewilder and unnerve the outside world. He despised his professional diplomats not least, perhaps, because he deceived them, too, over this.

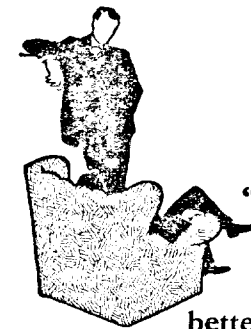
It was Hitler's rise to power in 1933 which killed traditional diplomacy. Nor did direct contact between the heads of states take its place; for the documents confirm what was apparent at the time, that Hitler, who was temperamentally incapable of negotiation, used personal meetings as propaganda. He exploited the spectacular possibilities each time, but he often scarcely bothered to find time for private conversations even with Mussolini, and if he found time it was in order to deliver his harangues. A memorandum by Bülow-Schwante on his casual talks with the Duce when accompanying him on his Berlin visits in September, 1937, confirms the impression that the dictators deliberately avoided business-like conversations.

Thus from 1933 to 1939 Hitler ignored the advice and information of his own diplomats, while the western powers persisted in their futile attempt to lead him back to the ways of the old diplomacy. Like other things which Hitler destroyed, these methods of diplomacy have not yet been restored.

Light on the Victorians

"Charles Dickens and Early Victorian England." By R. J. Cruikshank. Pitman. 303 pages and 14 Isotype charts. 20s.

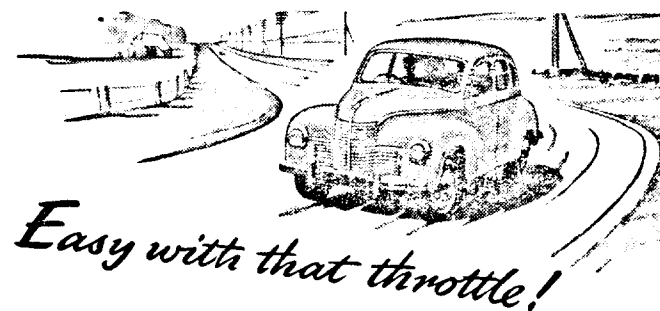
"WE cannot escape the Victorians. We may think of them as museum pieces, despise their standards and detest their cruelties, but they haunt us. They are in our blood.... Who in the end can escape his father and grandfather?" Now that the Age of Shoddy—the nineteen twenties and thirties—is behind us, says Mr Cruikshank, we turn back with increasing interest to review the achievements of the middle Victorians, like a family for whom nothing has fallen out well—fortune gone, hopes disappointed, faith lost—a family suddenly remem-



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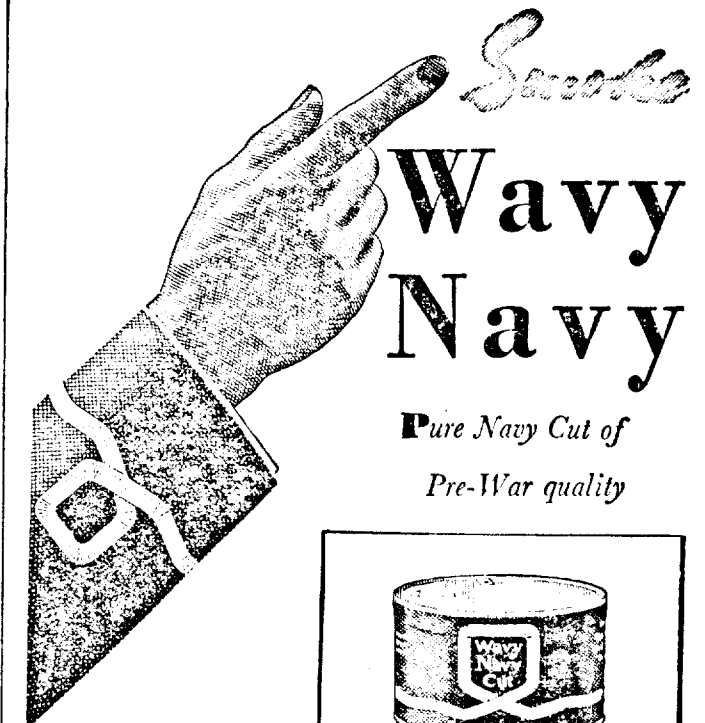
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bering the peaceful lives that its grandparents lived, and wistfully returning to its springs and origins for health and strength.

And there is no better guide to the ancestral mansion—perhaps one of those beetling palaces at Norwood or Beulah Hill which he describes so well—than Mr Cruikshank.

This is not a book about Dickens; it is not strictly about Early Victorian England, for the author taking the span of Dickens's creative life from 1837 to his death in 1870 comprehends the middle period as well. But it uses the characters and the imagination of Dickens as the centre light to illumine the scene, leaving other torch bearers to light up dark corners and obscure alleys. The author wisely relegates the facts and figures of Victorian development to a sort of Clapham-in-pictures at the back of the book. It is an imaginative attempt to capture the quality, the feel, the smell, the colour of Early and Mid-Victorian England. Seldom has the material been better used; Mr Cruikshank brings to the task many of Dickens's own qualities, a sense of pity for misery which is intense without being sentimental, the unphilosophical radical's biting anger with wrongdoing and injustice, an ability to get inside the skin of other people's lives, an imagination that is not only perceptive but also accurate, and, most important, a deep knowledge of and feeling for London. And what diverse material it is to work upon: the festering human heritage of the industrial towns, George Hudson and John Henry Newman, the grandees of the suburbs and the gaunt gaiety of the gin palaces. Mr Cruikshank's sensitive fingers unravel two threads that run continuously through every facet of Victorian life—one is the interest in religion, "The Victorian debated the themes of Faith not only without self-consciousness, but with positive zest. Sex was *their* embarrassment, as religion is ours." The other is the macabre quality of the Victorian imagination:

There are two elements in the great Victorian age which are not taken into sufficient account nowadays—the violent and the sinister. . . . The daintiness of its sentimental art and writing masked its spiritual corruptions. The awful authority of Mrs. Grundy prevented its writers of genius, such writers as Dickens and Thackeray, from doing more than murmuring hints of the wickedness they knew. The villains in Dickens are commonly thought to be merely comical nowadays. To the contemporary reader they were real enough in essence, if not in speech. They were emanations of that ferocious and concentrated malevolence, the joy in evil for its own sake, which lay beneath the enamelled surface painted with pretty scenes from the "Idylls of the King." It is hard to understand how a legend grew up that Dickens is primarily the celebrant of Christmas cheer. . . . Guilt and blood tormented his dreams. Sometimes he walked the streets in a trance, half-believing the brand of murderer was on him. That mind, so sensitive to all the deep impulses and quivering vibrations of his age, was obsessed by the barbarous savagery of its underworld. Carlyle said of De Quincey that he had the face of a child, but of a child that had seen Hell. That might have been applied to Dickens when he was wrestling with the lost spirits that called on him to make their torments articulate.

The book is beautifully illustrated. It is a book that is not only a delight for the hour, but is worthy of a permanent place on the bookshelf beside Mr G. M. Young's "Portrait of an Age."

Social Myths

"Le Pouvoir et l'Opinion." By Alfred Sauvy. Payot, Paris. 188 pages. 450 Francs.

M. SAUVY, who is director of the National Institute of Demographical Studies and member of the Economic Council of France, has given this masterly work the sub-title "An Essay in political and social psychology." In effect the book is a condensed treatise on the observation of economic and social facts and on the proper role of informed authority in the

modern world. It is also a plea for general education in politics. M. Sauvy's main theme is expressed in the preface:

What is certain, is that the time-lag in general knowledge about modern technique and objectives is hindering the functioning in those fields of a democracy conceived a century and a half ago. The complexity and scale of the problems to hand are gradually removing them from the competency of institutions with whom it is a point of honour not to evolve.

Until, therefore, public opinion—therein included the public's co-dupes, its elected representatives—is educated enough to evaluate the cardinal features of an economic and social situation, democracy will remain, intellectually and institutionally, a shadow.

The theme is not new. What is novel is M. Sauvy's sensitive examination of the manner in which error is formed—often in face of accessible scientific truth—and of the whole chain of false reactions to which it gives rise. Thus M. Sauvy is led to describe the attitude of various types to their environment; the man in the street, the businessman, the civil servant, the politician and finally the ideal economic and social "meteorologist." Different social groups hold different characteristic assumptions which have the power of myths. These semi-conscious myths and illusions are expounded by M. Sauvy with great force and convincing illustrations: the myth of the past golden age; "there is plenty for all *now*"; certain suggestions by advertisements, for example, that the citizen must own a car and drink alcohol; above all—at least in France—the notion of the intrinsic value of economic liberation.

M. Sauvy gives some interesting (and somewhat unnerving) instances of the incapacity even of high authorities to free themselves from the influence of the current dominant myth: for instance, M. Blum's assumption when initiating the 40-hour week that the measure would not reduce production "because factories were already working less than 40 hours"—a contention which could immediately have been disproved by available statistics; or Lord Keynes's double miscalculation in regard to war-damage in France (1914-18) and Germany's postwar national revenue. In both these instances, M. Sauvy suggests, facts were unconsciously discarded or selected in support of the myths of the moment.

In the field of foreign policy M. Sauvy instances several tenaciously held illusions: by England in 1919 that France was more powerful than Germany (and should therefore be opposed as the leading continental power); by France between the wars that a policy of military alliances with Germany's eastern neighbours was compatible with the defensive strategy of the Maginot Line: by the Allies in 1945 that Western Germany could support an influx of 10 million Germans from the East. It is hard for anyone to read M. Sauvy's analysis without receiving some stimulus to comb out a rich crop of error from his own suppositions and thoughts. For his book is inspired with the kind of patient scepticism that is rarely found beyond the French borders.

Encouragement to Music

"Music." Political and Economic Planning: on behalf of The Arts Inquiry. 224 pages. 15s.

MOST books about music are concerned with its aesthetic side. This book is unusual in that it is concerned with its economic side and with the conditions which make the creation and performance of music possible. As such it does an important service in bringing to the public's notice the precarious conditions under which music is produced in this country, and the steps which have to be taken to make that position less precarious.

Three things stand out in this account of Britain's musical life: the first is the vitality and development of musical ideas during the past generation and particularly in the last ten

years; new orchestras and new opera companies have been created, more music is being written and performed and more people, particularly young people, are listening to music. The second is the dependence of those who create and perform this music on public funds; without ENSA during the war and the Arts Council and grants from local authorities since the war many of the new companies would never have come into being or would have died a quick death. And the third is the spread of musical education among the schools; until children are bred in a more musical tradition in their schools there can never be a sufficient audience for musical performances. Fortunately progress in the schools has been encouraging.

The book includes two very interesting chapters on the growth of orchestras and opera companies. In 1939 there were only two full time orchestras—the BBC Symphony Orchestra and the London Philharmonic—and five regular part time orchestras: there are now nine full time orchestras, five regular part time orchestras, four string orchestras, and a few irregular orchestras. Of all these eleven receive grants from the Arts Council. On the side of opera the most spectacular development has been the establishment of the Covent Garden Opera Trust with a grant from the Arts Council of £120,000 for 1948-49 (compared with public grants of £250,000 for opera in Prague, £600,000 in Paris), but other companies have also been established or have extended their performances. Chamber music has also increased.

To support all this activity requires both more and better musicians and a larger and better educated public. The report criticises the existing training of professional musicians and makes suggestions for improvements, but its criticisms and recommendations about music as a part of general education are even more valuable. The aim must be to get school children "literate" in music as well as in the three Rs, and not to concentrate mainly on individual piano, violin or other

instrumental lessons. For this work a new kind of class teacher is required, and for this work the existing training schemes are inadequate.

It is evident from the report that music on the present scale will not be self-supporting for many a long day, if at all. This is also a field where government economies are easy to make. Yet the report makes it clear that something approaching a musical revolution has been created by the war and subsequent events. How much of it will survive if cuts are made?

Irish Plays

"Collected Plays." By Sean O'Casey. Macmillan. Two volumes: 314 and 354 pages. 12s. 6d. each.

ALL Dublin playgoers will remember the excitement aroused by the production of the O'Casey plays in the Abbey Theatre. The Irish dramatic movement had been mainly concerned in its early days with peasant and legendary plays. Lady Gregory and Synge had portrayed the Irish country folk in a series of brilliant plays, while Yeats had revived the heroic age of ancient Irish myths and sagas. O'Casey, for the first time, showed the Dublin public their own city in all its squalor. The public conscience about housing conditions had been awakened by James Larkin and James Connolly. This appalling social problem was now dramatically displayed to the astonished gaze of the Abbey audience. O'Casey created a whole series of characters, grim and gay, that came to life on the stage, and, amidst peals of laughter, took the fourth wall out of a tenement house. Macmillan's have performed a valuable service in reprinting eight of these memorable works of genius in an edition that is convenient to handle and cheap to purchase. The plays are, at the same time, amusing as literature and invaluable sociological documents.

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AMERICAN SURVEY

Foreign Policy in the Doldrums

(From Our American Staff)

IT is a curious paradox that American foreign policy, which is traditionally negative, should have had a brilliantly constructive period during the two years when the government was divided and a Democratic President was opposed by a Republican Senate and House of Representatives. The impetus of those two years carried over and, until recently, obscured the fact that, since the election, there have been no new ideas and no imaginative developments of existing ones. Point Four of the inaugural address—the programme of technical aid and capital investment for backward countries—seemed for a time to be such an idea, but the mountain of publicity and speculation with which it was greeted has so far produced a mouse of a programme—and a cowering and timorous one, at that. This return to negativity is partly a reflection of the mood of the country, contemplating a budget deficit of over \$5 billion, and partly the product of uncertainty within the State Department, in which disagreements over where to go next have led to decisions not to go anywhere at the moment.

That the end of the constructive period should have coincided with the retirement of General Marshall is not the explanation. Mr Acheson was himself the first to propose the programme which later became the Marshall plan and his reputation has always rested on his ability to accept imaginative ideas and his courage in fighting for them. Mr George Kennan, brought into the Department by General Marshall, has continued to head the planning staff, and his decision to leave the Foreign Service—if not permanently, at least for two years—may well be due to recognition that, though policies can still be planned, there are reasons outside the Department why they cannot be put into effect. The factors now inhibiting action are either domestic political ones over which the present Secretary of State has no control, or external situations that he inherited.

In the Far East he had no time to do anything but pick the fruits of compromise between General Marshall's policy of letting China stew in its own juice and Congressional insistence on helping General Chiang Kai-shek. This resulted in token appropriations for aid to the Generalissimo, accompanied by sabre-rattling out of all proportion to the aid. Neither was of any appreciable value to the Nationalists, but succeeded in enraging the Communists and making future relations unnecessarily difficult. Last January was certainly too late to do anything about China and there was by then no alternative to letting the dust settle, though it may have been unwise to say so with such bluntness.

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

But the constructive period of foreign policy had not, in any case, touched the Far East. It was in Europe that the United States dramatically assumed leadership in 1947, with the European Recovery Programme, and in 1948, with the Atlantic Pact, growing out of the Vandenberg resolution. And it was in Europe, in 1949, that the United States began to drift into a policy of letting George do it and, other prospective Georges, Britain in particular, having either refused the role or been considered inadequate, appeared to have chosen Western Germany for the job. When Mr Acheson came back from his visit to Europe with nothing but inordinate praise for what he had seen at Bonn, everything seemed ready, on the surface, for a repetition of the story of the nineteen-twenties. But, in his decisions about Western Germany, too, he was a prisoner of much that had happened before he took office, in particular of the agreement of June, 1948, which made the growth of two Germanies and the competition between east and west for their manpower inevitable, and of those happy days when announcing the tonnage flown into Berlin by the airlift each day was a substitute for policy.

American objections to the Soviet Union have always been more ideological and less strategic than those of other countries. Even if Russia were not expansionist, the United States would still feel uneasy in a world which contained the Soviet Union. Anti-Communism is the motive force of most of American postwar policy, just as anti-Jacobinism was the original cause of English hostility to Bonaparte. In both cases external aggression by the revolutionary forces came to the rescue and made respectable what was essentially fear of a challenge to the existing order. But it is still the fear of ideas which predominates, rather than the fear of armies, and the policy-makers are left with few answers to the military argument that all anti-Communists should be welcomed in the crusade. So the necessary preliminary sanitation of Dr Adenauer is under way.

The press, which includes a number of men who knew pre-war Europe well, has not, so far, been very helpful. The *New York Times*, two weeks ago, published some very important despatches from its correspondent, Mr Drew Middleton, then in Munich. Mr Middleton quoted, from an official report from the office of the American Commissioner for Bavaria: "It is very important to recognise that renazification has left Bavaria largely in the hands of those who controlled it under Hitler." He added his own observation that "Bavaria is not alone. Investigation in the other states of the United States zone reveals a resurgence of Nazi-ism. . . . All along the line, the democracy the United States tried to implant is losing and authoritarianism is winning." Somewhat unkindly, the *New York Times* printed, on the page opposite the second of Mr Middleton's pieces, Mr McCloy's opinion, undocumented, that "there . . . has never been in my experience as much thought, attention and inquiry to the problem of making Germany democratic as at the present

time" and quoted him on the need to differentiate carefully between "healthy patriotism" and "sinister nationalism." Neither the correspondents stationed in Germany, however, nor those who have been there lately for a visit, are impressed by Mr McCloy's own ability to make the distinction.

It would be wrong, despite all the evidence to the contrary, to believe that this official enthusiasm for Western German democracy is anything but induced—except, perhaps, on the part of Mr McCloy. It is induced largely by what are considered the exaggerated and too persistent French fears of German revival and the timid retreat of Britain into isolationism. British and French policies, however inevitable they may be, are to a considerable extent responsible. So also is the American failure to understand the limitations on Ministers under the parliamentary system. Every American official is painfully aware that he can agree to nothing which will not later be accepted by Congress—and some, at least, make good use of this incapacity in their negotiations—but most of them forget that a British or French official cannot take responsibility for policies for which public opinion is not yet prepared and which it is likely to reject. (The German Government, with a people used to taking orders, is better placed.) It is easy, therefore, for an American to complain that nothing is being done about European union and to admit at the same time that European union would make little sense without the participation of the United States. Since that is politically impossible at the moment, however, it would make things much easier with Congress if only Europe would get together.

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But, if Britain has lately been disappointing as a corps commander, so has the United States as an army commander. The mood of the country, to which policy is so responsive, may well be negative because it has been offered no chance of being positive. It would have been a brave man who, in the summer of 1947, would have predicted overwhelming support for the European Recovery Programme and there are brave men who think today that another show of leadership at this moment would find an equally great response. But there has been no inspired leadership and no coherent explanation of what is happening. The Economic Co-operation Administration, having achieved much of its original purpose—the rehabilitation of European industry—much sooner than most people dared to hope, is now unable to explain why Europe is not self-supporting. The country has been told that Europe has failed to integrate, but it has not been told that Western Europe cannot be fed by integration but must get agricultural products from behind the Iron Curtain. The American people are being lectured on the need for accepting imports, but not on the reason why getting Europe "on her feet and off our backs" is not a sufficient objective for the world's leading Power.

The concentration on European integration has been, in some ways, a smokescreen behind which American leadership has been able to doze. A tendency to mistake the Duke of Plaza Toro for King Henry V is noticeable. General Marshall was able to say at Harvard that "the initiative . . . must come from Europe" because he had already said that "the United States should do whatever it is able to do." To cry "Integrate—or else" and to take no part in the integration, is to try to lead the regiment from behind. The United States has temporarily forgotten that Henry V could shout "On, On, you noblest English!" and get an immediate response, because those who listened knew that he himself would lead them into the breach.

Texas Transformed

[FROM OUR AMERICAN STAFF]

THE industrial revolution which the second world war brought to large areas of the United States came partly from the impetus of wartime demand, but it was also a continuation of the peacetime trends that have characterised American industrial growth and decentralisation over the last two decades. And since the war it has merged with and developed into a changing pattern of American industry that is particularly noticeable outside the older manufacturing communities. In few regions has this change been more marked than in Texas and the adjoining States which comprise the Gulf Southwest. The federal census of manufactures for the year 1947, released recently, showed that during the eight years since the last census the industrial growth of Texas was equal to that during its entire preceding history of more than one hundred years.

The census showed that "value added by manufacture" in all Texan industries increased from \$453 million in 1939 to \$1.7 billion in 1947. This quadrupling of the annual net value of manufactured products indicates, after allowance is made for inflation of values, that the physical volume of goods was doubled. In the same period the number of industrial wage-earners increased from 126,996 to 242,014. While this is not quite double, here again it would seem that the volume of goods produced was doubled, since technological advances meant that each man produced more.

The percentage of increase in Texas was about twice as great as in the United States as a whole, but percentages do not tell the whole story. The really dramatic aspect of Texas's industrial expansion is that in a few years Texas has changed from a predominantly rural to a predominantly urban State, as far as the residence and occupations of its inhabitants are concerned.

This change has been accompanied by a corresponding change in the character of Texan agriculture, which began during the late nineteen-twenties. At that time the failure of foreign markets for Texas cotton, which had constituted more than half the American export crop, together with the dwindling domestic demand as the depression cut down demand and synthetic fibres increased competition, forced a drastic reduction in the cotton acreage and a consequent readjustment in the State's entire agricultural industry. Between four and six million acres have been diverted from cotton to diversified cropping or grazing. There has been a rapid decline in farm tenancy, a corresponding increase in farm mechanisation, a dwindling in the number of farms and a sharp increase in their average size.

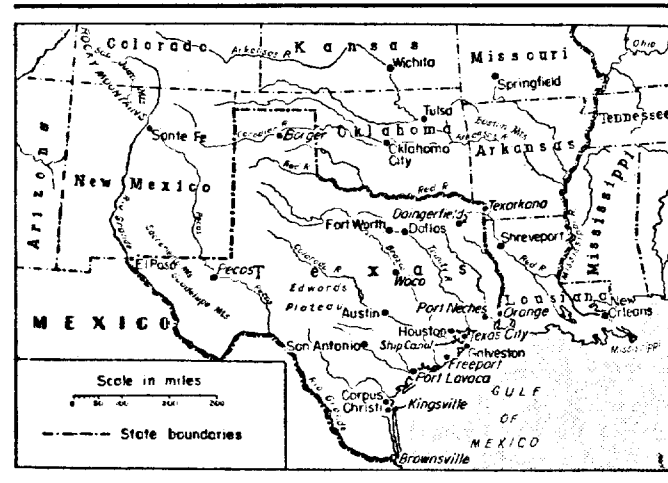
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This rapid shift in agricultural methods has pushed between 500,000 and 700,000 people off the farms. Fortunately, this great contraction in the demand for farm labour has been followed by a record increase in the demand for industrial labour. Usually, the transition from a so-called "colonial" and rural to an industrial and urban economy develops gradually over a long period of years. In Texas it has come with startling swiftness and, because of an exceptional combination of circumstances, almost painlessly, in spite of its rapidity. The wartime demand for industrial output, the desire for decentralisation of industry both for reasons of national security and to escape the organised power of trades unions, the long-term trend of American industrial development, all played their part in speeding and easing the

transition. Texas's position midway between the Atlantic and Pacific coasts, yet with deepwater ports on the Gulf of Mexico, has been a peculiar advantage. Another has been the great diversity of its raw materials—crops, livestock products, forest products and minerals. Outstanding has been its production of oil and natural gas, with practically half of the known American underground reserves of both.

With the close of the war, most of the big "war industries" were abandoned, or put into stand-by condition. This was especially true of ordnance factories, though one large plant near Texarkana has been converted to a military repair shop employing almost as many as it did during the war. The shipbuilding plants at Houston and Orange have only a small fraction of their wartime output, and synthetic rubber, at Houston, Port Neches and Borger, is largely on a stand-by basis. The big airplane factories at Fort Worth and Dallas, closed down completely after the war, are now running at about half the peak wartime rate. Of course, much of this activity is actually "wartime" production. It would be much less than it is except for the strained relations with Russia.

Postwar development of peacetime industries, however, has offset the decline in war production. Industrial expansion



in such interior cities as Dallas, Fort Worth, San Antonio and Waco has been largely in the lighter manufactured goods and in lines that have long been staple products in the American market. But notable in the entire history of American industrial progress has been the rise of the big chemical industries along the Texas Gulf coast. The principal cause has been the great abundance of cheap natural gas, which at 4 cents a thousand cubic feet at the well is roughly equivalent in thermal value to bituminous coal at 65 cents a ton at the mine. This development began before the war, was accelerated in some branches and restrained in others during the war, and has since gone ahead with the investment of many hundreds of millions of dollars.

Near Kingsville the Celanese Corporation makes chemicals used in manufacturing synthetic fibre from wood cellulose. A large nylon salt plant belonging to the Du Pont Company, at Orange, makes the substance from which nylon thread is drawn. At Freeport the Dow Chemical Company extracts magnesium, bromine and more than a hundred other chemicals from seawater. This last plant was begun before the war, expanded to meet military demands, and diverted after the war to peacetime operation at practically full capacity. A large fertiliser and diversified chemical plant at Texas City (owned by the Monsanto Company), which was destroyed by the explosion of a chemical-laden ship at its wharf in

1947, has been rebuilt with increased capacity. Near Brownsville, Carthage Hydrocol makes petrol and miscellaneous by-products from natural gas. At Port Lavaca the Aluminum Company of America is building a factory to utilise imported bauxite. At Corpus Christi the Corn Products Company is planning to make starch, dextrose sugar and other products from Texas-grown grain sorghums, a development with great promise for sorghum growers.

Another revolutionary industrial development during the last few years has been the utilisation of East Texas iron ores in blast furnaces at Houston and Daingerfield. This was the outcome of the discovery of excellent coking coal in Southern Oklahoma, which brought to fulfilment the efforts made for over a century to utilise the great quantity of ore that lies near the surface in East Texas. Many small furnaces operated from the period of the Civil War until about forty years ago, using charcoal or imported coke.

The combination of contracting farm population and expanding urban population is creating a new population pattern in Texas. The population of the State increased from 6,414,824 in 1940 to an officially estimated 7,530,000 on July 1, 1949. Yet, of the 254 counties in Texas, population was stationary or declining in nearly 200 and the big net gain has come from the mushroom growth of industrial centres in only fifty or sixty counties.

American Notes

Invitation to a Political Party

The Administration proclaimed a Fair Deal victory over the Republicans in New York in November but, before the month was out, a cannonade from the rear announced a revival of revolt inside the Democratic Party. At the Southern Governors' Conference, which in 1948 gave birth to the Dixiecrat rebellion against President Truman's nomination, Mr James F. Byrnes, a former Secretary of State, broke his remaining links with the White House and called for a fight against the centralisation of power in Washington and the inroads of the security state. For Mr Roosevelt, Mr Byrnes, of South Carolina, provided an invaluable bridge between the northern wing of the party and southern conservatives; this has now been blown up. Implicit in Mr Byrnes' speech was an invitation to the Republicans—short of money, ideas and self-confidence after 17 years out of office—to join with the southern supporters of States' rights to build a barricade across "the road to statism." Misery loves company.

Mr Byrnes cast a new mantle of respectability over the Dixiecrat movement, which was conceived in white supremacy and nourished by tidelands oil; the conference elected as its chairman Mr Thurmond who, as the Dixiecrat candidate, deprived Mr Truman of 39 electoral votes in 1948. It was noticeable that, when Mr Barkley, the Vice-President, launched the 1950 Congressional campaign in New York with an attack on those who wanted to turn back the clock, energetic efforts had been made to bring nine Southern Governors to hear him and attest their loyalty—a demonstration which suggests that the Democratic organisers take the Dixiecrat threat seriously.

Mr Bricker, the rather ingenuous Senator from Ohio, also took it seriously, for without further thought he embraced the idea of a new political party, proclaimed the identity of views between the Republicans and the southern conservatives "except for a few side-lines," and announced his willingness even to abandon the name Republican to secure allies in the one-party Democratic south. But among the "side-lines" which Senator Bricker dismissed so airily lies the whole civil rights issue; more thoughtful Republicans are unwilling to

trade their traditional principle of fair treatment for the Negro—and Negro and labour votes in the north—for allies whose support on other issues is often automatic. Nor would the Southern Democratic doctrine of States' rights sit easily on the conscience of a party historically bound up with the growth of the central government.

There is nothing new in the idea of an ideological realignment of the political parties to take the place of the present historical and sectional division. It used to be the pot of gold at the end of the rainbow for frustrated liberals. That the Republicans and the Southern Democrats should now be attracted by it is a measure not so much of their identity of views as of the degree to which both feel cut off from political power and the jobs and prestige that go with it. The Republicans may well make inroads on the south in coming elections, but a Presidential candidate—such as General Eisenhower, who since 1948 has clearly chosen the road to the right—selected to lead a formal coalition would find his double role exquisitely embarrassing to play.

* * *

Doctors Shoulder Arms

Mr Oscar Ewing, the Federal Security Administrator, is visiting Europe to gather ammunition with which to repel attacks on President Truman's health plan. At his press conference in London last week, he fired a preliminary volley back across the Atlantic. The over-emphasis he gave to his not-very-well-documented discovery, that "certain" American medical groups (two, in fact) have been coming to the financial aid of rebellious British doctors, may ricochet. But he shot straight in his remarks about the prejudice with which previous American visitors to Britain have distorted their reports on the health service.

The American Medical Association, mobilising in Wash-

ington while Mr Ewing spoke, is also about to send an exploratory expedition across the British frontier, and is for once planning to spend three months, instead of three days or weeks, in Europe. The cost will be met out of the \$25 which each of the Association's 143,000 members must contribute this year to the fight against "socialised medicine." Dues have not hitherto been payable to this national medical organisation, but the threat of compulsory health insurance can evidently only be met by adopting the enemy's compulsory methods. It is expected that \$3,000,000 will be raised, instead of the \$2,000,000 produced by last year's voluntary contributions.

Many of the members, well aware of the insoluble economic problem which illness presents to the poor, have been unwilling to contribute to the Association's negative campaign against the government plan. To many doctors, the constructive answer seems to lie amongst the many schemes for voluntary health insurance which have grown up all across the country. The AMA has sugared the pill of the compulsory levy by agreeing to co-operate in these schemes, which it used to find as abhorrent as it now finds government insurance. Last June, the Association dramatised its conversion to modernity by forcing the resignation of its flamboyant oracle, Dr Fishbein, whose obstinate refusal to discuss practical remedies was driving the patients into the government surgery.

AMA's new weapons are being attractively wrapped by an aggressive firm of publicity agents, and apprehensive Democrats think the President would be well advised to hold his fire until after next November's election. This he shows no sign of doing, but, nevertheless, it seems likely that the main battle over health insurance may not be fought during the coming session of Congress, since even such champion liberals as Senator Douglas find the government scheme too ambitious in its present form.

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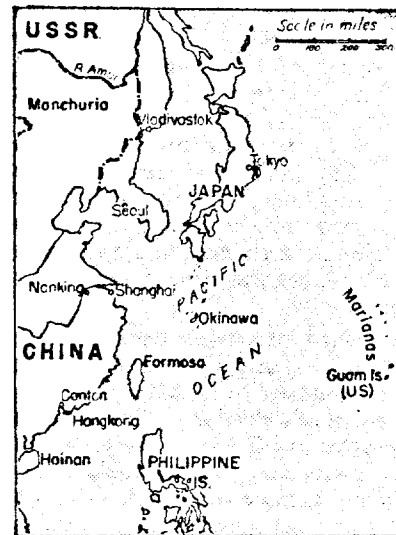
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Dust Settles on Formosa

The first and most definite shape to emerge out of the Chinese dust is the island of Formosa, to which the Nationalist Government is withdrawing. The \$75 million, which is all that the US Congress has provided for aid to non-Communist China, would have been only a drop in the continental ocean, but on the island it might be a strengthening shower. Moreover, there are strategic as well as political arguments for trying to save Formosa from a Communist fate. The reinforcement brought by these arguments to the professional Congressional critics of the Administration's Chinese policy was shown when Senator Alexander Smith, of New Jersey, a respected Republican member of the Foreign Relations Committee, neither a Chiangophil or a MacArthurman, demanded that American troops occupy Formosa in order to make certain that it does not fall into Communist hands.



The island abuts on the outer ring of American bases in the Pacific, which runs through Japan, Okinawa and the Philippines, but even so, Washington does not agree with the military leaders on the spot that Formosa is of vital military importance. The Joint Chiefs of Staff evidently feel that the difficulty of finding the forces needed to occupy it and the likelihood that the United States would, as a result, be directly involved in the Chinese war have more immediate significance than the probability that Formosa will before long be controlled by Communists, unfriendly to the United States but lacking the sea and air power which would enable them to threaten its bases.

If the Chiefs of Staff had decided otherwise, the political implications would have been even more embarrassing than the military. Not only would the United States have once more become inextricably involved with the Nationalist Government, which has demonstrated its corruption and unpopularity as clearly in Formosa as it has elsewhere, but there would also have been a very hollow sound about any future American protests against Russia's expansionist tendencies. And the American vote in the United Nations last week for the maintenance of Chinese territorial integrity would have sounded more hollow yet, since Formosa was Chinese until 1895, was promised to China in 1943 and has been administered by China since 1945, although it is technically part of Japan until a peace treaty has been signed.

Atoms for Allies

With the failure of Senator Hickenlooper's charges against Mr Lillenthal, ammunition for the anti-Administration exploiters of the atom must now be dredged up from that remote era of good feeling when the Russians, having repulsed the Germans at Stalingrad, were considered to be entitled to every aid America could send. The ending of the American monopoly of the bomb is now to be laid at the door of New Deal idealism—or treachery. The allegations made by Mr Racey Jordan, a wartime Army captain, and stage-managed by Mr Fulton Lewis, Jr., the most relentless enemy of Mr Roosevelt on the air, divide themselves into two parts. Some—such as the story that

small quantities of uranium and heavy water were shipped to Russia in 1943—are true, but old; they have been thoroughly exploited before. Those that are new—such as the charge that the late Harry Hopkins or, alternatively, Mr Henry Wallace, overruled the military in sending atomic information to Russia—are full of discrepancies, and quite unsubstantiated.

Two parallel investigations were put in hand at once, one by the Joint Committee on Atomic Energy, the other by the House Committee on Un-American Activities. For once the latter found a tall story hard to believe—perhaps because its Republican members were scattered from Puerto Rico to California. The heaviest blow to the Jordan sensation came from General Groves, wartime head of the atomic energy programme, who, after certain cryptic statements that threw no cold water on the fire, seems to have realised that he himself might be burnt. To the Un-American Activities Committee he testified that no pressure to divulge atomic secrets had ever come from Mr Hopkins or Mr Wallace; that the amounts of uranium and heavy water licensed to be shipped could not have aided the Russians materially; and that to withhold uranium would have aroused Russian suspicions and perhaps put them on the track of the bomb.

General Groves seems reluctant, however, to have his testimony taken so seriously that the inquiry is dropped; it may be useful if, as the symbol of water-tight Army control of the atom, he attempts to unseat Senator McMahon, who wrote the Act providing for civilian control. Republican members of the Un-American Activities Committee, indignant at what they regard as a hurried whitewash by the Democratic majority, probably will oblige him. Whether this latest, and shabbiest, sensation will induce Congress to lock the stable door against America's new atomic allies—Britain and Canada—is hard to judge. In the talks now going on over atomic energy co-operation, the United States takes the view that, on the grounds of economy, Britain should not attempt to produce atomic bombs, but should have access to the American stockpile in event of a war in which both nations were involved. In return, however, for making no calls on the supply of uranium for bomb production, Britain would also like access to American installations for British and Canadian scientists. Such sharing of information, however, is prohibited by the McMahon Act and could only be authorised by its amendment or a joint resolution of Congress.

Attacks on Segregation

The President has already begun to get into training for the tug-of-war over equal rights for Negroes which is expected to be the first event on the Congressional calendar in January. In the middle of October he appointed a Negro, Mr William Hastie, Governor of the Virgin Islands, to be a Federal Appeals Judge, the first Negro to rise so high on the Federal Bench. Early this month, the US Solicitor-General, Mr Philip Perlman, with Mr Truman's approval, announced that, in future, government funds would not be available for financing new houses and flats, whose occupancy was to be restricted on a basis of race, creed or colour. Thus Federal policy will be brought into line with the Supreme Court's decision that agreements barring Negroes from owning real estate are legally unenforceable. An attempt to include somewhat similar provisions against racial discrimination in this year's Housing Act was defeated because the Administration feared that a Congressional majority would be unobtainable for the Act in that form.

The building industry received Mr Perlman's announcement with dismay, relieved only by self-satisfaction that its

predictions had been fulfilled: the Government was imposing such intolerable conditions on its financial help that private building would stop, and an excuse would be provided for an extension of public housing. The Federal Housing Administrator, who is responsible for government loans to private builders, hastily wiped away these crocodile tears by pointing out that, since the Supreme Court's ruling, the restrictive covenants have been transformed into unwritten "gentlemen's agreements" to which the new government policy cannot apply. For this and other reasons, it need, apparently, make little difference to FHA operations.

The President's attempts to abolish racial discrimination in the Armed Forces, begun over a year ago, have had little more success as far as the Army is concerned. At the end of September, it finally brought itself to produce a programme for the establishment of racial equality which the Secretary of Defence could approve. Negroes are now eligible for all Army schools and types of training, but they apparently have no guarantee that they will be permitted to use their skill once it is acquired, since they can still be assigned only to Negro units or to a certain proportion of "overhead" posts. The Air Force, after some difficulty, has set an example to the Service of which it was once a part, by completely integrating its basic training courses for whites and Negroes.

The Department of Justice at least has shown itself not only sincere but bold in its attacks on racial discrimination. It has challenged the whole basis of segregation, the doctrine that the Negro's constitutional rights are satisfied if he is given facilities "separate from but equal to" those provided for whites. The occasion of this challenge is a case, which has now reached the Supreme Court, in which a Negro is suing the Interstate Commerce Commission for allowing segregation in a railway dining car; the Justice Department, although nominally a defendant, has asked the Court to decide in favour of the petitioner.

Oil's Indian Summer

The oil industry, alarmed by a prolonged Indian summer uncomfortably reminiscent of last winter's costly mildness, has welcomed the cold snap which at last is beginning to make inroads on the record high stocks of oils for home heating. Stocks of heating oils and petrol are 15 per cent higher than last year because the industry prepared to supply the greatly increased number of oil-burners in a normally cold winter. On the east coast petrol prices have had to be cut, for the first time since before the war, and in December Texas cut back the production of crude oil after three successive increases in the permitted monthly yield.

Price concessions on fuel oil, made when the consumer, heedless as any grasshopper of the coming winter, refused to listen to the industry's warning to fill his tanks, are now being rescinded. This will not be lost on the Senate Banking Committee, already investigating what it considers the suspicious coincidence that petrol prices were raised in the spring, just as the motoring season started, while fuel oil prices moved up in the autumn, when consumers normally begin to lay in stocks. The defence of the industry is that there must be incentives to produce either more fuel oil or petrol from every gallon of crude; and also that the price of one must rise when the other falls, since the price of crude is held stationary by state regulations which cut back the supply. Petrol is still the industry's cash crop, but the demand for fuel oil is becoming the determining factor in production; the industry's peak demand now comes in the first (and chilly) quarter, rather than in the third, when most of America takes to the road. Critics hold that but for an undue tenderness for profits, the necessary adjustments in production could be made by cutting, rather than raising prices.

More alarming even than the recent Indian summer, or the coolness of some Senators, is the wintry long-term prospect of a world oil surplus resulting from overseas expansion and the dollar shortage. The alarm of companies with overseas fields lest they be displaced from foreign markets is shared by the independents, who have no foreign sources of supply. Their long hostility toward oil imports is inflamed by the fear that oil displaced abroad will now try to find a haven in the United States.

The expected 25 per cent increase in imports next year, from 676,000 to 850,000 barrels daily, hardly seems to justify the Small Business Subcommittee's apprehension that domestic production may soon be reduced to supplementing imports. Consumption is now 6,000,000 barrels daily, and net imports are negligible. But the increase in imports will satisfy the expected rise in domestic demand at a time when the American industry could produce another 1,000,000 barrels a day. It has revived the pressure for an increased duty or the quota of 5 per cent of domestic production which failed of passage by only one vote in the Senate last summer. But as long as new drilling remains near the 1948 peak, and the industry shows no greater signs of disorganisation, the Administration is likely to agree with the importers that American oil resources must be conserved and that it is impossible, both for economic and political reasons, to turn imports on and off like a tap.

Shorter Notes

The advertising firm of Benton and Bowles has gone into politics. Governor Chester Bowles of Connecticut has given his old partner, Mr William Benton, the Senate seat left vacant by the appointment of Senator Baldwin to the State Judiciary. Mr Baldwin was a Republican and Mr Benton is an independent, which causes some heart-burning among Governor Bowles's Democratic supporters. Mr Benton has experience both of education, as vice-president of the University of Chicago, and of international affairs, as an Assistant Secretary of State in the two years after the war, when he was responsible for American overseas broadcasts and for US participation in Unesco.

Last September the Bureau of Labour Statistics confessed that faults in its system of weighting samples had caused it to exaggerate the number of persons in non-agricultural employment for several years past—by almost 1,000,000 last June, for example. Now a similar inadequacy is said to have been discovered in the Federal Reserve Board's index of industrial production: one of the steel-fabricating series has been found to measure only changes in pig-iron output. The effect of the steel strike on industrial production in October was therefore much less than the Board's advance estimate; the drop was only 4.6, instead of nearly 12, per cent.

The UN Food and Agriculture Organisation, having shown its independence of the United States by voting to move to Rome, found next morning that, according to its American Director-General, it could not afford this transfer whose chief purpose was to save money, particularly dollars. The United Nations, however, taking warning from this decision and from that of the World Health Organisation to establish itself in Geneva, has decided to postpone indefinitely plans for the building at its New York headquarters which was to have housed the specialised agencies as well as the national delegations. The latter have shown no signs of being ready to commit themselves to rent space in the new building.

THE WORLD OVERSEAS

Return to the Frontier Villages

(From Our Special Correspondent in Greece)

ON November 18, 1947, guerrillas led by Ypsilantes attacked the Epirote village of Vasiliko five miles from the Albanian border. They were driven off, but some of the villagers fled to safety in Ioannina. Christmas Eve brought a second attack: eighteen houses were burnt and twelve people killed, and once more there was a small exodus. The village became a no man's land between the army and the Andartes and in the New Year the remaining inhabitants were evacuated. Those few who could afford it went down to Athens. The rest clustered round Ioannina, finding what shelter they could and swelling the number of refugees already there. Only a dog was left behind, and seven old women who refused to have their last years disturbed. The same events were seen in hundreds of Greek villages.

By the spring of 1949 about 700,000 Greeks—10 per cent of the population—had left their villages to swarm to the towns where there was comparative safety from attack. From its normal population of 25,000 people Ioannina sprang to 60,000; Larissa was doubled in size; no town was without refugees. Some had fled when their villages had been attacked and looted or burnt; others, like Vasiliko, caught in the main areas of fighting in Epirus, Thessaly and Macedonia, had been evacuated by the army to prevent their being an unwilling source of recruits and supplies for the Andartes.

They crowded into mud huts thatched with rush that they built themselves, and into tents divided into sections by low mud walls. The more fortunate got crude lath and felt shacks provided by the government or an odd room in the town itself. Most of them were farmers and some had owned large houses in their mountain villages. Seven lived in a room four yards by eight, and one tent would have to house two or three families. Their possessions were gone except perhaps for a mattress, a thick blanket and a few cooking utensils. Their draught animals, on which their whole livelihood as farmers depended, had been stolen or sold by them in the towns to obtain money for food. Some had lost everything.

There was occasional work on the roads for a small daily wage and a new road to Konitza was built by refugees; but generally there was nothing to do but patch the rush roofs and mud walls as the winter rain dripped in, to trudge through the mud in a hopeless search for the work that meant food—and to wait. Men who had worked their land for thirty or forty years were now dependent on the state and on a daily ration of flour which sometimes did not come. A small allowance of money (9d. per day for the head of a family, 6d. for each member) and the little earned at work hardly supplemented their diet. In poverty and idleness the size of families increased.

Queen Frederika's "Childtowns"

For two years, or even longer, these men, women and children lived in enforced exile. Some of the children were sheltered in the cheerful and ably-run "childtowns." These, founded on the initiative of Queen Frederika and maintained by her energy, took charge of orphans and children whose parents could not look after them. Some were the children of Andartes. Here, in improvised buildings and Nissen huts, they were—and still are—fed, clothed and taught. But

these were the fortunate few—18,000 out of the total of 338,000 refugee children.

In 1949 hope reappeared. General Papagos brought a new spirit to the Greek soldier; the initiative was at last won, and eight thousand Andartes were driven across the border into Albania. The three thousand who remained in Greece were split into small bands, with their morale gone. That was in October; since then daily surrenders have diminished



their numbers. Now men again walk by night and repatriation has begun.

Two years have wrought a change in the refugees. Village unity has been retained, and the older men and women still greet strangers with patient dignity and express their longing to be home. But there is uncertainty about the future, and life in the towns has had an insidious influence on the older boys and girls. They have seen town life for the first time; their food, though meagre, has been provided without work on their part; they have watched men and women in factories making a steady wage without the exhausting labour demanded by a rocky soil—a soil to which they no longer want to return.

There is some apathy and there is still fear. Winter is here and people dread the possible return of the Andartes and the flight back to the towns through the snow. In Kastoria a refugee woman epitomised this apathy: "How can we go back?" she said; "it is winter, and we have nothing in our village. We can be sure of bread here, not elsewhere." The empty village of Ieropiya, which looks from western

Macedonia across to the Albanian mountains, is silent witness to fear; its one street deserted except for a sprawling table, a broken chair, and the shutters of the butcher's shop rattling in the wind. More important are the physical obstacles which prevent the return of the majority, despite their determination to go. Whole villages have been burnt and cannot be rebuilt in winter; mountain tracks become impassable in rain and snow—and winter came early to Greece this year.

Courage and Bad Planning

Tools, animals and food supplies are not always sufficient for the returning villagers. Over one third of the 700,000 have been sent back, but in Thessaly, where repatriation was begun too hurriedly, many found life unliveable in their villages and drifted back to the towns where there was no longer provision for their feeding. A few sold the wood and bricks given them for reconstruction and tried to start a business in town with the ready money.

Repatriation goes on in the face of these difficulties, and the Greek virtues of courage and endurance survive the Greek vice of inefficient planning. The return of Vasiliko was completed on a brilliantly sunny day that gave the occasion an air of festivity. The army had secured the heights round the village and the gendarmerie had followed behind them with about thirty armed villagers as home guards. A fortnight later came the families bringing their few possessions and some of the supplies that should have been allocated to them. The flour was there (though not the full two months' allowance); the money allotment had arrived, and the seed for an acre apiece was promised. But there were no ploughs, and only two hundred draught animals between the three hundred and fifty villages of the area.

Truck after truck drove off from Ioannina, leaving behind the emptied tents and huts that had been homes. The road went due north, past Kalpaki where the Italian advance had been checked in 1940, then branched west along the rough track which only the munificence of a rich villager had completed. Soon the grey summit of the Albanian mountain Nemerçke frowned in the distance and Vasiliko appeared ahead on a hill slope.

The villagers were seeing their houses for the first time for nearly two years. Their vineyards were unpruned and the grapes tiny from lack of cultivation. In parts of Macedonia the Andartes had grown crops and this year the Greek peasants reaped them; but here the fields had lain untilled and only the chestnut trees provided any harvest. The dog was still alive, but four of the old women had died and only two and a half ("half," said the people, because she was lame) were here to greet them.

On the Albanian Frontier

Trucks filled the little village square to unload their cargoes. From one emerged a family of seven with two hens, a donkey, beds and mattresses, a dustbin lid, three sacks



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of flour, and odd pieces of cardboard to patch their roof. Their house was stripped bare, but already along the ceiling hung a few bunches of the small grapes and in the corner lay a pile of chestnuts that a relative—one of the home guards—had collected. A stranger coming to the house met immediate hospitality and could not refuse a glass of *tsipouro* and a handful of chestnuts. The new village president (his predecessor had been killed in the second attack) outlined their future. The village would be entirely dependent on the state for food over winter, but if crops could be sown it would be producing by July. All they needed was peace.

This was the cheerful side of the picture. North-eastwards in the fertile plain by the Prespa lakes, where Greece, Albania and Yugoslavia meet, the fields were deserted except for a man and his wife digging potatoes that the Andartes had sown in spring, and an old black-clad woman sitting motionless watching the road for mine-laying. Unpicked tobacco was in flower and going to seed; fields were unploughed and the vines straggling; there was no sign here that the land would be producing next year.

Further south, in Kroustalopiya which looks down the road to Albania, only a few villagers had returned; and these stayed with one eye on the army detachment that occupied their village. There was a man here busily painting and it seemed that reconstruction was after all beginning. But he was only deleting Communist slogans; and he felt himself too near the border to carry out his task with complete conviction. The fields that huddled along the road in the bottom of the valley were dried pale brown by the sun. But a few were dark from recent ploughing, and the contrasted colours indicated the possibilities of the future—barrenness, or the cultivation on which the survival of Greece depends. For this survival, repatriation must succeed.

The French Budget for 1950

[FROM OUR PARIS CORRESPONDENT]

It had long been feared that M. Petsche's budget for 1950 would be the biggest ever. There was, however, some consolation in the belief that the National Assembly would at least pass the thing by the end of 1949. But the government crisis in October and, later, the stormy Radical congress at Toulouse have since somewhat blackened the prospects. Some people are consequently beginning to speak of a vote on the "provisional twelfth"—a much deplored practice followed last winter, whereby parliament supplies a month's credit in advance without prejudice to its ultimate decision on the budget as a whole. At any rate the *projet de budget* is at present held up by the financial committee of the National Assembly, and the Radicals are exerting pressure to reduce the volume of investment proposed by M. Petsche and thus to wipe out some of the taxes which to them seem exorbitant and with which the investment is to be financed.

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Things are even more difficult in the *Conseil de la République* where prominent Radicals, such as MM. Dulin and Laffargue, seem to be making their support for the budget conditional upon guarantees about certain other legislative measures. It is only when these party manoeuvres cease that the Assembly will be able to vote the series of "ceilings" for the heads of expenditure of which the law itself consists. (In fact these ceilings are not necessarily final: last summer, for instance, supplementary credits were voted when deficits in the nationalised industries became manifest.)

The 1950 budget amounts to 2,275 billion francs (approximately £2,321 million). It exceeds its predecessor by some 400 billion francs. (The 1949 budget, it has been pointed out, was itself about two and a half times that of 1913—the comparison being charitably made between the receipts of the two years calculated in francs of 1913.) Military expenditure has risen this time from fr. 384 billion to fr. 420 billion; a sum, even so, enormously inferior to that requested by the military authorities, who asked for over fr. 200 billion for Indochina and got fr. 115 billion. Ordinary civil expenditure has been increased by fr. 230 billion of which figure fr. 60 billion represent a raise in civil servants' salaries—the third of a series; fr. 34 billion, an increase in social security charges (partly due to new allowances to the under-employed); fr. 30 billion, higher subsidies (especially for the railways); and fr. 23 billion, an increase of the public debt.

The main items in the "budget for reconstruction and investment" are: credits for the *Plan Monnet*, fr. 319 billion (fr. 269 billion in 1949); renewal of war damage through the *caisse autonome de reconstruction* (fr. 251 billion) and the rehabilitation of the railways and merchant fleet. The total of investment proposed under Part II is equal to about 10 per cent of the national income of France. The fact that nearly half of the fr. 740 billion in the investment budget must be levied by taxes is, naturally, at the root of the opposition to M. Petsche's *projet de loi*. "Sack the civil servants" and "cut down the investments" are the battle cries.

The new taxes are certainly fierce: 7 per cent (instead of 5 per cent) on wages, to be paid by the employer; 13 per cent (instead of 12½ per cent) on production; 1.1 per cent (instead of 1 per cent) on all transactions; and a nasty rise in stamp-duties will make life hard for many producers and traders, large and small. Much criticised is also the 10 per cent tax on undistributed profits of companies. It is argued that this levy (of which the yield is relatively small) is bound to prevent the self-investment of enterprises which the authorities themselves desire. M. Petsche is thus accused of punishing private capitalism in the interests of state capitalism as a sop to his ministerial colleagues of the Left. To re-equip the French economy through the extraction of funds by fiscal force is, it is suggested, tantamount to abandoning in perpetuity all confidence in private investment. The *Conseil National du Patronat Français* and a number of other employers' and artisans' organisations have issued a violent joint condemnation of this "excessive fiscalité."

M. Charles Rist of *La Vie Française* has criticised the Government's whole policy of investment, arguing that the world's economy is now in a quite different phase from that immediately after the war when the *Plan Monnet* was first launched. The main features of the contemporary economy are a slackening of demand and a fall in prices. At such a moment, the writer believes, it is dangerous for a country to forge ahead with an investment plan because of the risk of accentuating a threatened over-production. France should furthermore, curb its investments in the interests of budgetary stability, which is still the main economic objective, undertaking only those investments which may be covered by Marshall aid counterpart funds and loans. Thus, at least some of the new taxes might be abandoned.

Another school of thought, while supporting the investment plan, holds that a less injurious means of acquiring revenue would have been an increase on income-tax. It maintains that the new taxes (especially on wages and trans-

actions) must result either in a slackening of production and exchange, or, in spite of a law designed to prohibit it, in the incorporation of the tax in the price—whereas there would have been little harm in lopping off more income from the individual.

Without entering into an analysis of this suggestion, it is interesting to consider the fiscal status of a wealthy French

THE FRENCH BUDGET FOR THE YEAR 1950 (1,000 Million Francs)			
Expenditure		Receipts	
PART I (General Budget) :—			
Ordinary civil expenditure.....	995	All previous taxes as at Dec. 31, 1949*.....	1,505
Reconstruction and equipment of state property.....	145	New Taxes :—	
Military expenditure.....	420*	Consignment dues on road transport.....	1
	1,560	Weight tax on heavy vehicles	18
Minus 25 billion of civil servants' pay to be subtracted during the year.....	25	Tax on sale of secondhand cars.....	5
	1,535	Stamp duties.....	6
			1,535
PART II (Budget for Reconstruction and Investment):—			
Renewal of war damage.....	335	Existing Sources :—	
Investment (including Plan Monnet).....	405	Counterpart funds of Marshall Aid.....	250
		Loans from the Savings Banks.....	25
		Various sources.....	35
		The production tax and indirect taxes.....	140
		New Sources :—	
		Further addition of 1 per cent to production tax and also to tax on transactions	57
		Further addition of 1 per cent to wages tax (of general budget).....	26
		Appropriation of instalment payments from companies	35
		10 per cent tax on non-distributed profits.....	17
		Treasury Loans.....	155
	740		740
GRAND TOTAL	2,275	GRAND TOTAL	2,275
* Of which 115 billion for Indo-China.		* The fiscal system of 1949 was intended to yield 1,301 billion: the increase of 204 billion budgeted for 1950 represents surplus revenue from larger incomes and turnover (90 billion) and anticipated successes in removing illicit profits and combating fraud (88 billion). The remaining 26 billion come from a 1 per cent increase on the wages tax.	

citizen as determined by the fiscal reform of 1948.* If he has a net income of fr.3 million and no children, he pays fr.1.128 million surtax. With the same income and 4 children, his surtax is reduced to fr. .502 million. If he has 4 children and a net income of fr.10 million, he has to pay about fr.3 million of surtax.

Prescription for Portugal

[BY A CORRESPONDENT]

At the meeting of the Committee of Ministers in Paris no one, it appears, suggested Portugal as a possible candidate for membership of the Council of Europe. Readily accepted as a founder-member of the OEEC, in the interests of European economic co-operation in Africa, and invited into the military alliance of the North Atlantic Treaty (despite the "democratic" test of the preamble), it remains, with Franco Spain, a political outcast. Given the terms of article 3 of the Council's statute, it is true, Dr Salazar's authoritarian state excludes itself. If, indeed, Dr Salazar wanted to make alignment with the other nations of western Europe impossible, he could scarcely have done so more effectively than by the political discourse with which, on October 20th, he regaled a gathering of district civil governors, national union

* i.e. after payment of the proportional tax of 18 per cent which is itself subject to various exemptions according to the nature of the income and the number of children of the assessor.

executives, outgoing deputies and candidates for the new Assembly. That speech was far more important as evidence of the way things are going in Portugal than the elections of November 13th.

As was indicated in an article published in *The Economist* on March 12th, 1949, Dr Salazar is acutely conscious of the need for criticism, for some counterweight to the *amenistas* (yes-men), of the regime. But, whenever it comes to a test, the thrusters of parliamentary democracy make a practice of standing on their dignity and refusing to champion a lost cause. They did so the other day, as in the previous elections for the National Assembly in November, 1945; and they withdrew their candidate, General Norton de Matos, in the presidential elections at the eleventh hour. So Dr Salazar is confirmed in his view that democracy, as we understand the term, will not serve his purpose. And he is harking back to the idea of development towards "organic democracy" which has always been his private fetish.

No Use for Party System

The speech of October 20th, as it happens, contained more in the way of a political programme than any Salazarian disquisition for a long time. The negative aspect was Dr Salazar's firm repudiation of the party system. Party loyalties, he admitted, were likely to persist for many years—and the presidential election had revealed their continued vitality in Portugal. But almost everywhere that particular brand of democracy was extinct as the source and support of government. To return to it, then, would be to adopt a system which was already out of date. It was essential that human freedom in relation to the state should be preserved, but the liberal technique based on the citizen in the abstract, the individual divorced from family, class or profession, had been tried in the balance and found wanting, while Socialism was but a transitional stage towards Communism. Two fundamental needs, however, in Dr Salazar's scheme of things remain to be fulfilled: some means must be provided of preventing the misuse of power and of ensuring reciprocal communication between the Government and the nation. The remedy, he says, must lie in the co-ordination within the state of all the political elements of society on a basis of natural groupings. While, therefore, the political vehicle provided for in the constitution would remain as a forum for the discussion of general principles—in his election address at Oporto on January 7th he had spoken of it rather as a sop to the whims of lesser mortals—the task of the newly-elected National Assembly should be to carry out a job of revision of the constitution whereby the "Corporate State" implicit in it should be at last realised. What he had in mind, Dr Salazar explained, was that in future the Corporate Chamber (of which Dr Marcelo Caetano, the white hope of the *Estado Novo* has just been elected President) should share legislative power with the Government, and, specifically, act as an electoral college for future presidential contests. This is in line with statements made at the time of the presidential election that never again should the country have to face the risks of a constitutional *coup d'état* such as the candidature of General Norton de Matos had embodied.

National Labour Code

The Constitution of 1933, it is true, describes Portugal as a unitary and *corporative* Republic. But in fact the framework has never been filled in. There are, in the first place, district, regional and national vocational groups which are the professional guilds—the legal, medical and engineering professions with the title of "order." These go to form the 25 sections of the Chamber of Corporations, duly classified into economic, social and cultural groups, which elect their respective *procuradores*. (A *procurador* cannot be at the same time a deputy in the National Assembly, and, as Dr Salazar has lamented, the best talent has thus too often been drained off into the professional chamber). Membership of these associations is, in theory, not compulsory. What happens is that certain of them are recognised by the state

as representing the interests of all the people in that particular branch of economic (social/cultural) activity, and they are entitled to make collective agreements which are binding on all the people in that branch. A national labour code safeguards the normal workers' rights and prerogatives, a technical corporative council looks after professional standards, a national provident institute caters for pensions, health, accident, insurance, housing, etc., and the whole edifice is crowned by the under-secretaryship for corporations and provident institutions attached to the Prime Minister's office. Actual corporations were created on paper on November 12th, 1938, but the war came too soon for them ever to function; and they still have no material existence. One result of this uncompleted structure is that the chamber of corporations is definitely weighted on the side of capital as against labour: the provision of *Casas do Povo* and *Casas dos Pescadores* (based on the unit of the parish) for the organisation of agricultural labourers and fishermen respectively has failed to readjust the balance. The whole system incidentally, was the subject of a commission of enquiry set up in 1945, and the conclusions of the commission published in April, 1947, have largely been implemented.

In comparing this hierarchy of functions with, for example, Mussolini's corporative regime, the striking fact is that the state in Portugal plays an unobtrusive role: the driving force of the organisation is—nominally at any rate—economic or social, and at no point hitherto has it crossed the borderline of the political system. If the new projects of Dr Salazar are carried out, however, that will no longer be the case. He contemplates the establishment at an early date of a Ministry of Corporations and a recasting of the legislative function: the National Assembly would have its powers limited to the passing of basic laws; decree-laws, by which the Government usually operates, would be drawn up with the assistance of the corporative chamber; while decrees embodying regulations would be exclusively the business of the government.

It is clear then, that the evolution of the *Estado Novo* is going to be away from rather than towards parliamentary democracy, and the process will have the weight of informed opinion behind it. Undaunted by the failure of his prophecy in 1930 that within 20 years in no country would there be any such thing as a legislative assembly in the ordinary sense, Dr Salazar now (in the same October 20th speech) stoutly maintains that Portugal is not to be regarded as backward but as several years in advance of other nations in regard to political theory and practice. But it is clear that the Doctor's prescription is one appropriate only to his fellow-countrymen, whose "passionate unruliness" may possibly preclude the working of liberal democracy.

Recovery in Ireland

[BY OUR DUBLIN CORRESPONDENT]

MR COSTELLO's inter-party Government has been in office for nearly two years. Its prospects of living out the full five-year period, which seemed infinitely remote when it came to power, have been materially improved by the result of the recent by-election in west Donegal. The vacancy occurred through the death of a *Fianna Fail* member. It was filled, after a closely contested campaign, by a member of *Fine Gael* (Mr Costello's party) standing as an Inter-Party candidate. Mr. McBride's party, *Clann na Poblachta*, ran its own candidate in external association, as it were, with the nominee of the other parties in the Government.

On the whole, there was something for everybody in the result. *Fianna Fail* (Mr. de Valera's party, now in opposition) can point to an increased poll, probably the result of a drift back from *Clann na Poblachta*. *Fine Gael* also increased their poll and can congratulate themselves on their first gain from *Fiana Fail* at a bye-election for very many years. *Clann na Poblachta*, for their

part, can claim to have conclusively demonstrated their utility to the Government. In sum, the Government won a seat that might well have been retained by the Opposition. Modern Ireland tends to support Governments rather than oppose them; and the result seems to augur well for the completion of the remaining three years of the present Parliament. This may turn out to be a good thing. The present lines of party division are clearly artificial, based as they are in so many cases on the choice of side made by voters (or, perhaps nowadays, by their fathers) in the Civil War of 1922. It is possible that the historical importance of this Government will lie in the fact that it affords a breathing space for regrouping on the lines of more modern issues. Here and there, as in the case of the draft social security scheme, there are signs of political realignment.

Better Balance of Trade

Trade and production statistics, always valuable electoral ammunition, show an encouraging revival in Ireland. This comes none too soon. The balance of visible trade has been heavily adverse. In 1947 it stood at £91.8 million, in 1948 at £89.1 million. It has fallen to £52 million for the first nine months of the present year. At that rate it seems probable that the balance of current payments is near to equilibrium. The improvement in the visible trade balance has been brought about to some extent by a fall in imports, and indeed much of the heavy purchases of 1947-48 must have been due to restocking. More encouragingly, there has been a marked recovery in agricultural production and exports. This change was badly needed. The volume of agricultural production has been static over recent decades; and its sluggishness has adversely affected many aspects of the Irish economy. Even now, the standards of twenty years ago have not been regained; and the test of the Irish farmer will be whether he can not only equal but surpass the output volume of the later 'twenties. Indeed, much more, as will be seen, will depend on that.

The Government's policy of extensive capital investment has received fresh emphasis from a speech delivered on November 19th to the Institute of Bankers in Ireland by the *Taoiseach*, Mr Costello. He hinted that a capital budget would be submitted to the Dail next year in addition to the ordinary Budget. He pointed out that current savings might not be sufficient to finance the programme of investment that is contemplated, and that if necessary sterling assets would be repatriated. He agreed that the extent to which these holdings could be transferred was limited and that it was desirable to maintain a certain level of foreign investment at all times. He added that the bankers were not merely the trustees of their depositors' savings but also trustees of the savings of the community. The Government was entitled to indicate how these savings could best be utilised in the national interest. These last sentences were probably directed to the reported refusal of the Standing Committee of the Irish banks to give the Dublin Corporation all the accommodation that was asked for a housing loan, and they should no doubt be interpreted according to their special context. But the policy of investment at home, if necessary by the realisation of past savings, must be viewed against a wider background.

It would be unfortunate if this speech, or the policy that it outlines, were mistakenly related to Irish irritation over the devaluation of sterling or to the Partition dispute. Mr Costello expressed thoughts long held in Ireland. In the past, the Irish economy, particularly agriculture, has suffered from chronic under-investment; and in seeking to divert the flow of savings the Government is adopting a line of action that would be taken by any conceivable administration. The increased availability of capital goods and the progress of the Marshall Plan programme make such action both desirable and necessary. It would seem that the principal items of investment will be land fertility and drainage, housing and afforestation. Individually each one of these objects needs attention. Agricultural productivity has been stagnant for a

generation, before the war there was a lag in housing, and Ireland has a smaller wooded area than any country in Europe.

IRE'S BALANCE OF PAYMENTS
(£ Million)

	1944	1945	1946	1947	1948
Current payments	37.5	50.4	83.0	143.1	149.0
of which :					
Imports	28.2	40.7	72.0	131.3	136.3
Profit and interest	7.9	8.3	9.0	9.7	9.8
Current receipts	70.1	85.0	102.7	113.2	129.0
of which :					
Exports	26.1	35.2	39.0	39.5	47.4
Investment income	15.1	15.0	16.6	17.8	18.0
Emigrants' remittances :					
U.K.	7.4	7.1	6.5	6.0	5.6
Other countries	1.9	2.5	3.3	3.7	3.2
Current Account balance	+ 32.6	+ 34.6	+ 19.7	- 29.9	- 20.0
Capital Account :					
Additions to external assets	37.7	40.3	32.3	14.1	12.3
Decreases in external assets	5.1	5.7	12.6	44.0	32.3
Decreases in foreign assets (+) Increases (-)	- 32.6	- 34.6	- 19.7	+ 29.9	+ 20.0

The extent of the sterling assets—if indeed it is susceptible of precise estimate—is a closely guarded secret. So far as they can be traced, they were gradually accumulated in the closing decades of the last century and were rapidly expanded in the era of high agricultural prices that ended in 1920. Between the wars they appear to have fallen, but that trend was reversed in some years of the present decade, when Irish exports to Great Britain were what it is now fashionable to term "unrequited." Their gross total is put at around £400 million; their net total, for there is a heavy counter-item in favour of the United Kingdom, is thought to be around £225 million. These holdings have been a most valuable protection against hard times in the past; and an attempt at wholesale repatriation is as unlikely as it would be undesirable.

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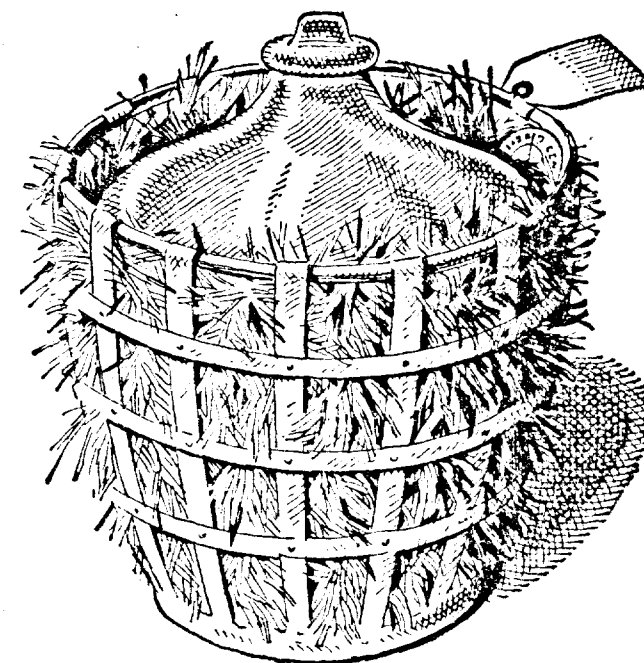
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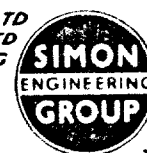
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Sterling in Europe

IN the movement to establish closer monetary relations between Britain and the Continent of Europe, a new stage was reached this week with the opening of negotiations in Stockholm for some form of monetary union between the United Kingdom and the Scandinavian countries. The British delegation, headed by Sir Henry Wilson Smith of the Treasury, includes representatives of the Foreign Office, Board of Trade and the Bank of England. It is a strong team capable of talking business and intended to do so. What can it do? First, it can and should avoid like the plague all attempts to form or christen new *blocs*. The Stockholm talks should be regarded as a modest step towards the restoration of what used to be regarded as normal international monetary relations. There should be due humility about this objective and, therefore, no attempt to crown it with any of the fancy names—Ukiscan, Scanuk, Scandanglia—that have been tentatively bestowed on it. There should even be no formal attempt to invite the Scandinavian countries into the sterling area. Such an arrangement would be as meaningless as it would be inimical to the constructive and desirable objective of these talks.

The substance of what is under discussion is unmistakable and requires no new nomenclature. The ultimate object is—or should be—to ensure that trade within the group comprised by the sterling area and the

seasonal swings in their balances of payments. Exchange rates within the group should remain stable unless altered by common consent and within the framework of the International Monetary Fund agreement. Though each party to such an arrangement would remain entirely responsible for its hard currency payments, it would be reasonable to assume a broadly uniform policy towards imports from hard currency countries—indeed, such a common policy already exists in principle, as a result of these countries' participation in the Organisation for European Economic Co-operation.

All these strands which could pull the sterling and Scandinavian countries together would be strengthened by the basic similarity of their attitudes towards economic

TABLE II
INTRA-EUROPEAN PAYMENTS SCHEME, JULY 1, 1949—JUNE 30, 1950
(\$ Million)

	Drawing Rights Granted			Drawing Rights Used July-Oct. 1949
	Bilateral	Multilateral	Total	
Drawing Rights on Britain				
Austria	15.00	5.00	20.00	2.84
France	81.00	27.00	120.00(a)	Nil
Greece	20.25	6.75	27.00	13.85
Turkey	12.00	4.00	16.00	6.77
	128.25	42.75	183.00(a)	23.44
Drawing Rights by Britain				
Belgium	29.00	9.50	102.00(b)	42.74(c)

(a) Including \$12 million carried forward from 1948-49. (b) Including \$35.5 million linked multilateral rights and a credit line of \$28 million. (c) The bilateral and multilateral rights have been exhausted and \$2.12 million has been taken care of from the linked, multilateral rights and the credit line.

policy and of their concepts of social justice. These countries, together with the Netherlands (whose present link with the "Latin" bloc in Europe appears distinctly precarious), are attached to the principle of salvation through order and stability. Some of the critics of their economic policy might with justice claim that the line of demarcation between stability and rigidity is one which all too often becomes blurred and overstepped. But, leaving this debatable issue aside, it can at least be claimed that there is homogeneity within the groups.

As between these countries there is at present no appreciable disequilibrium in current payments. The sterling balances of the Scandinavian countries are not greater than could be deemed adequate for the provision of working balances and currency reserves. Swedish balances tended to rise earlier this year and the movement became marked in the period just before devaluation. During the past few weeks, however, they have been relatively stable. At present Sweden has about £35 million which is probably more than it would like to hold as a permanent asset. Denmark's holding is very modest, probably under £5,000,000, while Norway's present balance is likely to be below the desirable minimum. If greater freedom in the use of sterling in

TABLE I
BRITAIN'S VISIBLE TRADE WITH PRINCIPAL EUROPEAN COUNTRIES
(£'000)

Country	UK Imports		UK Exports and Re-exports		UK Balance of Visible Trade	
	Jan.-Sept.		Jan.-Sept.		Jan.-Sept.	
	1948	1949	1948	1949	1948	1949
Belgium	28,259	30,178	32,024	28,599	+ 3,765	- 1,579
Denmark	33,168	57,524	19,742	35,170	- 13,426	- 22,354
France	31,920	54,545	34,035	31,818	+ 2,115	- 22,727
Germany	21,887	28,708	23,676	22,887	+ 1,789	- 5,821
Holland	31,260	48,509	33,958	40,751	+ 2,698	- 7,758
Italy	21,024	28,353	10,641	14,185	- 10,383	- 14,168
Luxembourg	317	3,875	312	358	- 5	- 3,517
Norway	12,903	16,698	22,174	31,146	+ 9,271	+ 14,448
Portugal	6,751	5,951	16,632	14,593	+ 9,881	+ 8,642
Spain	10,441	12,527	7,509	7,491	- 2,932	- 5,036
Sweden	37,005	45,819	44,206	34,593	+ 7,201	- 11,225
Switzerland	6,958	8,057	17,250	14,124	+ 10,292	+ 6,067
TOTAL	241,893	340,744	262,159	275,715	+ 20,266	- 65,029

Scandinavian countries is free from all quotas and other quantitative import restrictions, and that payments within the group are completely free both for current transactions and for such capital operations as pass through the mesh of the capital issues controls of the countries concerned. And if payments are to be free, it follows that the currencies of these countries must be freely convertible one into another. Such convertibility, in its turn, calls for a readiness on the part of each to hold the others' currencies in sufficiently substantial amounts to allow for

the payments between these countries could be achieved and if quantitative restrictions on their mutual trade were abolished, it is probable that a more equal distribution of their total sterling balances would be established before long. Neither in the technical sphere nor in that of psychology, therefore, are there any serious obstacles to the establishment of closer relations between the sterling and the Scandinavian monetary areas.

The problem of monetary relations between Britain and other OEEC countries, however, presents far greater difficulties. The Southern or Latin bloc are trying to find salvation, not through stability and order, but through the economic dynamism of free economies. And just as stability becomes rigidity when seen from the other camp, so the road of freedom is all too readily labelled by others as that of economic anarchy. The present attitude of the British financial authorities to the problem of monetary relations with countries such as France, Belgium and Italy is that of the *cordon sanitaire*. It may be compared with the precautions taken by other British authorities against foot-and-mouth disease, the Colorado beetle and rabies—all of which tend to come from the same shores as those which now breed economic freedom—or anarchy. If the Fritalux proposals were carried through in their present highly tentative form—as a group of currencies among which there would be convertibility, but at fluctuating rates of exchange, and with the cross-rates of currencies outside the group left more or less to their own fate—the British authorities in their present mood might even wish to sever relations altogether and to regard the new group as a hostile combination.

This British official attitude is not merely a psychological reaction from the "freedom" of the Latins. It also derives from the fact that recently this "freedom" has succeeded so well that the countries concerned have been accumulating considerable amounts of sterling. France, which last year ran a substantial deficit with the sterling area, has this year built up current sterling balances of slightly over £30 million. No part of the £42 million of drawing rights available to France in the sterling area for the second year of the Intra-European Payments Scheme (which began on June 30th last) has yet been utilised. Italy's accumulation of sterling now exceeds £55 million. Belgium holds a little less than the critical £15.3 million at which the gold convertibility clause in the Anglo-Belgian monetary agreement comes into operation. This group of countries, in short, not merely desires to exercise freedom in exchange

transactions but has the power to cause instability in the affairs of the sterling group.

As the tables accompanying this article show, a partial explanation of the accumulation of sterling in French and Italian accounts is afforded by the trend of their direct visible trade with the United Kingdom. Other factors in the situation are invisible items, particularly the tourist expenditure by British visitors to France during the past year, and transactions with other countries of the sterling area, the transferable account group, and even—though these are of less significance—of the bilateral account group.

The supply of "cheap" sterling offered from European accounts for sale in the free markets of the world has therefore been partly fed by the deteriorating balance of trade between Britain and Europe. During

TABLE III
TRADE OF COMMONWEALTH (OTHER THAN UK)
WITH CERTAIN EUROPEAN COUNTRIES

Country	Currency	Period	Imports	Exports	Visible Trade Balance	Sterling Equivalent (£'000's)
Belgium	Frcs. 000's	Jan. Sept. 1948	3,909,728	4,263,879	- 354,151	- 2,001
		Jan. Sept. 1949	4,541,468	4,297,568	+ 243,900	+ 1,381
Holland	Fl. 000's	Jan. Oct. 1948 (a)	94,767	158,867	- 64,100	- 6,000
		Jan. Oct. 1949	150,872	207,029	- 56,157	- 5,250
Sweden	Kr. 000's	Jan.-Aug. 1948(a)	201,000	237,000	- 36,000	- 2,425
		Jan.-Aug. 1949	190,000	220,000	- 30,000	- 2,020
Switzerland	Frcs. 000's	Jan.-Oct. 1948	136,607	159,294	- 22,687	- 1,380
		Jan.-Oct. 1949	108,428	171,834	- 63,406	- 3,660

(a) Estimate taking 1/2 of 1948 trade.

the first nine months of this year Britain's visible trade with twelve European countries showed an excess of imports of some £65 million, compared with a surplus of £20 million in the corresponding period of 1948. This, however, is only part of the tale. Invisible trade, especially tourist traffic, has this year burdened Britain's balance of payments with Europe. The supplies of "cheap" sterling have also been fed by releases of accumulated sterling balances to countries such as India, Egypt and Palestine. Some of this sterling has found its way into European accounts by direct commercial operations between the countries in question. Indian and South African imports from Switzerland, for example, have played some part in maintaining Swiss sterling balances at approximately their gold ceiling. In other cases the voyage of this sterling has been more

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devious, and the operations have made their way through various channels in the transferable account system. Thus the trade figures suggest that very little sterling can have gone into Dutch accounts as a result of direct Dutch-sterling transactions. Yet the Dutch have been among the main operators in "cheap" sterling and in this traffic their membership of the transferable account group has stood them in good stead. More recently, the scope for these activities has been considerably reduced by the measures taken by the British authorities to restrict the availability of sterling offered by other countries in the transferable account group, particularly Egypt, to transfers in settlement of direct commercial transactions between the countries concerned and the transferee country.

It should be noted, however, that the published trade figures show the position only to the end of September and do not, therefore, reveal the effects of the devalua-

tion of sterling. There are welcome indications that, since the devaluation, the sterling area's balance of payments with Europe has been improving and that even in Italy and France the growth of sterling balances has come to an end. The new circumstances, therefore, do not justify the excessively defensive attitude which official British quarters are maintaining towards the less disciplined of the two main groups into which European currencies are tending to divide themselves. It would be a grave disservice to the cause of European reconstruction and co-operation for Britain to do anything to encourage the crystallisation of these separate groupings. It is therefore to be hoped that in the conversations that have begun in Stockholm nothing will be done to give formal shape to any alignment of currencies. However defined or described, any such arrangement could hardly avoid the appearance of segregation from, and even hostility to, the rest.

Softwood Shortage

LAST July when the Chancellor of the Exchequer announced the latest round of cuts in dollar imports, including a substantial cut in dollar softwood, he added that "we may be able, by further purchases from non-dollar sources and otherwise, to carry through the housing programme without any substantial reduction." The Government housebuilding programme has not been cut, but only because private housebuilding has been entirely suspended. In fact the previous attempt made to switch softwood supplies from dollar to non-dollar sources was unsuccessful and imports during the first half of this year were substantially below the level of consumption. More recently, the President of the Board of Trade has attributed the shortage of softwood to "black market activities" and therefore promised new measures to tighten the timber control. These came into force last month. All they amounted to was the withdrawal of the monthly allocation of £1 worth of home-grown and "recovered-unclassified" softwood which hitherto could be purchased without licence. The amount of timber absorbed by giving the week-end carpenter enough timber for a new rabbit hutch can hardly have been very large.

At the same time, however, local authorities were urged to use softwood in house construction with the most stringent economy. The memorandum sent to the authorities was surprisingly frank:

Supplies of softwood timber for some time to come will be smaller than at any time since the end of the war and it is essential as never before that they should be used to the fullest advantage.

Here, certainly, is no question of black market activities. The plain facts are, first, that Britain cannot spare dollars to buy timber from Canada and the United States, and, secondly, that supplies from European sources are still very limited. There has always been hope of expanding them—presumably that explains why stocks of softwood in this country were allowed to fall to a dangerously low level during the first half of this year. Stocks were rapidly used up, and fell from 466,000 standards at the end of 1948 to 206,000 standards by the end of June. By itself, the mid-year figure would not be conclusive, for stocks are always at their lowest level then. The really disquieting fact is that they were halved in the twelve months period ending on that date. There are

some statistical difficulties even in this comparison, since the 1949 figures exclude timber awaiting discharge at the ports and certain stocks held by British Railways. In March, such stocks totalled 33,600 standards. Even if an allowance of this size has to be made in appraising the June figures, it still leaves a serious depletion to account for.

Two main factors have been at work. In the first place, imports during the last twelve months or so have been much smaller, particularly during the first three months this year. Negotiations with Scandinavian suppliers were protracted in an attempt (which was successful) to obtain more favourable prices. In the second place, although there was little chance that imports this year would equal those of the previous year, softwood consumption was not reduced. Indeed, between January and March, imported softwood was being used at a peak rate of 98,000 standards a month. The following quarter saw some decline, but consumption was still appreciably higher than in 1948. It might have been expected that some attempt would have been made to husband supplies during this period, but the Timber Control deemed otherwise. Nor was prompt action taken in June after the Chancellor of the Exchequer had announced the cuts in imports of dollar timber. Consumption for the eight months to August (the latest month for which figures are available) was 5 per cent higher than in the corresponding period of 1948, while imports and home production taken together were 11 per cent smaller.

In the result, stocks have been run down to a level which allows no elbow room at all. In future, consumption will be dictated by imports, whether this is palatable or not. This is clear from the figures given in Table I, which shows monthly averages of imports of softwood from principal sources. Supplies from Canada were relatively small during the first quarter of this year, amounting to somewhat over 9,000 standards a month; they increased steadily during subsequent months to more than 27,000 standards in October. Indeed, after June, imports from Canada were at a higher rate than

in 1948. Clearly, by the autumn no cut in dollar imports had been reflected in actual receipts; presumably therefore a sharp fall in imports of softwood from Canada is to be expected either in November or December, or, more probably in 1950. Shipments from the United States, on the other hand, were much smaller than in 1948, but here again the October imports were surprisingly large. Supplies from Sweden have somewhat exceeded the 1948 level, while imports from Finland, Poland and the countries of Eastern Europe have expanded considerably. This increase, however, has to some extent been offset by a sharp reduction in imports from Germany. As for Russia, under the recent contract Britain was to receive 100,000 standards to be shipped before the end of the year; by October, more than 35,000 standards had arrived.

★

Although some switching in supplies had taken place, until the middle of the year the average level of imports was below that of 1948. Then an improvement took place; by the end of October, imports were 4 per cent higher than for the first ten months of 1948. If the recent rate of imports is maintained to the end of 1949, total supplies of imported softwood should exceed those for 1948 by approximately 120,000 standards. To match the contracts signed, British imports for this year should amount to 1,100,000 standards, or 80,000 standards more than in 1948. This quantity is made up of 315,000 standards from North America, 265,000 standards from Sweden, 190,000 standards from Finland, 100,000 standards from Russia, 85,000 standards from Yugoslavia, 70,000 standards from Poland and 75,000 standards from Germany, Czechoslovakia and Rumania. There are in addition certain quantities still outstanding from the 1948 contracts. But, even if these imports materialise, consumption in 1949 is likely to be too high to permit any rebuilding of stocks by the end of the year to the level of twelve months ago. The problem then remains: what happens in 1950?

As a result of the cuts announced in July, imports from Canada and the United States will be substantially reduced. Some imports from North America may be financed by ECA, but they are likely to be modest, while the amount of free dollars for buying timber will be very small indeed. Supplies from the western hemisphere are therefore likely to be about 150,000 standards

lower in 1950. Can Europe expand its present volume of exports of softwood to Britain sufficiently to make good such a cut?

Most of the European countries increased their production of softwood last year, though in Sweden, France and Italy output was lower. During the first quarter of 1949 European production was more or less maintained. Prices have tended to fall—for the lower grades by 7 to 14 per cent—while costs of production have remained fairly rigid. Thus there seems to be some lack of incentive towards higher output, except perhaps in eastern European countries which need sterling to buy capital goods and raw materials. More cutting and transport equipment are required by several important producing countries before they can overtake the ravages of war and increase their output materially. Many have made good progress, with the assistance of World Bank loans, but recovery has not yet reached the stage at which the consuming countries of western Europe could curtail imports of softwood from North America and still escape the risk of having to reduce their consumption. Such reductions have already taken place. They have, indeed, gone beyond the mere correction of dollar expenditure; by 1948 the most urgent needs of the importing countries had been met and it was no longer necessary to make purchases without consideration of price. But prices have fallen, particularly for inferior grades (and with every indication of a further fall), while the substantial reduction in freight rates from the Baltic has also reduced the landed cost of timber imports.

★

One important factor in the European timber market is Germany. Under allied control, Germany became a large timber exporter. But with the establishment of a German Government, this policy has been reversed and next year Germany may be a net importer—as it was before the war. This year Germany has already contracted for appreciable quantities of softwood from Scandinavia and such purchases might be maintained or even increased in 1950. If Germany were to emerge as a large-scale buyer, Britain's prospects of obtaining increased supplies in the immediate future might not be very cheerful. European output is unlikely to increase appreciably, and, although some consumers may buy less, it seems doubtful if total demand will fall so far that Britain can secure, say, another 150,000 standards. Such

TABLE I
BRITAIN'S SUPPLIES OF SOFTWOOD
(Monthly Averages—Standards)

Sources	1935-38	1947	1948				1949			
			I	II	III	IV	I	II	III	Oct.
Canada	33,522	41,587	35,201	19,554	18,380	19,075	9,377	16,107	25,062	27,290
USA	3,814	13,492	12,250	6,991	2,542	989	1,732	269	495	7,136
USSR & Baltic States	46,205	596				7,721	1,696	307	5,922	35,216
Finland	47,124	16,134	2,638	2,764	31,277	15,985	1,973	8,870	32,581	39,715
Sweden	35,176	17,081	5,541	6,656	25,509	32,770	7,458	10,825	33,728	25,715
Poland	14,782					2,872	7,539	811	9,406	7,188
Germany	85	24,165	19,654	21,467	18,690	7,535	12,407	10,918	1,945	3,371
Others	5,608	2,540	2,786	5,008	4,473	12,352	13,286	13,773	10,580	10,459
Total imports	186,284	115,603	78,070	62,440	103,743	103,966	51,524	61,880	119,817	156,290
Home produced		5,540	5,477	6,098	5,171	4,934	5,421	5,615	5,304*	†
Consumption —										
Imported	†	75,940	84,960	83,310	88,860	91,640	98,150	85,890	88,760*	†
Home produced	†	5,650	5,340	5,940	5,280	4,900	5,140	5,680	5,530*	†
Stocks, end of period:—										
Imported	†	606,900	514,842	402,838	441,906	457,446	314,982	199,036	255,157*	†
Home produced	†	8,100	8,524	8,990	8,672	8,754	9,621	7,453	7,168*	†

* Figures relate to the end of August. † Not available.

TABLE II
PRODUCTION & EXPORTS OF SAWN SOFTWOOD
(Thousand Standards)

	Production		Exports	
	1947	1948	1947	1948
Austria	231.1	268.6	35.3	104.2
Finland	740.0	810.0	444.9	488.6
Czechoslovakia	594.0	†	124.7	†
France	697.0	642.0	†	†
Germany —				
Bozone	831.6	1,031.5	249.1	158.5
French zone	260.0	249.1		
Italy	214.0	152.5	†	†
Norway	275.0	280.0	†	†
Poland	376.0	650.7		37.0
Sweden	1,200.0	967.0	415.5	544.8
Switzerland	246.9	267.5	†	†
Canada	2,726.7	2,709.9	1,315.0	1,170.4
USA	13,231.0	10,799.5	504.0	240.7

additional imports cannot be regarded as certain until much larger supplies are forthcoming from eastern Europe.

This is not auspicious news for the housing programme. The programme is to be cut by £35 million, representing a reduction of between 20,000 and 25,000 houses. In terms of softwood this cut might achieve an ultimate saving of 40,000 standards, but there are still over 190,000 permanent houses under construction in Great Britain which require timber. Hence the more stringent economy measures recently issued by the Ministry of Health. Hitherto, houses of 1,000 feet superficial area have been limited to a bare average of 1.5 standards of softwood; this is now to be considered an absolute maximum "to be applied for only in exceptional cases." The suggested economies include the use of substitute materials; using structural members of the most economic dimensions and spaced as widely apart as possible; and reducing the dimensions of other components made of wood. Some alternative materials are fortunately in better supply. Most hardwoods are now free from control and these will be used to an increasing extent for cupboards, fitments and doors. The supply of plywood has also improved and in future 400 square feet will be allowed for each house. In the past the average quantity used was about 300 square feet a house.

Business Notes

Uneasy Gilt-edged

The uneasy state of the gilt-edged market after its large recovery in the second half of last month has been demonstrated again this week by a further slight sagging of prices, despite the success of the Exchequer Bond conversion. The Chancellor announced on Tuesday that £723 million of the outstanding £787 million of 1½ per cent Exchequer bonds had been converted into the new 2½ per cent 5-year stock. This result is not, of course, quite as spectacular as the figures themselves might imply, because at least one-half of the maturing bonds was understood to be held by official quarters even before the conversion was announced, and during the conversion period the authorities must have been substantial buyers on balance. Even so, the modest block of £64 million of "unassented" bonds which remains out of the total of perhaps £300 to £350 million of bonds held outside official quarters represents a satisfactory technical achievement. From the point of view of the banking system, it means that the large reduction in the volume of Treasury deposit receipts achieved by the recent Treasury policy of switching floating borrowings to tender Treasury bills is likely to be carried a big step farther in the New Year, since the revenue surpluses of the first two months will not—as had at first been thought likely—be largely bespoke for repayment of maturing Exchequer bonds.

For the gilt-edged market, the influences which flow from this operation are somewhat conflicting. It was arguable that last week's weakness in the medium and long-term sections might have been attributable to offerings in a narrow market for the purpose of switching into Exchequer bonds for conversion into the new stock, since many investors welcome any reasonable opportunity to shorten the average life of their portfolios. With this influence withdrawn, it might have been hoped that the market would rally. As it is, it has merely succeeded in reducing the easing to minor proportions—except in the shorts, where the movement has been rather pronounced. This particular movement has led to suggestions that the authorities must have been taking good care to hold the position so long as the conversion offer

These economies are expected to save 0.15 standards a house. On the assumption that 200,000 new permanent houses are completed in Great Britain next year, the annual saving in timber would be of the order of 30,000 standards. If the cut in the housing programme is included, the total saving projected in the use of softwood would be 70,000 standards with, say, another 30,000 standards through the withdrawal of the licence-free monthly allocation and other economies. It should be emphasised that these figures represent the maximum rather than the minimum economies likely to be achieved.

The prospect for 1950 can therefore be summarised as follows. If imports of softwood from dollar sources are in fact "substantially reduced," total imports next year may be some 150,000 standards less than in 1949. A maximum saving of 100,000 standards might be effected, leaving a gap of 50,000 standards to be drawn from stocks or to be saved by a further reduction in consumption. If stocks are again allowed to decline, the quantity held at the end of December, 1950—normally the time when stocks are at a maximum—may well be under 300,000 standards. The risks of allowing stocks to run down to such a low level are so great that action is needed now either to increase imports from Europe (which will be difficult) or to cut consumption still further (which will be painful).

remained open, and are now content to leave the market to its own devices.

This judgment is perhaps a little harsh, for at no time in recent weeks has there been any evidence of any large official intervention. The renewed sagging may be due less to this cause than to the market's own reactions to its assumption that the authorities have now shot their bolt. There is also the knowledge that each interlude in the recurrent malaise is likely to be the signal for the appearance of new borrowings. At the end of last week the Port of London Authority issue—3½ per cent stock, 1966-68, offered for cash and conversion at 99—was successfully launched at an opening premium of ½, which has since improved to ¾. On Monday next the lists will open and close for the £3,000,000 issue of the Agricultural Mortgage Corporation. It takes the form of 3½ per cent debenture stock, 1965-67, also offered at 99.

Colombo and the Sterling Balances

The Dominion Ministers' conference at Colombo will in the main be devoted to discussions of the great political and strategic problems that now face the Commonwealth. The ministers, however, will not travel without their economic advisers—in these days they dare not. It is probable that the officials concerned (Sir Henry Wilson Smith of the Treasury will be there for Britain) will review the progress made in implementing the decisions reached at the last Commonwealth Finance Ministers' meeting in London. This discussion at the "official" level will thus be mainly concerned with the problem of the gold and dollar reserves and its related issues of the curtailment of dollar imports and the increased drive for dollar exports. Devaluation has intervened since the finance ministers' meeting and there should be an abundance of new material on which to fasten discussion. The progress of sterling releases must also come up for debate though it is unlikely that any formal shape can be given during the Colombo meeting to the Chancellor of the

Exchequer's declared intention to secure a general reduction in the rate of such releases.

The problem of the sterling balances is before the US-UK-Canadian continuing committee in Washington, but its deliberations on this subject have hitherto not gone beyond the purely factual, informative stage. Explanatory documents have been circulated by the British delegate to the members of the committee and the discussions have not advanced to the point of formulation of any proposals, however tentative. No official significance should be read in the interesting suggestions on the settlement of sterling balances made by a study group on monetary reconstruction formed by the United States council of the International Chamber of Commerce. The group, headed by Mr William Mitchell, formerly of the house of Morgans and now president of the Central Trust Company of Cincinnati, advances several possible solutions, one of which would involve a substantial writing down of the debts in question and US participation in repaying the remainder over a period of five years. It is reassuring to know that influential and well-informed Americans are thinking about this problem along such lines, but it would be unwise to assume that this line of action would commend itself to the general body of American opinion and, in particular, to Congress.

What is a Balance?

A good deal of attention has been attracted this week to a series of lengthy replies given by Sir Stafford Cripps to questions put to him by the London correspondent of *U.S. News and World Report*. Many of the Chancellor's statements merely retailed anew the bulky material handed out at recent Press conferences; a noticeable feature of each of these utterances has been their close intermingling of fact with opinion. Sir Stafford recorded again his view that transactions in "cheap sterling" are not "at the present moment on a scale to jeopardise in any way our sterling-dollar recovery." He also reiterated that if European integration meant a linking up "through organisations like customs unions which might jeopardise the position of the sterling area," then the United Kingdom would not wish to participate.

Apart from these and other now familiar observations, what most caught the City's eye in the interview was a comparison between the aid which Britain has received from and granted to countries overseas since the end of the war. To illustrate the "practical things" which Britain has done to help the rest of the world, and Europe in particular, the Chancellor declared that, between the end of the war and mid-1949, Britain had made available a grand total of £1,498 million in gifts or loans, releases from sterling balances, overseas investment, etc., whereas it had received only a slightly larger sum—£1,538 million. There is, of course, no reason to question the arithmetical accuracy of the calculations which underlie these figures, the breakdown of which was given in detail, though for a slightly longer period, in a reply to a Parliamentary question just over a fortnight ago. But any such comparison as this can be grossly misleading. The Chancellor's tot of aid provided includes not only such items as the cost of relief given through UNRRA and the IRO (£166 million) and the cost of civil supply to Germany (£207 million) but considerable sums representing the counterpart of surplus military stores left abroad and not specifically paid for under the postwar financial settlements with the countries concerned. Including such items as these, the total of gifts (for the period to end-September) was £400 million, of loans and recoverable aid £493 million and of exercised ECA drawing rights £65 million. For the period to mid-June the drawing down of sterling balances amounted to £423 million and other capital transactions accounted for about £140 million. On the other side of the account, the aid received of course mainly comprised the North American credits and ERP; the Chancellor's

figuring naturally excluded drafts on the United Kingdom gold reserve, but it also omitted purchases of dollars from the IMF as well as the £154 million Lend-Lease terminal settlement.

The risk of misconception which such comparisons as these may cause does not, however, arise primarily from misunderstandings about the constituents of the figures themselves but rather from the broader conclusions which may seem to flow from any such neat balancing of capital receipts and payments. To the uninitiated, the impression given is that Britain has been broadly paying its way and that in its balance of payments difficulties it is principally a victim of world circumstances and of long-term trends beyond its control—Sir Stafford Cripps referred to tendencies extending over a period of 50 years. The first assumption is, of course, quite untenable; if valid, it would mean that Britain had been in "overall" equilibrium on its current balance of payments in the whole period since the end of the war. The arguments which lurk behind these figures are the more dangerous because somewhat similar reasoning has been publicised recently with reference to the brief period earlier this year in which the whole account really was approaching equilibrium. That brief and approximate equilibrium has been regarded as demonstrating that Britain's problem has ceased to be one of domestic inflation—an argument which wholly overlooks the fact that Britain's export surpluses to the soft currency areas have been made possible only by the fact that they are so largely paid for from sterling credits and releases and, moreover, have for that very reason commanded higher prices than could be got in the vital dollar markets. It cannot be too strongly emphasised that "overall" equilibrium achieved by such means is, so far from being a meritorious condition, a positive source of dollar disequilibrium.

No "Hiving Off" for Dorman Long

Sir Ellis Hunter's comments at the diamond jubilee meeting of Dorman Long were inevitably concerned not with celebrating the past achievements of the company or its record production of 1,642,595 tons of steel ingots last year, but with the effect of nationalisation. He disclosed a matter of immediate concern to stockholders. The Government has recently refused to entertain the scheme which the company drew up for the segregation of its engineering interests. Sir Ellis had no difficulty in showing that this decision was completely at variance with the general undertakings given by the Minister on the question of "hiving off" and he declared quite flatly:

Our discussions with the Minister revealed that the Government's refusal to permit segregation of our engineering interests was inspired by a desire to acquire the company's substantial share of the structural engineering industry without any mandate.

This decision relates not merely to the structural engineering interests of Dorman Long in this country, which represent some 30 per cent of the total capacity engaged in structural steel work. It involves also Dorman Long (Africa) which accounts for 60 per cent of the structural steel industry of South Africa, and British Structural Steel (Buenos Aires), which is the largest concern of its kind in South America. All these interests are, it seems, to be acquired, though they have nothing to do with steel making in this country.

Dorman Long is a company which is treated with conspicuous unfairness by the Government's decision to pay compensation based on the market prices of its securities. There is no longer any pretence in Government circles that such a method of compensation requires the owners of a company for the whole of their undertaking which the Government takes over; all that is claimed, and all that can be claimed, is that the individual stockholder gets not less

than he would have received from the sale of a small proportion of the company's total capital on a particular day. The consequences for Dorman Long are familiar, but they bear repetition. Aggregate compensation for the whole of the loan and share capital of the parent company will come to about £13 million; this is the price for a concern whose trading profit last year was more than £5,000,000 (the accounts were analysed in the *Record and Statistics Supplement* of November 26th) and whose net current assets alone are nearly £12 million. A million pounds is a derisory payment for the group's fixed assets. It has spent far more than that in the last year or two on such successful extensions as the central ore unloading plant and the new preparation and sintering plants at the Cleveland works.

Finance and Investment

Australian Pound after the Election

During the past week rumours have been trickling out of Canberra that the new Australian Government might raise the value of the Australian pound to—or at least towards—parity with sterling. It is fairly generally accepted now that Mr Chifley's decision to devalue by 30½ per cent last September—and thus to maintain the exchange rate of £A125 equals £ sterling 100—was taken with both eyes on the approaching election. After ten years of full employment and trade union feather-bedding, and four years of sharply rising prices and wages, the Australian economy was in no shape painlessly to absorb any recession in internal demand such as would follow any reduction in the internal value of export incomes. In particular, such a recession would have caused a rash of unemployment in what Professor D. B. Copland has called the "milk-bar sector" of the Australian economy—that is to say in the sector of secondary industry which is likely to languish once the boom subsides. Mr Chifley was evidently not prepared to risk setting such tendencies in motion on the eve of the election, particularly as there was some doubt whether a counter-cyclical policy of public investment could have been put into effect while economy in dollar spending had to be maintained.

In the event, however, the sterling prices of Australia's staple exports have risen so sharply since September that there might have been no significant fall in the internal value of export incomes since then even if the Australian pound had been allowed to appreciate against sterling. All that devaluation has done for Australia therefore has been to aggravate the existing inflation—and the problems to be faced when any fall in world prices makes retrenchment inevitable. Because of this experience it was widely believed that Mr Chifley would rescind his previous devaluation decision if he were returned to office; the same belief would also have been held if Mr Menzies had been returned to

A recent series of six articles in THE ECONOMIST examined Britain's present economic ills and made suggestions for their cure. These articles have been reprinted as a pamphlet under the title

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power with a clear Liberal majority in Parliament. In the meantime, however, a new figure has appeared on the scene in the shape of Mr Fadden, the leader of the Country Party in the incoming Coalition Government. Mr Fadden, alone among Australia's political leaders, seems to have committed himself to the view that exporters' incomes (especially farmers' incomes) should be maintained as long as possible. Whether he will stand firmly by this view now that the election is over (and now that the cost of living index is beginning to rise) is a matter for speculation at the moment. Unfortunately, so long as that speculation lasts an inflow of hot money into Australia from other sterling area countries seems to be inevitable. The rumour that any decision will be put off till after the Colombo conference is not exactly helpful in this respect.

Firmer "Free" Sterling

In the past week quotations for "free" sterling have recovered a few cents of the sharp fall of the preceding fortnight. Dutch account sterling, for instance, which declined to \$2.40-\$2.42 recently, has now improved to \$2.43-\$2.46. Belgian account sterling has remained virtually unchanged around \$2.75. The fact that Belgian account sterling has remained so close to the official parity while the discount on Dutch sterling widened to 13 per cent affords an illuminating pointer to the way in which "cheap" sterling is used. Belgian account sterling stands so close to par, not by virtue of any intrinsic strength of its own, but simply because the Belgian franc is a hard currency. An American importer of Belgian steel products, to take an example, may purchase Belgian francs at the official rate or, alternatively, buy Belgian account sterling to pay for his Belgian exports.

Since Belgian account sterling can be used to buy something not readily obtainable elsewhere in Europe, it stands at a very small discount. Belgium loses no dollars from such transactions for, although the American buyer pays for the steel exported in sterling, it is sterling which he has bought from a Belgian holder against dollars. Dealings in Dutch account sterling, on the other hand, become profitable only at wider discounts. Holland has relatively few indigenous dollar

SECURITY RATES IN NEW YORK

Rate	Sept. 1st.		Oct. 1st.		Nov. 1st.		Mid-Dec.	
	Rate	Discount %	Rate	Discount %	Rate	Discount %	Rate	Discount %
United Kingdom: Official (a)	4.03	..	2.80	..	2.80	..	2.80	..
Govt. securities	1.82	55	1.85	34	1.65	41	1.60	45
Comm. & Indus. shares	1.95	52	2.01	28	2.05	27	1.77	37
Rhodesian copper shares	1.90	53	1.87	33	1.83	35	1.80	36
South Africa: Official (a)	4.03	..	2.80	..	2.80	..	2.80	..
Govt. securities	2.25	44	2.07	26	1.97	30	1.83	35
Mining shares	2.50	38	2.27	19	2.45	13	2.25	20
Belgium: Official (b)	2.28	..	2.01	..	2.01	..	2.01	..
Securities rate	2.10	8	1.93	3	1.94	3	1.97	2
France: Free (c)	30.5	..	28.15	..	28.80	..	28.75	..
Securities rate	25.0	18	25.00	11	24.00	17	24.00	17
Holland: Official (d)	37.60	..	26.40	..	26.40	..	26.40	..
Domestic securities	16.60	56	17.60	33	16.60	37	15.55	41
International securities	16.60	56	17.60	33	17.25	34	17.30	33

(a) Dollars per £. (b) \$Cents per franc. (c) \$ Cents per francs 100. (d) \$ Cents per guilder.

exports. To earn dollars from shunting business, the Dutch have to re-export goods obtained from outside Holland. Such deals are relatively costly and, to attract American demand for shunted goods, Dutch sterling must be offered more cheaply. This is agreeable to the Dutch merchant because he can make high guilder profits by selling American goods which he is able to buy from the dollar proceeds of his sales of cheap sterling. Hence it is possible for a seller of Dutch account sterling to offer pounds at a lower dollar quotation in New York than a seller of Belgian account

sterling; in Belgium the opportunity for making abnormal profits from, say American motor cars or nylon stockings is much smaller.

Security sterling has improved; the rate relating to government securities, recently as low as \$1.45, has recovered to \$1.60. It was inevitable that security sterling should remain well below parity even after devaluation since each £ remitted in interest now commands only \$2.80 against \$4.03 previously. Indeed, it might have been expected that the discount would continue to be 55 per cent even after devaluation. Although the discount has narrowed New York brokers report some enquiries for sterling securities. But most prospective buyers are put off by the prohibitions on switching.

Kaffir Dividends

Despite some stirrings towards the end of this week, the post-devaluation blaze appears to have burnt itself out, for the time being, in the Kaffir market. It may require more than the increases in the half-yearly dividends, satisfactory though they are, to revive the embers. It is quite possible that the revenue-costs equation over the past half year will prove to be as favourable as most of the mines can expect in future. They benefited from the higher gold price in respect of three full months' production and in most cases for a substantial part of the September output. At the same time the rise in wages arising from the recent agreements has operated for less than three months, while the full effect of other cost increases resulting from devaluation is still to be felt. A lull in activity was expected to follow the first flush of enthusiasm, since the mines required time to adjust their milling

SOUTH AFRICAN GOLD MINING COMPANIES

Company	Dividends per Share			Prices			
	Dec. 1948	June 1949	Dec. 1949	High* 1949	Low 1949	Sept. 16, 1949	Dec. 14, 1949
Producers:							
Govt. areas	5d.	5½d.	1/1½	24/3	9/-	14/-	22/-
Randfontein	Nil	Nil	1/-	52/3	10/-	17/9	25/3
Geduld	5/6	5/-	6/9	54	4 ½	64	84
Greatview	10d.	10d.	1/1½	50/-	28/9	39/7½	42/6
Marieval	6d.	6d.	9d.	30/4½	16/3	22/10½	27/9
East Geduld	7/3	7/-	9/6	13 ½	7½	9/-	12 ½
Krofontein Consol.	10½d.	10½d.	1/4½	31/3	14/1½	20/7½	28/9
Luipaards Vlei	7½d.	7½d.	1/-	32/6	16/6	25/-	29/-
New State Areas	1/1½	1/-	9d.	24/4	10/7	12/6	18/3
New Kleinfontein	2½	1/-	1/4½	42/-	12/6	23/9	40/-
Simmer & Jack	6d.	6d.	6/-	16/6	6/-	8/1½	11/9
Vlaakfontein	6d.	6d.	1/-	27/-	14/3	17/9	23/-
Robinson Deep	4½d.	3d.	1/9	31/9	9/9	15/6	27/-
Developers:							
Gofries	...	...	...	55/-	17/-	37/1½	46/9
Middelwite	...	...	...	45/6	20/9	34/-	41/9
Free State Geduld	...	...	...	77/6	50/-	63/9	76/3
Pres. Steyn	...	...	...	32/3	11/-	18/3	25/9
Western Holdings	...	...	...	67/6	38/-	50/7½	61/3

* Post devaluation peak.

policy to the new gold price and to measure the effect of devaluation on costs.

The accompanying table shows the extent of the reaction of share values from the peak 1949 level established after devaluation. The setback in the developing mines is particularly surprising. Speculative prospects there are still bright though certainly more distant than for the established producers. The explanation of the chill among these shares is lack of speculative fervour, founded in part on the long period required to bring even the most advanced mines to the production stage and on the recent dearth of the development and borehole news which was so plentiful just after devaluation. But the now recognised possibilities of the new mining propositions in the Klerksdorp area, not to speak of the unplumbed depths in the OFS itself, may well be the centre of renewed attention in 1950.

Fiduciary Issue Raised

As expected, the latest Bank return reveals an increase in the fiduciary issue by £50 million to £1,350 million—an increase which is £25 million more, and which takes place a week earlier, than that effected for the two weeks of the Christmas season in 1948. This year, presumably, the issue will have to stand at its increased level for three or four weeks instead. In the first three weeks of the Christmas shopping rush (that is, in the period to December 14th) the active note circulation has increased by just under £52 million, compared with an increase of just under £54 million in the three weeks to December 15, 1948. In other words the earlier and sharper rise in the fiduciary issue this year has been due not to a greater seasonal efflux of currency but to the fact that the general trend of the note circulation in 1949 has been upward, so that the reserve of notes and coin in the banking department before the efflux began was £25 million smaller this year than last.

It is difficult to make any accurate comparison between the general trend of the active note circulation in 1949 and that in 1948 because the figures last year were affected by the final lappings of—and the subsequent backwash from—the extraordinary reflux of currency notes which the rumours of a currency exchange set moving in 1947. Even when allowance is made for this factor, however, it does seem fairly evident that there has been a slight increase in the general level of the active note circulation in 1949 (compared with the sharp fall in 1948). Part of the increase in the general level this year has been due to larger holdings of till money by the commercial banks (particularly in the spring when there was some hold-up in vetting old currency notes following a request from the printing authorities that as many old notes as possible should be reissued). Most of the increase, however, must surely have been due to the slow upward pressure on money-holding habits which the steady increase in prices over the last few years has exerted. There seems to be little evidence to support the suggestion made in some quarters that this slight rise in the general level of the active circulation is evidence that black market transactions (which usually involve payments in cash) have increased sharply in 1949. After all, a rise in the note circulation was only to be expected in a year in which small savings have declined.

Trade and Industry

Record Exports

Exports from Britain since devaluation have shown a marked improvement in value. Last month's exports reached a new record level of £160.4 million, some £4,400,000 higher than in October and also £400,000 higher than the previous record of last March. Exports usually rise during the fourth quarter, but this year the rise has been sharper than the seasonal trend. The daily rate of exports for November was 3 per cent higher than for October and 9 per cent higher than for November, 1948. No estimate of the volume of exports for last month is yet available. Imports rose last month by only £2,600,000 to £201.5 million, and the visible trade deficit (£35.2 million) was the lowest since March.

Dollar earnings of British exports have shown a marked though not complete recovery. The accompanying table shows the trend of exports to the United States and Canada during the current year expressed as monthly averages in American and Canadian dollars, with the total expressed in terms of American dollars. The immediate effect of devaluation was to reduce the dollar earnings from American and Canadian trade considerably. The total for October was \$US 33.5 million, compared with \$US 40.3 million a month in the third quarter, when indeed orders for British goods were not being placed freely. In November, however,

dollar earnings rose sharply; sales to the United States almost regained the level of the first quarter of the year, but sales to Canada, though appreciably higher, were below the monthly average for the third quarter. A more detailed assessment of the impact of devaluation on Britain's dollar-earning capacity would have to take into account exports to the American account countries, the Belgian monetary area,

BRITISH EXPORTS TO USA AND CANADA
(Monthly Averages—Million Dollars)

To	Unit	Year, 1948	1st Qtr., 1949	2nd Qtr., 1949	3rd Qtr., 1949	Oct., 1949	Nov., 1949
USA.....	US \$	22.2	21.2	13.4	15.1	15.6	20.5
Canada.....	Canadian \$	24.2	26.7	26.5	25.2	19.7	23.0
TOTAL.....	US \$	46.4	47.9	39.9	40.3	35.3	43.5

Switzerland and Persia, as well as exports from the sterling area to the dollar market. Such figures are not yet available. But if British exports to North America are indicative of the general trend, the prospect is reassuring.

Last week the President of the Board of Trade, on his return from the United States, said that there was a "big and unsatisfied" demand there for more of Britain's traditional exports, such as whisky, fine china, certain types of worsteds, cashmere and outerwear. Time of delivery rather than price was now the main difficulty. He told exporters that "markets in the west and deep south characterised both by considerable goodwill and cheap freight rates provide an easier and more profitable line of delivery into the United States."

* * *

No Quarter for Gas Stockholders

The most interesting thing about last Monday's debate on the injustice caused to recipients of gas stock by the fall in gilt-edged prices since the vesting date was Mr Gaitskell's revelation that only £15 million out of £180 million of the original list of gas stocks now remains to be valued. It is certainly high time that this prolonged business came to an end. Certainly holders of gas stock have come to no good by it—though some of them had reason to hope that by the operation of the war damage clause in the Act they might do so—and the longer it goes on the greater the danger of capital loss.

It is not surprising that complaints have fallen on wholly unsympathetic ears. When backbenchers are arguing that no compensation should be paid or that interest should be withheld, it is easier for a Minister to make a parade of fair dealing. But if there is ever another issue of compensation stock for a nationalised industry, it must not be made until all stockholders can be paid out at the same date. It is grossly unfair that the small investor in a gas undertaking for which compensation terms were not decided on April 1st should have been exposed to the risk of the market's movements since April. And it is totally irrelevant to say that if gas stock had gone up in the meantime, he would have made a profit. The point at issue is that for nine months these stockholders have been unable to make any disposition of their property and, when they come to do so, it is far less in cash than they would have been able to get last April. The harm is done, and there is no remedy. But this unhappy episode will long leave a bitter taste of unfair dealing, unsweetened by a note of apology or regret from the Government side.

* * *

The Film Debate

The decided criticisms of the Entertainments Duty made by the Plant Committee were followed within a few days by a joint statement from the British Film Producers' Association and the Cinematograph Exhibitors' Association. This

joint memorandum attacked the duty as a burden not only on film production but also on cinema managements; this, no doubt, was for the producers the price of unanimity. But agreement, even for a moment, is remarkable in the film industry; and this is perhaps the only important topic on which it exists. In the Commons debate on Wednesday the President of the Board of Trade made some play with such an "unaccustomed and almost sinister unanimity," but he showed no sign of yielding to it. He rejected out of hand the now dying idea of a subsidy for production from the Entertainments Tax revenue:

Both Parliament and the country would reject any facile solution of the film industry's problems by simply handing back money to an industry, admittedly convicted of considerable extravagance, without guarantee that this money would not be swallowed up in further extravagance.

This was hardly news, and the customary refusal "in any way to anticipate my right honourable and learned friend's Budget statement" could mean much or little for the prospects of tax relief.

*

But the President was later pressed rather hard by Mr Oliver Lyttelton to say whether he accepted the figures given in paragraph 64 of the Plant Report. This paragraph relates to each other the total earning power, the number of films needed to fill the screens, and the cost of production of a film, and concludes that the average cost of production cannot at present be recouped from cinema earnings in Britain alone. Mr Wilson said that he accepted "most" of the views of the Plant Committee, but he would not say which views these were. And he firmly refused to include paragraph 64 in his approval:

I am certainly not going to say tonight that I will... place the whole of the blame, as to a considerable extent the Plant Committee do, on Entertainments Duty.

The debate has to be scrutinised less for indications of a new policy than for signs that some process of mental ferment, which might in time produce a new policy, is at work. Of this there was little sign. The familiar admonitions to British exhibitors—that as a matter of public duty they should give "a fair, indeed more than a fair, showing" to British films—were heard from the President once more. This is quite a different matter from the approach of the Plant Committee, which was concerned with creating the commercial conditions in which British films could best be made profitable and rewarding to all concerned (including the cinemagoer).

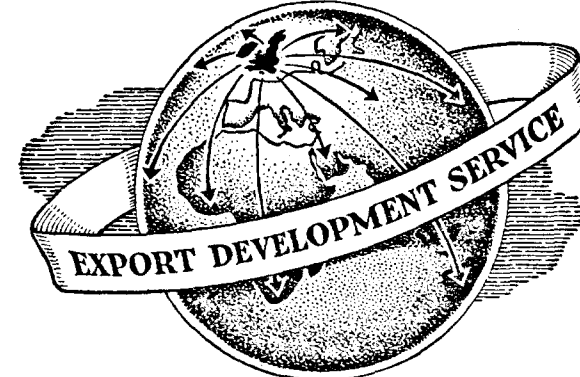
* * *

The President and the Rank Group

It is not long since admonitions to the exhibitor were coming from Mr J. Arthur Rank as freely as from Mr Wilson. But this situation (Mr Wilson seemed to suggest) has begun to change. Mr Rank, he pointed out, is playing a smaller part in production and has talked of withdrawing from production altogether. The identity of interest between the Rank circuits and the largest British production group is therefore disappearing. What does this imply?

Apart from the quota legislation, there will be now no security that these two circuits will not seek to maximise their revenue regardless of whether they are showing British or foreign films.

In view of its recent accounts, he would be a hard man who would blame the Rank group for seeking to do something about its revenue. But the general impression which Mr Wilson gave is, no doubt, correct; the main burden of financing production is passing over from Mr Rank's enterprises to the National Film Finance Corporation. Of all the aspects of the Government's policy for the film industry, the corporation came in for least criticism on Wednesday. Criticism, when it comes, will turn on how much this method of financing production is to cost; what proportion of its



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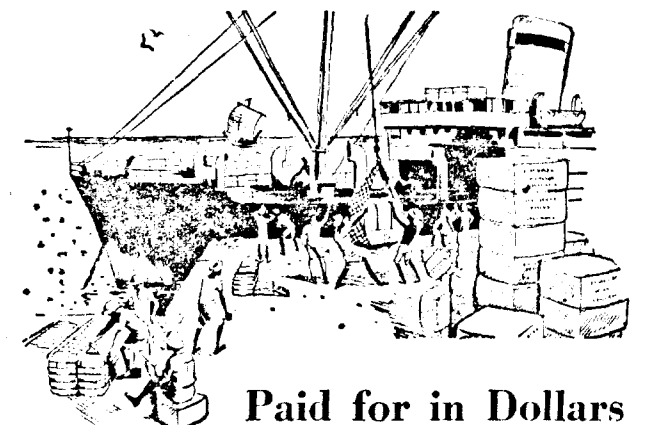
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outgoings can be recovered; and how much more money it will need if it is to perform its task effectively. To these questions the debate furnished no answers.

A Persistent Improvement in Steel

The performance of the steel industry in recent months leaves little doubt that the maintenance of control of steel supplies will come actively into question next year. Steel supplies to most industrial consumers (the motor manufacturers, with their special requirements, are a conspicuous exception) have become notably easier this year, and the continued necessity of control and allocation has already begun to be a subject of contention.

The *Economic Survey* made a forecast of 15½ to 15¾ million tons for production of steel ingots and castings in 1949; and there is now no reason to doubt that the higher of the two figures will be reached. The average output in the first nine months of the year was 297,100 tons a week, representing an annual rate of 15½ million tons. October improved on this average with a weekly output of 306,900 tons; and the weekly average for November was 314,600 tons—equivalent to an annual rate of 16.36 million tons a year. This is not the highest output yet achieved by the industry in any month; the weekly record of 316,000 tons established last May still stands. But the November results appear high enough to offset the fall which may be expected in December because of the Christmas holidays.

Pig-iron production, with a weekly average of 187,400 tons, was only slightly higher last month than in November, 1948. The industry's stock position has, however, improved notably in the past year. The *Statistical Bulletin* of the Iron and Steel Federation shows that total stocks of pig-iron (including blast furnace ferro-alloys) stood at 778,000 tons in October, compared with 479,000 tons a year before. Stocks of scrap at steelworks and steel foundries are shown as 834,000 tons in October, compared with 483,000 tons in October, 1948.

This steadily improving position can only be welcome to the Government. But if, as seems likely, the improvement persists, the question of policy which it will raise cannot fail to be thorny; for the control and allocation of steel supplies is one of the key controls on which the system of Government economic planning reposes.

Dual Prices: The British Case

Dual prices are still under discussion by the trade committee of the Organisation for European Economic Co-operation in Paris, and the argument grows more brisk with each passing week. The committee's labours follow from a resolution of the council of OEEC on November 2nd, which instructed the executive to inquire into ways and means of eliminating dual prices in intra-European trade. They have revealed that the subject is more widely ramified than may at first have been thought; and inevitably, since the procedure offers to every member-country an opportunity to draw attention to price differentials which may prejudice its own interests, the discussion is becoming many-sided. On a simple question of British and German coal, a consensus of opinion against dual pricing is not hard to mobilise. But when not only British and German, but also French and Belgian steel, British and Norwegian sulphate of ammonia, Swedish timber, Swedish and French iron ore, French phosphate rock—and perhaps, also, Italian hemp and Norwegian whale-oil—are brought in, a unanimous outcome begins to look more remote.

But from the manner in which the question arose, as well as from the special importance of the coal trade itself, the British defence of the differential prices now being charged

to home and export users of British coal must inevitably play a central part in the argument. The British case rests in general on the contention that differential levels of home and export prices are, in themselves, neither new nor of necessity bad. They are a common practice in many trades; and in addition to the European examples which are now being brought out and discussed, they are maintained for some commodities in a number of countries outside Europe (including United States steel). The General Agreement on Tariffs and Trade does not condemn dual pricing so long as the duality exists for commercial reasons.

Duality in coal prices, in particular, is by no means new: before the war it happened to work the other way, and British coal was commonly sold for export at a price longer than it fetched in the home market; the reasons for this were commercial. Although American coal export prices (f.o.b.) correspond to American home prices, this is held to be an accident, arising partly from the marginal nature of the trade done, but also largely from the fact that the landed price of American coal in foreign ports is in any case so high that the traffic would hardly bear any increase.

One European Market for Coal?

The scarcity of coal in Europe is not yet ended, and it is scarcity (the British argument runs) that keeps the prices high. But although British export prices were high at the time when the dual price question began to attract attention, devaluation has brought them down sharply in relation to the prices of the other principal exporters, whose currencies did not follow the pound. If American coal is now the dearest that can be bought in Europe, Polish coal is not much cheaper, and Ruhr coal is substantially dearer than British; the comparison is based on the landed cost at the European port. The British, more than any other of the four exporters, could sell more coal if they could spare it.

If then, the condemnation of dual pricing is accepted, what ought to happen to British coal prices? Ought the export price to be reduced to the home price level? If that is done, two things will happen. The demand for British coal in Europe will become keener still; and the commercial inducement to the National Coal Board to produce and set aside coal for export will be weakened. At present the Coal Board relies on the higher export price to balance its Budget. Deprived of this recourse, it could equally seek to balance its budget by closing the "uneconomic" collieries—pits which cannot produce at the present home prices, and many of which, as it happens, are pits in South Wales and Durham working largely for export. By closing those pits more rapidly than it opens up new pits and new seams, the Board could at any time reduce the average cost of its coal—but it would also reduce its total output, and would be able to export less.

From what is known of the American attitude, the alternative line of action—to raise home prices to the European level—would give little pleasure. It would, in any case, not be practical politics in Britain at the present time; its effects on the level of British costs and prices would be convulsive. A compromise between the two, if it were to be effective at all, would tend further to cut the supplies available to Europe.

At the root of this situation is the fact that British coal prices are kept by controls at a lower level than would be produced by the play of demand and supply. British domestic consumption is restricted by rationing to considerably less than its prewar level, and British industry, though it gets broadly the amounts of coal which it requires, is restricted in its consumption of the scarcer qualities. If a single market were suddenly created for the whole European area, the market would require to have homogeneous conditions: either rationing by control, or rationing by price. At present there are no such homogeneous conditions, and differential prices express that fact.

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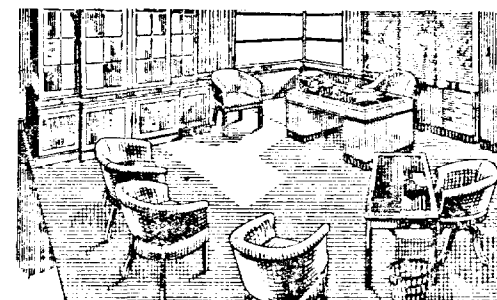
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Swedish and Italian Trade

The new trade agreement with Sweden, covering next year, marks another attempt to reduce Sweden's sterling surplus. It provides for exports from Britain valued at £73 million and for Swedish exports of £60 million. Once again, it will not be "fully possible" to meet Swedish requests for British coal, coke, steel, oil and certain other essential commodities. Sweden is expecting to buy from the United Kingdom machinery and vehicles worth £27 million, textiles to the value of £20 million and chemicals worth £6 million. It is always questionable, however, whether export planning of this kind means more than a benevolent intention; the task is now for British exporters to fulfil these estimates, and if possible to improve upon them. Exports of British manufactures in 1949 have fallen short of the amounts contemplated in the last agreement, and since German competition is reviving in the Swedish market, it remains to be seen whether the 1950 estimates will prove close to the mark. Moreover, the agreement does not cover trade between the overseas sterling area and Sweden which in the past two years has been favourable to Sweden. It remains to be seen whether Sweden will supply all the timber asked for. And, now that the import of pulp is to be handed back to the trade (on April 1st) no estimates have been made to assess pulp requirements.

The new monetary agreement—which awaits formal signature—is to run for one year only, and replaces the Five-Year Agreement concluded in March, 1945. It is a compromise agreed to with some reluctance by Sweden. All sterling now held by the Bank of England for the Riksbank will continue to be guaranteed against any loss which might arise if the pound were devalued in relation to the kronor. But any new sterling accumulated after January 1, 1950, will cease to carry any guarantee.

The first talks since devaluation with Italy (another country where the course of payments persists in defying drawing-board estimates) opened in Rome on Monday. A new payments agreement is needed to replace the agreement which expired this week. Italy has continued to accumulate sterling, and its balances are now reported to exceed £55 million. British imports from Italy in the first nine months of this year were £28.4 million against £21 million in the same period of 1948 (these figures, of course, need to be supplemented by invisible imports represented by tourist expenditure), while exports rose more modestly from £9.5 million to £14.2 million. Exports of machinery and equipment should improve with the aid of credits the Italian government is to grant to Italian buyers of such British goods.

Two Chairmen on Devaluation

The effect of devaluation on export sales was described this week by the chairmen of Tube Investments and the Austin Motor Company, two concerns which are the biggest producers and exporters in their respective fields. Mr L. P. Lord, speaking at the annual general meeting of Austin Motors, said that the "overall direct effect" has been to increase the value of exports by 15 per cent, and that the increase came from the North American, Swiss and Belgian markets. In the past financial year, which ended in July, the company's production had increased 48 per cent; in the past three months it had been at an annual rate of 150,000 vehicles a year. This rate will increase with the higher steel allocations in the New Year. (The motor industry's present rate of total production is 400,000 passenger cars and 230,000 commercial vehicles a year.)

Exports in the past financial year rose by more than 40 per cent; the 76,000 vehicles sent abroad by the Austin company were valued at £24 million. In the first quarter of this financial year the improvement continued, and 25,000 vehicles valued at over £8,000,000 were exported. The best market

was Australia, followed by Canada. Assembly plants set up in South Africa and India to overcome restrictions on the import of assembled cars should increase future sales to those countries. Identical restrictions on the import of bicycles have led Tube Investments to open assembly plants in the same countries during the year. The chairman, Mr I. A. Stedeford, said that direct exports by the group had risen by £2,000,000 to £12.75 million in that year. While he took the same sanguine view as Mr Lord on export prospects generally, he had quite a different report to make on the United States market since devaluation. Austin found the market frankly disappointing and the £149,774 loss made by the American subsidiary is no longer ascribed to the necessary expense of entering a new market. There have been "bargain-counter" sales following devaluation, but when these subside, Mr Lord thought that the main advantage would be felt in increased sales to sterling area countries unable to pay American post-devaluation prices. The big motor sales period, however, comes in the United States in spring and summer, so the effect of devaluation in a time of full sales activity has yet to be seen. Tube Investments sent a mission to North America after devaluation, and it has reported favourably. Mr Stedeford said there was "keen interest," and his chief concern appeared to be with possible defensive measures which may be taken by United States manufacturers against successful competition from abroad.

Wages and the Cost of Living

The series of conferences this week between the Economic Committee of the Trades Unions Congress and the representatives of unions whose wages are related to a sliding scale based on the cost of living has not yet produced any concrete results. The unions concerned want to discuss the position with their full executives before coming to a decision. It may, indeed, not be until January 12th, when the TUC is to hold a special conference of trade union executives, that any final decision will be reached.

The TUC's proposal was agreed by the general council last month after prolonged discussion. It is that all sliding scale arrangements should be suspended for one year—provided that the interim index of retail prices does not rise from its present level of 112 points to more than 118. The Iron and Steel Trades Confederation and the National Union of Blastfurnacemen have already agreed to give up their sliding scales, but have made their assent conditional on the other unions doing the same. But the TUC seems to be having some difficulty in persuading the remaining unions to adopt this course. The National Federation of Building Operatives has already forgone a claim for increased pay and shorter hours. It is reluctant to abandon the builders' cost-of-living clause, particularly since this provides for an annual, not a monthly, adjustment, and the next adjustment is due to be made in February. The conference at Blackpool—meeting as *The Economist* goes to press—may decide the issue, so far as this union is concerned. The employers in the building trade are not anxious that the building trade unions should make any gesture of self-sacrifice; they feel that, instead of an orderly adjustment, they would merely be faced with a general and disorderly pressure for special increases, and that this would make costing difficult.

Altogether nearly 2 million workers are affected by the TUC proposal. Boot and shoe operatives and hosiery workers, who met the Economic Committee on Wednesday, are understood to be equally unwilling to abandon their sliding scales. The miners are in a special position. They recently asked the Coal Board to revise their cost-of-living allowance, which had remained stationary since June, 1947, so that it could be used for the benefit of the lower-paid workers in the industry. The mineworkers' affair is likely to go to arbitration, but it can be doubted whether the miners

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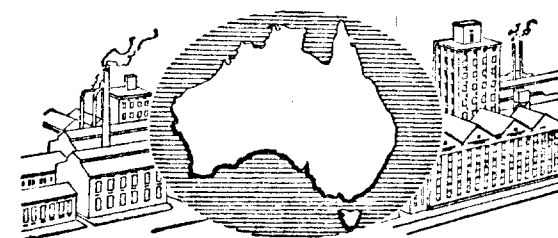
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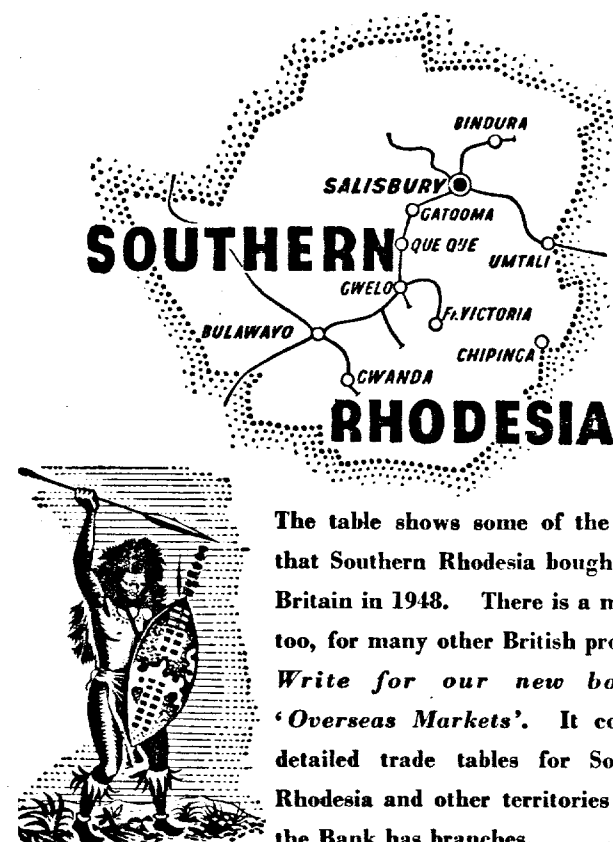
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Profit and Loss Account Balance	62,129	Money at call and Short Notice	7,750,000
Notes in Circulation	12,297,553	Treasury Bills	2,000,000
Deposits and Other Credit Balances (including provision for contingencies)	113,592,243	Treasury Deposit Receipts	4,000,000
Acceptances and Engagements on account of customers and Banking Correspondents	4,050,928	Investments	64,984,747
Dividends payable 2nd January, 1950	100,375	Bills Discounted	1,166,429
		Loans and Advances	25,827,447
		Liability of Customers and Banking Correspondents for Acceptances and Engagements	4,050,928
		Bank Premises and other Property	1,750,000
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	WOOLLEN & WORSTED YARNS & MANUFACTURES	...	£563,000
	COTTON PIECE GOODS	...	£2,221,000

will be successful at this moment in making good a claim to yet another advantage over the rest of the industrial community. There is, however, a great deal of pressure, especially from the areas where Communist elements are strong, which may make things very troublesome both for the Coal Board and the miners' leaders who are anxious not to embarrass the Government.

* * *

Dilemma in Sugar

Discussions between the Ministry of Food and Commonwealth sugar producers on the Ministry's long-term buying programme have encountered some difficulties. Two years ago the Ministry contracted to buy the entire export surplus from Commonwealth countries up to 1952; the present talks are concerned with the subsequent five years to 1957. Last week-end it was announced that an agreement had been reached with Australia. The Ministry of Food has guaranteed a market for an annual export of 600,000 tons, of which 300,000 tons would come to Britain. This would more or less restore the average prewar import of Australian sugar. The price is to be negotiated each year. Agreement with South Africa is also reported to be imminent.

The main problem has been to make arrangements with colonial producers (in particular, those in the West Indies) which deal fairly with the native growers and also with the British consumer. The economics of the matter are, however, complicated by questions of colonial policy and social improvement. Sugar is the main export of the West Indies and there is no technical difficulty in expanding the output. Since unemployment is distressingly high, the West Indian producers argue that a large guaranteed export market at favourable prices would promote employment and social improvement. Their case is simple and straightforward. But it turns on the question of prices. Britain maintains that the price paid for sugar must be based on the world market. There may be a case for special assistance for a particular colony; if so, the subsidy should be borne directly by the taxpayer and not by the sugar consumer. Moreover, the price paid for West Indies sugar would also have to be paid to the other Commonwealth producers. Since devaluation, the price paid to Commonwealth sugar producers under the existing contracts is below the Cuban "free market" price, and some adjustment may be needed. But that is a contractual matter which does not bear on the question of a welfare payment to be included in the price of sugar.

* * *

No Canadian Eggs and Bacon?

December is usually a month of some strain in Anglo-Canadian economic relations. The season of goodwill is also the time for the annual negotiation of Canadian food contracts. In each of the past three years, Britain has curtailed its purchases of Canadian meat, bacon, cheese, eggs, apples and tinned salmon, owing to the dollar shortage. Since 1948, Britain has imported no Canadian apples, and this year it took no beef or salmon. Canada was presumably prepared, therefore, for further retrenchment in 1950, but the Dominion has been shocked to learn that Britain is willing to buy only wheat and cheese. Wheat, of course, will come to Britain under the existing contract which expires next summer and will be paid for in part from ECA funds. Cheese also ranks as an "off-shore" purchase under ECA, despite the threat of surplus supplies in the United States. It is hardly surprising, therefore, that the Canadian Government should be concerned, not merely about 1950 but also about 1952 and after.

The Canadian Minister of Agriculture, Mr J. G. Gardiner, stated last week in Parliament that Britain accepted the 160 million lb. of bacon and 46 million dozen eggs this year only under Canadian pressure. At present, Canada has no

alternative market for exports of food. Domestic production in the United States is more than sufficient to cover the present level of consumption; Belgium is probably the only country in Europe which could afford dollars to increase its food imports, and its requirements are small. If the British market is closed to Canadian farmers a profound readjustment will be needed in Canadian agriculture.

The dollar shortage is not the only reason for the British policy of cutting down imports from Canada. There is also the problem of prices and the effect of devaluation. To pay the same prices in Canadian dollars as in 1949 would mean a rise of 31 per cent in its sterling prices. And it is not merely this direct increase which would be involved; in addition, Britain would have to pay higher sterling prices for food supplied by Denmark, the Netherlands and other soft currency suppliers. The complications and confused bargaining of Government trading would be bad enough in a single currency system. But Britain, having played off the hard currency suppliers against the soft currency suppliers, is now in a distinctly equivocal position. Production of bacon and eggs is increasing in Britain and Europe, but it is doubtful whether the increase next year would be sufficient to offset the lack of supplies from Canada.

Shorter Notes

In the case against a London firm of diamond brokers alleging the illegal export of diamonds to Tangier fines of £281,175 were imposed at Clerkenwell Court on Wednesday. Messrs. Hennig and Co., diamond brokers, of Hatton Garden, London, one director and a manager, were summoned for fraudulent evasion of Customs restrictions and certain provisions in the Exchange Control Act, 1947, in respect of rough diamonds valued at £75,254. The essence of the prosecution's case was that although the diamonds were ostensibly exported to Tangier, their true destination was New York. In addition to the fines, prison sentences of nine months and six months respectively have been imposed, and diamonds worth £26,134 have been seized from two New York diamond firms and a bank in Tangier. Notice of appeal has been given by all defendants.

*

Total British coal output last week was 4,598,300 tons, the highest weekly figure since June, 1940. Output of deep-mined coal was 4,378,700 tons, the highest for the year. Combined open-cast and deep-mined output for the 49 weeks amounts to 203,380,000 tons compared with 197,441,100 tons in the same period last year.

*

During the third reading of the Distribution of German Enemy Property Bill in the House of Lords on Tuesday one government amendment was incorporated to exclude, at the discretion of the Board of Trade, from the distribution to creditors, assets in this country of German subsidiaries of British firms.

*

The Ministry of Supply has made new arrangements for the flight testing of service aircraft. Official flight tests are at present carried out at one of the Ministry's establishments, and many of them duplicate those already made by the manufacturer. Under the new arrangement, manufacturers will be able to apply for approval to make official flight tests. The Ministry will still carry out the final stages of testing, but delegation of some of the work will not only reduce the delays caused by congestion at the testing establishments, but will give these establishments more time for one of their primary functions, the evolution of testing techniques. Some reduction in the time taken to evolve a new type and bring it to a state of readiness for operation may eventually result.

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

SATISFACTORY YEAR'S RESULTS

EXPORTS AND PRODUCTION PRICES

LORD ROTHERWICK'S REVIEW

The annual meeting of the shareholders of the Commercial Bank of Scotland, Limited, was held in the North British Station Hotel, Edinburgh, on December 15, 1949. The Right Hon. Lord Rotherwick of Tynney, the deputy-governor of the bank, presided in the absence, through illness, of the governor, the Earl of Mar and Kellie, K.T.

Before commencing the business of the meeting, the deputy-governor made suitable reference to the loss sustained by the bank during the year through the deaths of two of the ordinary directors, Mr Joseph Ellis Inglis and Mr John Houston, and one of the extraordinary directors, Dr Robert Robertson.

In submitting the report the deputy-governor said:—

I am sure we all very much regret that illness has prevented the governor of the bank, the Earl of Mar and Kellie, from taking his accustomed place today, and I propose, with your approval, to express to him our sympathy and the hope that he will soon be restored to health again.

His Lordship's absence provides for me the opportunity and pleasure of meeting you and of submitting a report by the directors which I trust you will regard as satisfactory.

IMPORTANCE OF STRONG RESERVES

Because a banking institution is able to meet times of stress and difficulty with earnings not greatly diminished, there may be a tendency in some quarters to assume that undue profits are being earned. It is hardly necessary for me to remind you of the simple explanation. Those who have been entrusted in this country with the operation of our banking system have, throughout the years, been keenly alive to the prime importance of strong reserves, which not only fulfil their protective purpose, but also, being employed in the business, materially assist in the maintenance of earnings. The only other comment I need make on that subject is that, to those of you who have been keeping a watchful eye on the course of gilt-edged security prices during the past few months, the existence of these reserves must have taken on a new significance.

CRISIS OF UNDER-PRODUCTIVITY

Since the last annual meeting much has happened to give rise to deep concern over the country's economic condition. The governor spoke then of the crushing burden of taxation and of ever rising costs, both of which seemed to stand in the way of a real national recovery, and expressed the hope that positive action would be taken by all concerned to bring about the necessary improvement in our balance of payments. The *Economic Survey*, published in the spring of this year, gave an indication of some considerable progress having been made during 1948, and forecast that 1949 would be a year of consolidation, although it seemed likely that taxation would remain at a high level with all its attendant disabilities. Unfortunately, by midsummer we found ourselves in the midst of yet another crisis, but on this occasion for a different reason. In the immediate postwar period the root cause of our troubles was a world shortage of commodities. We could sell our exports

easily, but were restricted as to the food and raw materials we could purchase. The result was continuation of austerity on the one hand and production at any cost on the other. Today the situation must be viewed against a different background—a background of world deflation—but, so far as this country is concerned, it is a crisis of under-productivity and of production costs which are too high. We can now obtain most of the food and raw materials we require if we can pay for them; but our trouble is that we cannot pay because our exports in the main are too expensive.

DEVALUATION PROBLEMS

The uncertainty of the position has not, however, diminished. Our dollar deficit continued to widen, and in late September we were brought to the point of devaluing the pound sterling in an attempt to alleviate the situation. That the country was unprepared for this serious move, with all its implications, is something which I need not stress; nor need I remind you that, by itself, devaluation will not solve our problem. The immediate advantage in the shape of lower export prices in terms of dollars cannot be other than of short duration, and is likely to be offset by the rise in import prices which must follow. It seems to me, therefore, that if any real benefit is to accrue, the lowering of the value of the pound must be accompanied by a substantial reduction in Government expenditure and production of a greater volume of export goods at prices which are competitive in world markets. How these objectives are to be attained is as yet by no means clear. The programme of cuts and economies announced by the Government in recent weeks seems inadequate in relation to a problem of such magnitude, and, if the fall in gilt-edged prices is any indication, has failed to restore confidence.

EXPORTS AND PRODUCTION COSTS

With regard to exports, we have moved away from the "sellers' market," and, of necessity, must build an economy suited to the new conditions. What we need is not production at any cost, but production at an economic cost; not a multiplicity of rigid controls, but incentives and rewards for harder work and greater efficiency, both in the case of industry and of the individual. For too long we, as a nation, have been living beyond our income, but from now onwards it seems certain that our standard of life will be dictated by our earnings.

CONDITIONS IN SCOTLAND

With regard to Scotland, mention was made last year of the changing face of the economy which was gradually becoming apparent, and the governor expressed the view that the diversity of lighter industries throughout the country was something which would stand us in good stead for the future. I also incline to that view, and am glad to say that, within the limits imposed by the present financial difficulties affecting the country generally, we in the North have no real ground for despondency. The exhibition held in September last, and sponsored by the Scottish Council (Development and Industry), was an outstanding success, and proved that the spirit of enterprise is still

very much to the forefront in Scottish industrial circles. There again, of course, the rate of progress and achievement will be governed very largely by whatever measures may ultimately be introduced to improve the national condition, and, for the moment, I think it would be idle to indulge in speculations as to future prospects. I am certain, however, that if the national difficulties, and the remedies required to put them right, were fully understood by the people, the response of Scottish men and women would be as wholehearted in this emergency as heretofore.

BALANCE SHEET ITEMS

Turning to the balance sheet, which is our more immediate concern today, you will find that paid-up capital at £2,600,000, and reserve funds at £3,900,000, stand at the same figure as a year ago.

Notes in circulation, amounting to almost £12,300,000, are higher on the year by approximately £400,000; but the circulation figures vary from day to day and no definite conclusion can be drawn from this relatively small increase.

Deposits and other credit balances at £113,592,000 are less than a year ago by £2,300,000, the shrinkage being rather less than might have been expected in view of the more stringent financial conditions now ruling.

Acceptances and engagements on account of customers, at £4,050,000, are down on the year by £400,000, but the slight fall has no special significance.

ASSETS

On the assets side, cash, balances with other banks, money at call and short notice in London, British Government Treasury bills, British Government Treasury deposit receipts, and our investments—which are almost entirely British Government securities—produce a total of £103,800,000, equivalent to almost 83 per cent. of our liabilities to the public in respect of notes in circulation and deposits. The market value of our investments is in excess of the figures appearing in the balance sheet.

At £27,000,000, bills discounted and loans and advances, together show an increase of almost £2,000,000, and while it is a welcome sign that our customers are relying upon us to a greater extent to assist them in their various enterprises, it also points—as was mentioned a year ago—to the shortage of working capital which is generally apparent. Higher prices and the necessity to carry larger stocks—or perhaps similar stocks of greater value than formerly—are factors which weigh very heavily on the capital structure of all businesses at the present time, and while we are ever mindful of the needs of our customers, we must give heed to the restrictions which have been laid upon all banking institutions from time to time in recent years, and which have the effect of keeping certain types of borrowing within what are considered to be, reasonable bounds.

YEAR'S PROFIT

As to the results of the operations of the year, you will observe that the profit is less by £34,000, which may be considered satisfactory when account is taken of the burden of taxation, increasing costs, and the difficulties of the financial situation generally. Out of the sum available the directors have allocated £100,000 to contingency fund; £100,000 to increase the fund for officers' pensions, and £25,000 to the widows' fund.

DIVIDENDS

Interim dividends on the "A" shares of 7½ per cent., and on the "B" shares of 5 per cent., less income tax, were paid in

July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year), and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations, the carry forward to next year's account amounts to £62,129.

TRIBUTE TO STAFF

It would not be appropriate were I to conclude without referring to the valuable service rendered by all members of the staff, the result of whose efforts are reflected in the report which I have presented to you today. On behalf of our shareholders, and, I am sure, of the customers, I offer them our sincere thanks. There is another matter, however, of which I would make special mention. Since 1932, the general manager has guided the affairs of the bank with a sure and expert knowledge; but, in addition to that all important task, his knowledge and experience have been freely available in many directions for the benefit of the community, and some months ago, it was a very great pleasure to all of us to learn that the honour of knighthood had been conferred upon him. The staff has taken the opportunity—joined by the directors—of marking the occasion by arranging to present him with his portrait; but I know I am speaking for all when I offer Sir John and Lady Erskine our congratulations and warm good wishes.

The deputy governor then moved the adoption of the report, and the motion having been seconded by Sir John Duncanson, was put to the meeting and carried.

At the close of the meeting cordial votes of thanks were accorded to the directors and the staff for their services during the year and to the deputy governor for presiding.

SECOND INDUSTRIAL TRUST, LIMITED

SAVING IMPOSSIBLE

The thirty-eighth annual general meeting of the Second Industrial Trust, Limited, was held on December 15th in London.

Mr Lionel A. Stride (the chairman), referring to the problems which beset the management of an investment trust, said: Devaluation can only prove a remedy for our troubles and not a palliative if it enables us to increase our exports considerably to hard currency countries. To achieve this, given a free market, we must be able to compete with other producers in the same field. This we can only do by increasing production, working longer hours if necessary, cutting costs and by allowing enterprise and initiative to go unfettered. Yet we are not doing these things even now, though a realistic approach to our difficulties is imperative for survival.

There is one final point to which I would draw your attention, and that is the impossibility under existing levels of taxation for saving, either by trading companies, firms or individuals. The trading company relies on what it can put by out of profits for the replacement and renewal of its machinery and equipment which it must do if it is to retain its efficiency and thus compete on level terms in the markets of the world. The firm or partnership has the same problem, with the additional one of finding capital for expansion from its own resources. The small shop-keeper who needs more capital to carry the same amount of stock is particularly hard hit. The individual, especially the professional man, has to look to his savings to maintain his business. The incidence of taxation today is such that none of these things can be done except from past savings where they still exist.

The report was adopted.

THE NATIONAL BANK OF SCOTLAND, LIMITED

EXPANSION OF ADVANCES

The one-hundred and twenty-fourth annual general meeting of the Proprietors of The National Bank of Scotland, Limited, was held in the Bank's Head Office, on December 15th.

The Most Hon. The Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the Governor of the Bank, in the course of his speech, said: There has been a decline in our deposits from £101,500,000 to a little less than £95,000,000, but that is entirely due to the withdrawal of certain special sums which as I hinted last year when I commented upon the then increase of £13,000,000 were likely to be with us for a very temporary period. These sums to which I refer had an undue effect upon the 1948 balance sheet and a better picture of the progress the Bank has made and continues to make can be obtained by a comparison with the figures of 1947 when the deposits were £88,000,000. As has always been our custom, a high liquid ratio continues to be maintained with cash and other equivalent resources of £31,000,000, in addition to which £4,000,000 is held in Treasury Deposit Receipts.

Advances, together with bills discounted, continue to expand, and at £22,000,000 constitute a fresh record, with an increase of nearly £2,400,000 over the corresponding figure of a year ago. The profits, at £293,000, are about £2,000 higher, and we adhere to our very conservative policy of distributing the much lesser part in dividend.

Perhaps the two outstanding events of this year have been the devaluation of sterling and the consequent fall in the quotations for British Government Securities, which in some of the longer-dated issues fell as much as 15 per cent. between May and October. Notwithstanding these wide fluctuations in prices, I am pleased to give you the assurance that once again our Investments appear in the balance sheet at figures below the quotations current at November 1st.

TRADE AND INDUSTRY

It is right that all due credit should be given to the Scottish Council for their constant efforts to develop Scottish trade and industry. The Exhibition which they promoted was an outstanding success in making the general public, even the Scottish public, better acquainted with the wide variety and quality of Scottish manufactures and in demonstrating that Scotland can furnish to the world at large goods that are attractive and capable of meeting many wants.

It is pleasant to record that our largest industry, that of agriculture, has had a successful harvest, and although the expense of ploughing and reaping continues to increase, there should be left a reasonable surplus to encourage the intensive efforts that are being made to attain as great a measure of self-sufficiency as the available land will permit. Sheep farmers too have had an encouraging year. They have built up their flocks and recovered from the disastrous losses of the spring of 1947.

It was, however, a different story with our fishing fleets, for their catches of herring from the north-east coasts were the poorest for many years, and unfortunately the results obtained at their East Anglia autumn fishing have also disappointed.

IRON, STEEL

In iron and steel, our Scottish furnaces have, through their efficiency, more than provided their quota of the increased production that was called for, and in engineer-

ing and shipbuilding active conditions have prevailed. What is, however, disturbing is that orders for new ships are not now coming along and some uncertainty as to the future must be expressed.

Our textile industries, both woollen and knitwear, continue to play their part in the export trade, Hawick in particular sending the greater share of its production overseas.

As to the Dundee jute trade, which has had its difficulties in the restricted supplies of jute obtainable because of the disputes between Pakistan and India, to which I referred a year ago, the future is very much bound up with the price of the raw material. Most of the jute is grown in Pakistan, which has not devalued its currency, and they have been holding out for a 44 per cent. increase in their price.

GENERAL FINANCIAL SITUATION

It is much too soon yet to assess the full consequences of devaluation. There are certain general aspects of the question which are already fairly clear, and on these I might offer the following comments. So drastic an expedient is bound to be attended by grave disadvantages, and the one obvious advantage that is claimed for it, namely, that it will stimulate our export trade with the dollar countries, may easily be overestimated. Indeed, I am disposed to think that in the long run its chief advantage may prove to have been that it has shocked the public into a realisation of the true facts of our economic plight. For it is no exaggeration, surely, to say that for the past four years they have been living in an economic wonderland as divorced from reality as was that depicted by the whimsical pen of the late Lewis Carroll. You may, perhaps, recall the answer given by the Cheshire cat to the question put to him by the bewildered Alice, as to which way she should go—"It doesn't much matter which way you go, so long as you won't mind where you get to!" Looking back over the last few years it seems to me that we have been light-heartedly proceeding upon that principle with the result that we have suddenly discovered that we have reached the brink of a precipice at the foot of which lies national bankruptcy.

I say "suddenly" advisedly, for the decision to devalue the pound was admittedly reached in a hurry and against the preconceived ideas and intentions of those who took it. Yet I cannot refrain from recalling the fact that when addressing you two years ago, I pointed out that failing a successful effort on the part of British industry to overcome the difficulties arising out of the gradual disappearance of the sellers' market, we should inevitably be faced with the risk of having to devalue sterling in order to adjust our prices to the requirements of the external market.

It is, no doubt, easy to perceive in retrospect the factors which have given rise to the complacency of the public in face of a situation which, in view of the vast destruction of wealth effected by six years of total war, should have been crystal clear. Prominent among them, as it seems to me, have been (1) The temporary easement of the financial tension brought about by the American and Canadian loans followed by Marshall Aid. (2) An unwarranted feeling of security induced by the food subsidies; and (3) A similarly deceptive feeling of optimism springing from the temporary effects of the drive for cheap money, to the dangers of which I ventured to call your attention three years ago.

The report was adopted.

ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

ASSETS EXCEED £100,000,000

THE HON. DAVID BRAND'S REVIEW

The fifty-seventh ordinary general meeting of the English, Scottish and Australian Bank, Limited, was held on December 14th, at 5, Gracechurch Street, London, E.C., the Hon. David F. Brand, the chairman, presiding.

The following is an extract from his statement, circulated with the report and accounts for the year to June 30, 1949:—

Since I addressed you a year ago the Commonwealth Government's appeal to the Privy Council has been heard, and I am happy to be able to report that it was dismissed. The judgment was to the effect that the Commonwealth Government's appeal could not be heard without a certificate from the High Court of Australia.

While this view was conclusive of the case, their lordships went on to express their opinion on the various points argued before them. They gave their view that the section of the Act under which the Government set out to take power to prohibit the conduct of banking by the trading banks offends against Section 92 of the Australian Constitution.

Whether this finally disposes of any question of nationalisation of banking in Australia remains to be seen. In the meantime, the Government retains wide powers of control over the banking system of Australia under the 1945 Banking Act, and the trading banks must therefore rely on the continued wise administration of this Act to enable them to perform their function of providing a competitive banking service to the public of Australia.

GROWTH OF DEPOSITS

The major movement in balance-sheet items since last year is the increase of £10,708,000 in deposits, current accounts, etc., making the total £79,050,000. The deposits throughout the banking system increased substantially during the year as a result of a heavy addition to the overseas funds of Australia, and because of some further expansion in bank advances. The gold and balances abroad held by the Central Bank moved from £A.253 million in June, 1948, to £A.392 million in June, 1949. This expansion resulted from an increase in the volume and value of exports, from capital transfers to Australia and to some extent by deferred payment for imports, and by prepayment for exports.

The desire of Australian exporters promptly to fix the Australian equivalent of overseas currency proceeds of sales, and of importers to defer the conversion of overseas currency prices to Australian currency arises from the view of many traders that a revaluation of the Australian pound is a factor that cannot be disregarded in assessing the outcome of trading transactions.

EXPANSION OF OVERSEAS BUSINESS

To meet the need of Australian importers we have provided acceptance credits and other facilities in London during the last year, which explains the expanded title of the item "Bills receivable in hand, in transit, and amounts receivable under acceptances." The increased total of £7,823,000 further indicates a satisfactory expansion in the volume of overseas business being handled.

The demand from our customers for accommodation on overdraft was very active during the year, as evidenced by the increase of £5,415,000 in the total of advances, which appears in the balance-sheet at £50,384,000.

The banks' liquid position has been well maintained. The total of cash in hand, etc., money at call in London, special account

with the Commonwealth Bank, and bills receivable, etc., represents 12s. 8d. in the pound of deposits, current accounts, etc., as against 12s. 4d. in the pound last year. If the Commonwealth Bank of Australia special deposit account is added to public deposits, the proportion is 10s. 4d. in the pound, compared with 10s. in the pound last year. It will be observed that the total of assets exceeds £100 million sterling for the first occasion in the history of the bank.

The report and accounts were unanimously adopted.

CANADIAN BANK OF COMMERCE

STEADY GROWTH OF CANADIAN INDUSTRY

The eighty-third annual meeting of the Canadian Bank of Commerce was held on December 13th in Toronto.

Mr Stanley M. Wedd, the President, in his address to the shareholders, dwelt at length on international developments and their significance to Canada. Noting continued increase in production and employment, he felt that business for 1949 would probably reflect an overall gain, as compared with 1948. Agriculture was in a good position and the steady growth of Canadian industry and development of natural resources was largely responsible for the country's strong economic position. Industry had some 33,000 plants across the country and turned out goods valued at more than \$10 billion a year, a peace-time high for Canadian industry. If oil production continued to increase and more wells were found the industry might rival agriculture and might also eventually play an important part in the solution of trade deficit with the United States.

MINING PROJECTS

Reviewing mining developments he referred to major projects including vast possibilities of the Quebec Labrador iron ore development. Initial operations projected at a minimum of ten million tons per annum, but some years must elapse before actual production would be under way. Also in the Lower Quebec region production of titanium was expected to commence in 1950 with an objective for 1952 of 220,000 tons titanium and 175,000 tons pig-iron per annum.

The results following devaluation of the pound and other currencies could not likely be determined for a considerable time. If devaluation led eventually to free convertibility of currencies, an objective much to be desired would have been accomplished. Trade and tariff regulations had not appreciably altered during the course of the year. The president closed by stressing importance of foreign trade. Totalitarianism made orderly trading difficult, but the advantage of commerce as a world instrument of peace was so apparent that it was difficult to do other than believe in its eventual supremacy wherever right thinking and common sense existed.

GENERAL MANAGER'S STATEMENT

Presenting the bank's annual statement, the general manager, Mr James Stewart, C.B.E., referred to the bank's strong position and said that assets had reached a new record of \$1,646 million. Deposits had increased by \$122 million, and significantly this increase included \$58 million of personal savings, a striking example of the thrift and economy of Canadian people. Commenting on investments, he pointed out that great strides had been made in expansion and improvement of industrial and commercial plant equipment involving heavy capital expenditure which had been a sustaining influence on high level of business and employment.

Having regard for past experience, there must be an annual capital investment which fits in with orderly growth of national economy. It was important to this economy that private capital investment be encouraged and climate continue to be developed where risks and returns come into line and individual and corporate judgments be given adequate scope. Continued business expansion and a generally healthy economic picture were reflected in an increase in current loans of \$59 million. Number of new customers, borrowers and depositors, as well as shareholders, had increased proportionately with growth in assets and liabilities.

The report was adopted.

KLINGER MANUFACTURING COMPANY, LIMITED

NEW FACTORY AT MARGATE

The thirty-sixth annual general meeting of this company was held on December 15th in London, Mr J. L. Callow (the chairman) presiding.

The following are extracts from his circulated statement:—

I would first draw your attention to the increase in the company's issued capital, which is now £164,750, consisting of 659,000 Ordinary stock units of 5s. each. I would, however, again remind you that the effective capital actually employed in the business is represented by the issued capital, reserves and balance of profit and loss appropriation account, which together amount to £639,353. This figure, which compares with £488,308 a year ago, does not fully take into account the real value of our fixed assets, which were heavily written down in the past.

The net profit for the year is £111,837, compared with £80,321 for the previous period, which was for eleven months. Your Board recommend the payment of a final dividend of 15 per cent., free of income tax, on the increased capital, an interim of 10 per cent., free of income tax, having been paid on May 31, 1949, on the capital at that date.

TWO SIGNIFICANT DEVELOPMENTS.

I mentioned to you at our last annual meeting that we were widening our range in the hosiery trade, and during the year under review there have been two significant developments in this direction. We have started the production of ladies' and children's ankle socks to be sold under the trade name of "Three Fairies." The setting-up of this new department has been successfully accomplished, and during the last two months of the year a new high level of output was reached, while further installations are being made month by month. We have also expanded our full fashioned stocking department, and here, too, additional plant is continually being installed. Most of our full fashioned output will be in nylon.

Your Board have been forced to recognise that expansion at Edmonton has many limitations, and after considerable research with the co-operation of various Government departments, arrangements have been made by which the Margate Corporation is to build for us at Margate a large factory on the most modern lines. It is hoped to have these premises available for occupation in 1951.

In addition to the "Klingsil" circular stockings (in nylon, rayon and lisle) for which the company is well known, our output now includes "Klingsil" fully fashioned nylon hose and "Three Fairies" children's and ladies' socks, thus embracing three main ranges instead of one. I am confident that this broadening of our activities will prove of great value in future years.

The report was adopted.

TUBE INVESTMENTS LIMITED

NEW RECORDS IN OUTPUT AND EXPORTS

ADVANCEMENT IN REDEPLOYMENT TECHNIQUE

MR. I. A. R. STEDEFORD ON TOMORROW'S WORLD TRADE

The annual general meeting of Tube Investments Limited was held at Birmingham on December 14th.

Mr I. A. R. Stedeford (chairman) said that the year was one of good progress. Trading results were satisfactory, and the company's position in all its aspects had been strengthened. This was in large measure due to the good relations which existed within the T.I. community. Believing that there should not be different sides, but only different functions, within a company, T.I. contrived, through joint consultations, internal bulletins, etc., to keep every employee as fully informed as possible on developments within the Group. Early in the year, a general meeting of employees was attended by 600 representatives of management, workpeople and staff from all the companies. It was addressed by himself and other directors, and an opportunity was given for questions, which were freely asked and frankly answered. Without a clear definition of functions and responsibilities, discussions round a table, however agreeable, could endanger industrial efficiency. No amount of joint consultations should obscure the basic job of management, which was to manage—to initiate policy and see that it was properly and successfully carried out. From T.I.'s experience, it was believed to be a division of labour which had the general approval of the workers, a number of whom in the Group had already joined the ranks of management.

FINANCIAL POLICY

Output had greatly increased and turnover was up by £4 million. Despite the large addition to turnover, profits were a little lower than last year's. He pleaded no special circumstances for this trend, for it resulted from a deliberate policy. If the company were to play a full part in assisting the internal economy of British industry, the time was bound to arise when a choice had to be made between higher profits or lower prices. The choice made was not for higher profits. A high proportion of increased costs had been absorbed, and a further response had been made to the Government's appeal for lower prices.

Throughout the company's life, substantial reserves for development had been set aside each year, and the rewards for this prudence were being reaped. Over £18 million had been needed during the past four years to finance postwar developments and expanding trade, and this had been found from the company's accumulated resources, without seeking additional capital or borrowing.

While serious account was taken of the Government's appeal for dividend limitation, they would not, he thought, have recommended a change this year. So long as the present economic difficulties persisted, and while T.I. was carrying out its programme of expansion, as distinct from modernisation—the benefits of which had gone to increasing competitive efficiency rather than profits—he hoped that shareholders would be content, assuming that inflation was kept in check, if the same dividends were paid as had been paid in each of the last three years. This, before tax, amounted roughly to 3½ per cent. of the capital actually employed. It was little

enough, but it would be the shareholders' turn, he hoped, one day. As over £5,000,000 had been spent in expanding the business since the war, with more yet to spend, the position from the shareholders' point of view was, he felt, not without promise.

HIGH EFFICIENCY OF FACTORIES

The Group's factories in this country had, by an expenditure of £6½ million on modernisation, now reached a high degree of mechanical efficiency; and further impressive results had been achieved by redeployment. At the factories where it had been completed, the increase in productivity had been not less than 25 per cent., and often much more. Workers' earnings had considerably improved and labour costs substantially reduced; furthermore, there had been no wholesale dismissals. While particular instances could be misleading, in that results depended on so many factors, he would give an example. At this particular works, production per man-year had risen by 44.6 per cent. since 1947, and wages had increased by about 18 per cent. Fewer men, using less plant, had increased output at lower cost. Greater productivity depended, not on longer hours or exhortations, but on the quality and technique of the management and the will of the workers to work well.

Despite increasing competition, the closing of, or severe restrictions in, important markets, and the long prologue of rumour and denial to devaluation, an all-time record in exports had been achieved. Direct exports, at over £12½ million, exceeded last year's record by £2,000,000, and were nine times greater than the best prewar years. As T.I. were very large suppliers to manufacturers of consumer goods, indirect exports, too, were considerable. All the Divisions had contributed to this fine result.

Exports had expanded rapidly under the impetus of the drive exerted continuously since the war. Whether T.I. had reached, or already passed, the peak with the present range of products was a matter which future figures alone would decide. The Commonwealth and the Crown Colonies again were by far the best customers, but important markets had been built up in Europe and Central and South America. Exports to the U.S.A., Canada, and the Argentine had increased by 14 per cent. before devaluation.

OVERSEAS DEVELOPMENTS

Overseas manufacturing activities had been extended by the formation of T.I. Cycles (South Africa) Limited, and T.I. Cycles of India Limited, arrangements being made to produce bicycles in both countries. In accordance with the principle emphasised last year, T.I. had received, in both cases, recognition in the form of free share capital, as opposed to cash payments, for experience and goodwill. The investments would increase in value with the prosperity of the companies, and it was fully intended that they should prosper. A further company, T.I. South Africa (Pty.) Limited, had been formed to develop export trade in that country.

Record sales had been achieved by the Cycle Division, but the industry's separate development plans had proceeded at such a pace that Britain's cycle production potential had probably outstripped future demand.

Since these conditions were bound to arise sooner or later, prudent manufacturers would undoubtedly have taken them into account. T.I. companies had increased capacity conservatively and efficiently substantially, and their policy of providing high quality machines to the peoples of the world at keen and attractive prices should enable them to hold, and even increase, their present proportion of the available world trade. Delivery of components to home cycle manufacturers had not been unsatisfactory, first preference having been given to them well beyond their prewar purchases.

The aluminium division had a difficult year, in which supplies of raw materials were threatened by reduced Canadian deliveries and the dollar crisis. A break in supplies was avoided by a judicious use of virgin and secondary aluminium, but the position could not be regarded with full confidence until either large-scale production was started within the sterling area, or the exchange situation with Canada was founded on a more satisfactory basis. The aluminium rolling mills at Oldbury were running at full capacity, and the foundry plant at the new works at Resolven, South Wales, was operating and supplying all T.I. requirements of extrusion billets and rolling slabs. There was indication that the demand for aluminium sheet and strip would absorb the full capacity of the rolling mills being put down there.

STEEL STRIP SHORTAGE

The results of the steel tube and general divisions continued to be satisfactory, in spite of keener competition from the Continent in some export markets, and a serious shortage of steel strip for electric welded tubing. T.I. introduced this process to Britain 22 years ago, and today its welded tubing compared in quality and price with the best in the world. While plant was available to give good deliveries, a number of mills were idle, or working short time, for want of steel strip. Other companies had experienced the same difficulties. In view of this, it was disquieting to hear of orders being fulfilled for additional welding mills for companies new to tube-making. Before steel strip was diverted to newcomers, existing manufacturers would expect that their present requirements would be satisfied.

T.I. could offer additional benefits to customers for steel tubes if a greater degree of standardisation could be achieved. The co-operation was sought of all interested designers by inviting them to consult on the most economical tube for a purpose, before deciding on any particular quality or size.

The re-organisation of production in the electrical division was practically completed, and they believed that the necessary flexibility had been achieved to accommodate the changing and difficult conditions. Demand for installation material still kept ahead of output, and T.I. sales amounted to about 25 per cent. of the total purchases in the highly competitive electric cooker market, a proportion which was likely to increase. Exports had been increased by 30 per cent., despite the closing of the South African market. In most overseas territories open, electric power was in short supply, and any considerable increase in exports of domestic appliances awaited a solution of the problem which faced home consumers of electricity.

TOMORROW'S WORLD TRADE

Devaluation had shown itself to be a stimulant to overseas trade in dollar and other markets, and T.I. was taking special steps to secure the maximum advantage from it. The results to date had been encouraging; more goods had been sold to America, and prospects were interesting, but devaluation, concluded Mr. Stedeford, was no cure for

Britain's difficulties. The sharpening of competition it would cause might create American domestic problems.

It had been indicated that all that need be done by dollar-starved countries was to raise sales by a small percentage of America's total purchases, but, as the range of dollar-earning products was relatively small, reaching the overall volume needed would mean capturing a substantial proportion of America's total demand for them. Were this achieved, there was little need to ponder American manufacturers' reactions if order books were short, or the American people, if unemployment resulted. There was the further point that U.S. low production costs depended on mass sales, and, if order books ran short, American manufacturers would set about world markets, and could quote prices which would cut through our bone to the marrow. A price war would follow and, because of America's tremendous resources, Britain and other countries could lose much of their overseas trade.

INTERNATIONAL AGREEMENTS NEEDED

In conclusion, he said: Given a bare understanding of mutual problems, there is no reason why this trading anarchy should fall upon the world. A way out is clearly marked in the direction of international agreements for the better regulation of trade in and between countries—or groups of countries—than has hitherto been achieved.

Before reaching hasty conclusions that this is a plea for more restrictions—which it is not—let me remind you that every country—free enterprise, Socialist and Communist alike—has long since accepted the principle that trade must be regulated; and has been doing it as best it can by indirect means, such as tariffs, import restrictions, currency regulations and the like. Acceptance by countries of the necessity for the regulation of trade is thus demonstrated. The difficulty arises only when it comes to deciding the nature and degree of regulation.

I share the American dislike of cartels. They often do harm not because they bring order to chaos, but because usually they lead to closed markets and non-competitive prices. I equally dislike uneconomic competition, not because it is competition—that is necessary for good industrial health—but because in this extreme form it is destructive, leading to unbalance and impoverishment. Both uneconomic competition and cartels can ruin the efficiency of an industry, and the one usually follows the other. This is the vicious circle which threatens world trade, and post-war signs of it have already appeared.

CRUX OF THE PROBLEM

America has insisted upon a closer integration of Western European markets. The problem is receiving the earnest and urgent attention of all the Governments concerned, and it may be expected that in due course the difficulties standing in the way of agreement will be ironed out.

But in the long term, the crux of the problem, as I see it, is not so much the trading and diplomatic relationships between European countries: the limelight is being directed to the wrong centre. The giant which casts the great shadow over the world's economic future is not in Europe; it is to be found in the present tremendous production potential and resources of the United States.

An international plan is needed; an understanding as to America's future world trading intentions in contrast to the smaller efforts, jointly or singly, of other industrialised countries.

The report and accounts were adopted, and the final dividend of 12½ per cent. on Ordinary stock, making a total of 25 per cent. for the year, was approved.

GLAXO LABORATORIES, LIMITED

EXPANDING BUSINESS ANTIBIOTICS PRODUCTION

The fifteenth annual general meeting of Glaxo Laboratories, Limited, was held on December 13th at Charing Cross Hotel, London. Sir Harry Jephcott, M.Sc., F.R.I.C., Ph.C., the chairman and managing director, presided. The following is an extract from his circulated review:—

Expanding business, at home and overseas, has resulted in a satisfactory increase in trading profit and a corresponding increase in the provision for taxation.

Expenditure upon capital assets in this country and overseas continues to be substantial, and still further expansion is in hand. It is estimated that this will call for a capital expenditure of £750,000. The programme includes considerable sums for plant and buildings in India, Italy and New Zealand, to increase the manufacturing and trading facilities of our subsidiary companies. In Australia, Pakistan and elsewhere expansion will be undertaken as soon as licences and materials are available.

INCREASE IN TURNOVER

Both at home and overseas there has been a considerable increase in turnover, especially in pharmaceutical and antibiotic products. Total turnover of the company and its subsidiaries, at home and overseas, has increased in less than two years by a little more than 50 per cent. and exports by 100 per cent. These increases are not reflections of rising prices. On the contrary, the prices of the majority of our products have not been raised since 1939, and for the product representing the largest individual sale—penicillin—there have been five price reductions since June, 1946, the price now being approximately one-third of what it was then.

EXPORTS

To-day we have no less than nine overseas subsidiaries in Argentina, Australia, Brazil, India, Italy, New Zealand, Pakistan, South Africa and Uruguay. Apart from the territories covered by overseas subsidiaries, we maintain sales promotion staffs in many other countries.

During the past summer a highly successful overseas conference was held in London, and was attended by members of senior overseas staffs from 19 countries. At the present time the deputy-managing director, Mr H. W. Palmer, is visiting our subsidiary companies in Australia, India, New Zealand and Pakistan, and I hope myself, early in the New Year, to visit our companies in Argentina, Brazil and Uruguay.

In almost every market sales have steadily progressed; in the aggregate overseas turnover has doubled during the past two years, and is now ten times what it was in 1938-9. When allowance is made for the war years, this is no mean achievement, and reflects the greatest credit upon those associated with our export business, both overseas and at home. Full advantage is being taken of the increased opportunities afforded as a result of the revaluation of sterling. We confidently expect enhancement of sales, but must not overlook the increase in costs of some goods which must also occur.

The capital employed by the company in the overseas subsidiaries amounts to £1,600,000. The total of overseas employees, including those in the subsidiary companies, exceeds 2,000.

MANUFACTURE OF ANTIBIOTIC SUBSTANCES

The company's new factory at Ulverston is now in production and as a result it has become possible to make streptomycin freely available to the medical profession in this country. It is expected that there will be a surplus for export.

Further development has taken place at the Barnard Castle plant during the year and

extensions are in progress at Ulverston. To date we have expended more than £1,500,000 on these plants.

In addition a new research laboratory is being set up at Sefton Park, Bucks, to ensure that we shall maintain our position in the antibiotic field. Only sustained research and its industrial application can ensure that these factories continue to compete successfully in the world's markets with the very large output of the flourishing United States antibiotic industry.

CAPITALISATION OF RESERVES

It has long been known that the issued capital did not reasonably represent the capital which the company employs; but for the bonus tax appropriate action would have been taken by the board at a much earlier date. It is now proposed to capitalise £716,715 (£488,053 from capital reserves: £228,662 from the profit and loss account balance) and to issue an additional nine 10s. units of ordinary stock for every one unit now held. These new stock units will range equally in all respects with the existing issue.

When effect has been given to this proposal, the company's reserves will in sum be approximately one and a half times the total issued capital.

THE NEED TO REWARD CAPITAL

The board realises to the full that the ability to undertake the very large programme of expansion that has characterised our activities during the last few years, and to finance this programme out of our own resources, has been made possible by the patience shown for many years by the holders of ordinary stock. In the board's view it is our duty as a manufacturing concern in a rapidly developing field to take risks and, should it as a consequence become necessary, to suffer losses. By that same token it is proper for successes to bring rewards to those who have taken the risks of bearing losses. Your directors have for two years acceded in the national interest to the request of the Chancellor of the Exchequer not to increase the dividend. As a result, upon a total capital employed and attributable to the ordinary stockholder of over £3,000,000, no more than £100,000 gross, before tax, has been paid by way of dividend. This represents less than the current return on Government stock. Today the ordinary stockholder has been penalised for his patience in past years.

Although your board has no intention of altering its conservative policy or of ceasing to exercise restraint, it is firmly of the opinion that incentive must be offered to capital no less than to labour if the finance, upon which the industry of the country will be developed, is to be provided. It has been said that whilst research in Great Britain is unsurpassed anywhere in the world, development lags in comparison with some other countries. It is precisely in development that large financial risks must be taken: if the appropriate reward for taking these risks is to be denied it is unreasonable to look to the public to take these risks with their hardly accumulated savings.

THANKS TO STAFF

The men and women working for your company merit your warmest congratulations. Calls for continuous effort have been made upon them and the response has indeed been praiseworthy.

The reports and accounts were adopted.

At a subsequent extraordinary general meeting resolutions to capitalise reserves for distribution to ordinary stockholders were approved.

DORMAN, LONG AND COMPANY, LIMITED

NATIONALISATION WITHOUT MANDATE

NO SEGREGATION OF D. L. STRUCTURAL ENGINEERING INTERESTS

The sixtieth ordinary general meeting of Dorman, Long and Company, Limited, was held on Thursday, December 15, 1949, at Caxton Hall, Victoria Street, London, S.W.1.

Sir Ellis Hunter, chairman and managing director, who presided, said:—

Last month Dorman Long attained its diamond jubilee, having been incorporated as a public limited company on November 2, 1889.

As the report and accounts show our diamond jubilee year has been marked by exceptionally successful operations and in different circumstances we might have recognised the occasion in some special way. Under the provisions of the Iron and Steel Act, 1949, we are, of course, precluded from doing so.

EXCESSIVE TAXATION BURDEN

The main beneficiary from the results of our year's work is once again His Majesty's Treasury which takes no less than £2,400,000 by way of taxation as against £1,700,000 available for strengthening the company's reserves and paying modest dividends to the shareholders. Thus the state, without providing any capital or taking any risk of loss, secures by far the greater part of the profit. The amount payable to the Treasury is excessive. A substantial part of this would be far better left in the business for the purpose of still further improving efficiency. It was never more necessary than now for profits to be conserved and applied in this way, a policy which the company has consistently followed for many years past.

Our own efforts to raise production during the year and to improve efficiency have been successful. We have achieved a record ingot steel production of 1,642,595 tons, an increase of almost 100,000 tons. Rolled steel output at 1,313,003 tons compared with 1,261,298 tons, is also a record.

The constant increase in output is indicative of the spirit of all associated in the industry and is a result of their enthusiasm and pride in their work. Those who so lightly seek to change the basis of our enterprise and substitute a system of remote official control, do not understand the tradition and close community of interest which has gone into the development of our different works. These things are outside the experience and beyond the comprehension of the theorists but they are, none the less, vital to the country's industrial life and should not be destroyed.

The recent decision of the Government to reach a compromise with the House of Lords on the date of the operation of the Iron and Steel Act, 1949, will enable the country to pronounce upon the Government's intentions. The unanimous opposition to nationalisation of the directors of Dorman Long remains unchanged. Your board are more convinced than ever of the folly of such a step.

WEARY OF NATIONALISATION

The country is wearying of nationalisation in all its aspects. This is true of those who are not directly affected as well as of those who are. Enthusiasm for an extension of the experiments in state ownership already undertaken is on the wane. In fact, nationalisation seems to be going out of fashion. It would be surprising if this was not so in view of the circumstances in which the country is now placed.

This growing aversion to an extension of nationalisation may have been stimulated by the change of ground apparent in the Govern-

ment's arguments in favour of state ownership of steel. Originally the theme of the nationalists was that the inefficiency of so vital an industry demanded its transfer to the state in the public interest. Four years of increasing productivity knocked the bottom out of that argument and another had to be found. The nationalists have now developed a different line of attack. It is against the public weal, they declare, that so powerful an industry should be left in private hands. In recent months Ministers have drawn horrifying word pictures of immense power concentrated in the hands of a few steel barons, power which ought immediately to be transferred to the more competent and disinterested care of Ministers of the Crown.

GOVERNMENT SUPERVISION SINCE 1932

Government spokesmen do not, of course, mention that since 1932 the steel industry has been under governmental supervision and that under the direction of the Iron and Steel Board such supervision was close and fully effective. They do not tell the country that the industry has never rebelled against this supervision but has accepted it and has, indeed, offered to discuss means whereby it may be rendered more effective, if so desired. They do not say that we have been prepared to see the relations of the industry and the Government placed on a permanent basis which would secure the public interest and the progressive development of steel production.

One is forced to the conclusion that the advocates of steel nationalisation in the Government have allowed their desire for power to outrun their interest in efficiency. They see in the acquisition of iron and steel by the state not only a great extension of political power but an opportunity to extend that power far beyond the limits of iron and steel manufacture.

NO HIVING OFF

During the past year there have been discussions with the Minister of Supply on proposals for the segregation of Dorman Long structural engineering assets in the event of nationalisation. A reasonable scheme was drawn up which would have left our structural engineering activities outside a nationalised steel industry. I regret to have to inform you that the Government have refused to agree to the segregation of our engineering interests.

This attitude is completely at variance with earlier declarations of policy and is clearly prompted by a desire to extend public ownership beyond the iron and steel industry into fields for which no mandate was ever sought at the last election.

Your board waited until the terms of the Bill were issued before making concrete proposals for hiving off activities outside iron and steel manufacture. We submitted a scheme which conformed with the Minister's requirement, stated on January 26th this year, that it should be "a good business case" for segregation.

Our discussions with the Minister revealed that the Government's refusal to permit segregation of our engineering interests was inspired by a desire to acquire the company's substantial share of the structural engineering industry without any mandate.

The satisfactory level of trading profits must to a considerable extent be attributed to the company's policy in past years of ploughing profits back into the business and expanding and improving capacity in the

parent company and in the subsidiaries. The earnings are so far in excess of the distributions that they make nonsense of the Government's proposal that in the event of nationalisation compensation should be based on market prices. In our case the aggregate amount of compensation for the whole of the share and loan capital would come to approximately £13 million, and this for a concern which has earned over £5,000,000 in the past year and whose net current assets amount to practically £12 million, after deducting provisions.

PROPOSED COMPENSATION DERISORY

We have had no recent valuation of the fixed assets, but having regard to the high cost of new plant and buildings now ruling as evidenced by the £8,000,000 we are spending at Lackenby and Cleveland in the present stage of our developments, it must be obvious to anyone that the fixed assets of the group are worth far more than their book value. The case of Dorman Long is outstanding as an example of the complete lack of comprehension on the part of those responsible for the Iron and Steel Act, 1949, of the comparative values of the undertakings engaged in the industry.

A notable event during the year was the bringing into commission of the central ore unloading, ore preparation and sintering plant at the Cleveland works. This important addition to our plant came into operation in April and has thoroughly justified itself. The ore preparation plant is also giving good results, the advantage of using prepared burdens at the blast furnaces is apparent in appreciable savings in fuel per ton of iron produced.

The board have authorised a start on the second stage of our major development plan. This provides for a further capital expenditure of over £8,000,000 in the provision of an open hearth steel plant on the Lackenby site with a capacity of 10,000 tons of ingots per week, new blast furnace ancillary equipment and the extension of the ore grading plant already mentioned. We anticipate that this work can be completed by September, 1952. The site of the Lackenby open hearth plant has been substantially levelled and actual construction has commenced. Continuity of development is assured by these decisions which, in due course, will be followed by the installation in the Lackenby area of extensive steel rolling mill equipment. Approximately 60 per cent. of the work now envisaged will be undertaken by the engineering departments of the Dorman Long group.

Our fabricating shops at Middlesbrough and in London have been fully employed and our order books, though not so heavy as a year ago, ensure work for a considerable time ahead.

OVERSEAS BUSINESS

Your company has consistently endeavoured to take the national view by developing its overseas business to the maximum but we have been hampered in the past by difficulties in obtaining export licences. The position is now much easier and we shall make every effort to expand the volume of Dorman Long exports. In the past year over nine per cent. of our finished steel from the mills was shipped overseas and seven per cent. of the output of the Middlesbrough constructional shops was exported.

Further progress has been recorded during the year by Dorman Long (Africa), Limited, where all the five branches have been fully occupied. Our other subsidiary companies—Redpath Brown, Tees Side Bridge & Engineering and British Structural Steel (Buenos Aires) have each had a successful year. Their order books are satisfactory, their business is expanding and they continue to develop their modern engineering resources which compare favourably with any in the industry.

The report was adopted.

MALAYAN TIN DREDGING LIMITED

BURDEN OF PROFITS TAX

The thirty-eighth annual general meeting of Malayan Tin Dredging Limited was held on December 15th in London.

Mr H. Ashworth Hope, chairman of the company, presided.

The following is an extract from the statement of the chairman circulated to shareholders:

The working profit for the year to June 30, 1949, is £208,570. After providing for United Kingdom taxation and crediting stores previously written off, recovered, there remains a balance of £131,278 which, with the unappropriated balance from June 30, 1948, makes a total credit of £187,828. Dividends totalling 40 per cent. have been paid in respect of the year, and a further 10 per cent. is recommended, making 50 per cent. in all and leaving a balance of £132,828 to be carried forward.

AN M.P.'S VIEW

I have read the debate in the House of Commons on the profits tax, and I must confess I do not pretend to understand the mentality of those Socialists who spoke in favour of it, particularly those who are directors of public companies.

I would draw attention particularly to the remarks in Parliament of one Socialist M.P., who, incidentally, is a director of a tin-mining company. He said (*inter alia*):

"This is a tax on distributed profits. There have been very many suggestions that, in some way or other, it would increase costs, or interfere with the piling up of reserves. I entirely fail to see why. We have not only expert opinion that a profits tax does not increase costs, but I should have thought that it stood to common sense that it did not increase costs. I have never yet heard any clear explanation of why it was supposed to do anything of the sort."

In my submission it is a fact incidental to all businesses, including tin mining, that it does increase costs.

"Marginal surplus" is more appropriate to tin companies than "profit," because tin-mining land is a wasting asset and the production and sale of ore are in reality a progressive disposal of the companies' capital asset. I submit the real reason for the tax is to appease the T.U.C., who in turn wish to appease the wage-earners at the expense of the thrifty middle classes and the vital cash reserves of tin-mining companies.

The effect of this tax on Malayan Tin Dredging Limited and Southern Malayan Tin Dredging Limited is to increase the costs by approximately 20 per cent. Here is one result of the profits tax upon Malayan Tin Dredging Limited and Southern Malayan Tin Dredging Limited.

The total profits tax of the last three years, £206,000, represents the gross value of the tin in 32 acres of our property. The effect is that the equivalent of 32 acres has been virtually confiscated by Government. Somebody must bear the cost of working in order to produce this £206,000, and since Government does not contribute to it in any way, it must be borne by the companies alone. This burden is represented by working costs of approximately 8d per cubic yard of ground worked, to which, I repeat, the Government makes no contribution.

I feel bound to say that I cannot understand how any politician who is a company director can reconcile his action in speaking and voting in the House of Commons in support of the profits tax, or approving dividend limitation, with his duty as a director, to protect the interests of his shareholders and company.

I can only say that in my view the Socialist member whose remarks I quote above was speaking as a politician, and not as a representative of the tin-mining industry.

SOUTHERN MALAYAN TIN DREDGING LIMITED

SECURITY IN MALAYA

The twenty-third annual general meeting of Southern Malayan Tin Dredging Limited was held on December 15th in London.

Mr H. Ashworth Hope, chairman of the company, presided.

The following is an extract from the statement of the chairman circulated to shareholders:

The working profit for the year to June 30, 1949, is £328,433. After providing for taxation, there remains a balance of £156,825 which, with the unappropriated balance from June 30, 1948, makes a total credit of £228,926.

Dividends totalling 55 per cent. have been paid in respect of the year, and a further dividend of 5 per cent. is recommended, making 60 per cent. in all, and leaving a balance of £86,201 to be carried forward. The distribution of 60 per cent. for the year is estimated to represent approximately 20 per cent. on the total capital invested in the business.

I may, however, say that during the Japanese occupation some of the dredges were taken off the course originally set for them and, to work the property to the best advantage, it was necessary to get them back on to their respective courses. To do this some of the dredges had to work through lower grade ground and, in some cases, ground which had previously been dredged. This is responsible for the lower output, although we had an extra dredge operating for four months.

Since drafting my supplementary remarks my attention has been called to the view recently expressed by Mr. Donovan Touche to the stockholders of the Cedar Industrial Co., of which he is chairman and managing director, and I should like to give the following extract, with which I am completely in agreement:

"This crisis has blazoned before the world the utter falsity of the economic principles upon which the Government has been working since it took office, yet there has been no genuine reversal of policy, no abandonment of pet ideas which have proved erroneous, no drastic measures such as the national interest requires."

"What was required was a slashing reduction of Government expenditure to the tune of probably £750 million per annum, and a far firmer handling of the matter of the sterling balances."

FAILURE TO REALISE FACTS

How long it will take to restore pre-war security no one can say, but the heavy costs of the military police force are reflected in Federal taxation, and in our own costs are included the maintenance of armed guards, expenditure on protection of our mines, our offices and housing of the staff.

It is not fully realised in the present Government that the Chinese, whether squatters or ordinary labourers, do not comprehend what we understand by "social duty," such as helping the authorities by giving information against their own people. It is foreign to the national character of the Chinese, most of whom belong to or are dominated by secret societies of one kind or another. Whatever theoretical value, exhortation or appeal by wireless by high Government officials in Malaya may have in relation to the more educated Chinese, it is of little value regarding the rest of the Chinese community unless backed up by strong military and police forces.

It was the failure to realise these facts by the Colonial Office that is largely responsible for the present terrorist activities in Malaya. The report was adopted.

KRAMAT PULAI LIMITED

MINING LEASE CONDITIONS

The forty-first annual general meeting of Kramat Pulai Limited was held on December 15th in London.

Mr H. Ashworth Hope, chairman of the company, presided.

The following is an extract from the statement of the chairman circulated to shareholders:

The working profit for the year is £29,724. After providing for United Kingdom taxation and prospecting there remains a balance of £14,233 which, with the unappropriated balance from March 31, 1948, makes a total credit of £20,552.

A dividend of 3d. per share is recommended, together with a bonus of 3d. per share, making 6d. per share in all, and leaving a balance of £15,052 to be carried forward.

It is now over two years since we sent in our claim for war damage, and no payment has yet been made. As our tributaries were not afforded any financial help by the Government in regard to rehabilitation, the board incurred the risk and advanced the money, which has since been repaid.

With the diminution in the scale of our mining operations and no fresh reserves being found, decreased profits must be anticipated and a repetition of the bonus dividend is improbable.

We had hoped that it would have been possible to have carried out a geophysical survey over the scheelite area during the year, but owing to the danger from bandits we were advised by the authorities that it would not be safe to undertake this work at the present time.

For the same reason we have been unable to start drilling the area issued to us under a prospecting permit, but it is hoped that this district will be sufficiently safe to enable a start to be made early in 1950.

ARDUOUS CONDITIONS IMPOSED

We are concerned at the growing tendency by the Government to impose arduous conditions on the issue of mining leases. Owing to the war and other causes, prospecting for tin has been held up for about ten years and costs of boring are now very high. It cannot be expected that directors will risk shareholders' money in prospecting large areas if there is a possibility of onerous terms, which cannot be anticipated, being imposed.

This company has been operating since 1908 and has made large financial contributions to the Malayan Government over the past years. I should like to express the appreciation of the board for the sympathetic consideration it has received at the hands of the Menteri Besar (Prime Minister) and Mines and other Government departments on its effort to secure further areas for the purpose of the company, and we feel it is a recognition of the valuable work done.

We are anxious to ensure that the future of this company shall not be less successful than in the past. The financial resources of the company are not sufficient to carry out the policy we have in mind, and the board of Malayan Tin Dredging Limited has undertaken to Government, as a condition of its granting the permit, to be responsible for the financial expenditure that will be necessary if the values justify our taking up the land. We shall in due course invite you to approve a scheme in which Malayan Tin Dredging Limited and Kramat Pulai Limited will collaborate in the working of these areas.

It is too early to give a more definite intimation of our policy, but the above will indicate what is in the minds of your board. The report was adopted.

RHOKANA CORPORATION, LIMITED

SELLING PRICE BASIS FOR COPPER

The twenty-seventh annual ordinary general meeting of Rhokana Corporation, Limited, was held on December 13th, in London.

Mr S. S. Taylor, C.M.G., D.S.O. (deputy-chairman), who presided, in the course of his speech, said: You will have noticed that the directors' report this year is fuller than it has been in the past and that it contains items of information under various headings which in past years have been dealt with in the chairman's speech at the annual meeting.

PRICE OF COPPER

There are on this occasion certain matters of considerable importance to which I should refer. The first is the price to be paid by the Ministry of Supply for our copper. After the announcement of the devaluation of the pound the Ministry invited the Rhodesian Copper Producers to consider the adoption of some method of price calculation different to that which had obtained up to that time. We informed the Ministry that we would be quite willing to investigate the question but the problems involved were very complicated. We have had discussions with the Ministry and I can inform you that they have indicated that they are willing that the previous price basis shall continue, that is to say, that the American quotation converted into sterling at the new rate of exchange should be used as the pricing basis. The Ministry however have asked us to accept certain adjustments in the factors with regard to freight and differentials between electrolytic and blister copper which affect the calculation of the price. We are still discussing these matters with the Ministry and I can say no more at the moment on that point.

I must also refer to our relations with the Northern Rhodesian Mine Workers' Union. We have been asked by the Union to agree to what they call the principle of a 40-four week. We felt unable to agree to this demand and an attempt to settle the differences between the Union and the Companies on that point was referred to conciliation. No agreement was reached before the conciliator and there is no further information to give you at the present time.

THE COAL POSITION

The coal position remains difficult. Coal received by the four copper mines has averaged 37,332 tons per month since July 1st, and in November, 1949, was 39,437 tons. It is impossible to make any definite forecast with regard to the future and though we still hope that we shall receive considerably more coal from now onwards it will undoubtedly be necessary to continue wood burning for some time to come.

Notwithstanding our difficulties we have earned increased profits, the balance carried from the profit and loss account to the appropriation account showing an increase over the previous year of £750,000, this is after the payment of a bonus of 32 per cent. on basic wages to our employees who receive benefits based on the profits of the Northern Rhodesian Copper Mines. Taxation in the United Kingdom and Northern Rhodesia will absorb £390,000 more. While your directors do not recommend to you an increase in the final dividend, which remains at 75 per cent., they have placed to reserve £1,125,000, being over £450,000 more than last year to assist in meeting our large future capital requirements.

The report was unanimously adopted.

CRITTALL MANUFACTURING COMPANY, LIMITED

ENCOURAGING EXPORT FIGURES

IMPORTANCE OF REDUCED COSTS

The twenty-fifth annual general meeting of the Crittall Manufacturing Company, Limited, was held on December 14th in London, the Rt. Hon. Lord Braine, chairman and managing director, presiding.

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

The consolidated profit and loss account shows the trading profits of the group to be £506,701, a decrease of £11,301 against last year. The turnover for the period was, in fact, greater, but the reduction in profit is more than accounted for by the fact that last year's account included half a year's profits of a subsidiary company, Wood Surrounds, Limited, which, as I told you last year, was closed down during the period.

DEPRECIATION AND TAXATION

Depreciation and taxation have been provided on the same basis as last year and, in connection with the latter, there is a credit of £14,269 in respect of taxation provided in previous years, but now no longer required. The Scottish Metal Window Company, Limited, a subsidiary at Paisley, made a larger trading profit than last year, which profit has been retained in that business.

After making the appropriate adjustments, the net profit of the company for the year amounts to £241,373, as against £219,128. A final dividend on the Ordinary stock of 10 per cent. actual, less income tax, is recommended, making 20 per cent. for the year. The balance on profit and loss account carried forward is £160,521, as compared with £159,111.

The success of the Crittall hot dip galvanising process, as applied to the standard cottage window at Witham, led your directors to decide during the year to apply this process also to the more expensive purpose-made window product. As a result, a plant is now in course of erection at Braine Works which it is expected will be in operation during the next six months. The greater part of the capital expenditure contracts outstanding at August 31, 1949 (£90,000), is represented by the expenditure on this project, to which we were committed at that time.

EXPORTS

Our hopes of a considerable increase in export for the period as against the previous year have not been realised, the figure being practically the same, where we had anticipated a substantial increase. In some markets it is because import licences are not being granted, and generally there is an increase of sales resistance. The fact, however, that housing is a world-wide shortage leads us to believe that we have not nearly explored all the possibilities. We realise that sales will cost more to get; that is to say, we must increase our sales force so as to cover every country which can possibly use our products. It will mean that some of this business taken alone will be at un-economic prices, but, averaged with the rest will be worth gathering up.

An encouraging feature during the period has been the increase in our export to hard currency countries, which, this year, is three

times as great as last year. There are indications that this figure can be very materially increased, and the dollar area is receiving our concentrated attention.

STEEL PRICES

During the period, steel prices were increased by the removal of subsidy, the effect of which was to increase window sections by approximately 13 per cent. We were most anxious to limit the effect of this increase on our products, but, in the case of painted standard windows, we were compelled to increase the price by 4½ per cent. The extra for galvanising these windows has, however, been reduced by a figure which absorbs more than half the extra. I am glad to say that we did not apply the 13 per cent. increase in the cost of steel to purpose-made windows, and that there has, in fact, been a readjustment in price of this group of products which amounts to an all-round reduction.

I lay particular stress on the vital necessity of keeping costs down generally and because it concerns the future of this company, particularly the cost of building. It is true that a great deal of building remains to be done to replace war damage and a great deal more to bring our power plants and industrial equipment up to date. Unfortunately, the prevailing idea is that, because of this volume of work ahead, prices will stand a comfortable margin of profit. The fact that a large proportion of building now going ahead is costing more than an economic price, and would not be undertaken except as a matter of sheer necessity, is being ignored. I suggest that it is sound policy for manufacturers of building materials to keep prices down by every means in their power, such as passing on to the consumer the results of any economies which they can make.

PREVENTION OF RUST

The bugbear of rust and consequent high cost of maintenance has long been recognised as the outstanding barrier to the one hundred per cent. use of steel windows, and the industry is now committed, as an item of post-war policy, to treating steel windows with a coating of metallic zinc as a "must." Sherardising, zincspray, cold or electro galvanising, and hot dip galvanising are all methods which will achieve a coating of metallic zinc.

We have chosen hot dip galvanising in spite of the fact that this is the most expensive process and uses the most zinc. The equipment which is now being installed at our Braine Works to deal with our purpose-made product is a very large and expensive installation, and requires the demolition and rebuilding of the original buildings of the Braine Works factory.

Unfortunately, the future price of zinc, which has an important bearing on the cost of galvanising, is not predictable. It is fully alive to the necessity of keeping the cost of galvanising as low as possible, and when our new plant comes into operation we hope that the resultant reduction in cost will make a substantial contribution to our business.

The report and accounts were unanimously adopted.

An extraordinary general meeting of the company, at which new articles of association were adopted, will be held in the near future.

The report was adopted.

WOOLWICH EQUITABLE BUILDING SOCIETY

A YEAR OF SUSTAINED PROGRESS

The one hundred and second annual general meeting was held in London on December 13, 1949, G. Leslie Wates, Esq., J.P., the chairman, presiding.

CHAIRMAN'S SPEECH

The figures for the year to September 30, 1949, showed a further substantial expansion of the society's business. In many respects the present accounts represented record figures in the history of the society, but he was not much enamoured of the word "record" in this regard, as the striving after records for their own sake might well affect one's judgment as to what it was right to do from time to time. Their total assets amounted to £56,976,398. They had lent £13,850,836 during the year and their mortgages, at £47,212,049, were substantially up on last year. There was also a substantial increase of £4,211,491 in their paid-up investment shares. Their investments, other than mortgages, stood in their books at a million pounds or so less than last year, this money having been used to finance part of the increase in mortgage business. This degree of reduction in the society's investments in relation to the total assets was, in truth, a good thing. It was more profitable to have the society's funds invested in mortgages than in Trustee securities or on deposit at the bank.

One of the vital matters affecting the stability of any building society was its liquidity ratio. As their share capital was subject to withdrawal at short notice, and as their ordinary mortgages could not be called in, it was clearly of importance that they should maintain a reasonable portion of their total assets in liquid form. There were many opinions as to what was reasonable in that regard. Too high a figure meant loss of productivity; too low a figure might mean a risk of delay in meeting the withdrawals of shareholders and depositors. The Building Societies Association, in giving advice to building societies, had said that the net available liquid resources should never be allowed to fall below 7½ per cent. of the total liability to shareholders and depositors. The society's comparable figure at September 30, 1949, was 13 per cent. so they were well on the safe side of this recommendation.

There was a statement on the balance sheet of the Stock Exchange market value of their quoted investments as at September 30th. This showed a deficiency of £103,425 on the book value. This deficiency need cause no anxiety. Last year they set aside £50,000 in a special reserve account to meet such possible depreciation, and that was done with some prescience at a time when the balance sheet showed an excess Stock Exchange value of £174,622. This year they had added another £50,000, so that the special reserve account now stood at £100,000, and was substantially equal to the amount of the present deficiency. He did not attach great importance to that deficiency because all their securities affected were dated securities redeemable at par.

They were there to help the citizens of this country to own their own homes and gardens. That was a praiseworthy object. To do so they accepted money from investors; and the rates of interest paid by borrowers to the society, and paid by it to investors, were both fair and reasonable. The expenses of management were modest in relation to the society's size, and taxation was inevitable. Their organisation throughout the country was efficient, and they were in good heart. The board would serve the society in the future with that whole-hearted loyalty and care which had characterised the board for the last one hundred and two years.

The directors' report and statement of accounts for the year was adopted.

SCOTTISH AUSTRALIAN COMPANY, LIMITED

RECORD TRADING PROFIT

MR. J. N. EGGAR'S SPEECH

The annual general meeting of the Scottish Australian Company, Limited, was held on December 9th in London.

Mr. John Norman Eggar, the chairman and managing director, in the course of his speech said: This has been a memorable year in the history of this old company of ours, for not only have we produced record results but we have been able to develop further our constructive policy with respect to cattle raising and sheep breeding, to the ultimate advantage, we hope, not only of ourselves but of Australia and this country.

The most noteworthy event has perhaps been our acquisition of the whole of the capital of the Anthony's Lagoon Pastoral Company, Limited. Anthony's Lagoon is property of 1,800 square miles in the Northern Territory.

Our Aberdeen-Angus stud and herd at Texas continue to do well, and Mr. Brewer's enthusiasm and careful management have been rewarded by several prizes.

THE FUTURE

As to the immediate future, I can only tell you that weather conditions on almost all our stations continue favourable, though losses of sheep from the blowfly pest continue severe. Wool prices are firm, and there is no early likelihood of supply overtaking demand. Meat prices should continue good, and sales of new crop wheat already made to Japan and elsewhere are bound to yield good returns. But there are some disquieting features to which I must refer. It is of course, natural that in these days of high values there is a demand for land.

Quite recently the New South Wales Government has forced through Parliament the Western Lands (Amendment) Bill, which empowers the state to resume forthwith all leasehold land in the Western Division. It also deprives lessees of the right, conferred by previous Acts, to compensation. In lieu, lessees are to receive two home maintenance blocks in perpetual lease of an area capable of carrying a maximum of 10,000 sheep, and one area capable of carrying 5,000 maximum sheep, on lease for the same term as the lease withdrawn. This Act amounts to confiscation, and is a complete repudiation of the state's obligation. It affects Corrella-Warraweenah of 249,000 acres, whose leases expire in 1972 and 1974, where we have an average of 40,000 sheep and over a long number of years have produced magnificent wool. The land is said to be required for soldier settlement, but it is not suitable for running on a small scale, particularly in times of drought. In four successive drought years in the thirties the station made heavy losses.

AN UNFAIR ACT

Seeing that we have already voluntarily surrendered over 59,000 acres in the State of New South Wales, and in so doing have received in compensation much less than their true value, it is putting it mildly to say that this new Act is unfair and unjust to our company and to all lessees.

The final profit of the Scottish Australian Company for the year is £235,071, which constitutes a record for the company. We propose to pay a final dividend of 6 per cent making 10 per cent for the year.

The report was adopted.

DICTOGRAPH TELEPHONES, LIMITED

SATISFACTORY RESULTS

The thirteenth annual general meeting of Dictograph Telephones, Limited, was held on December 15th in London, Mr Philip V. Summer, the chairman, presiding.

The following is an extract from the circulated statement:—

In the face of an increasingly unsatisfactory economic situation, your company has not only maintained its position, but has again moved forward. Arrears of orders have been absorbed by increased production and prompt deliveries can now be made, both in the home and overseas markets. Orders on hand for new work are at a satisfactory level.

The volume of exports of our subsidiary, Gramplan Reproducers, Limited, includes a proportion of trade with hard currency areas, which it is anticipated will be extended in the future. Having regard to general conditions prevailing in the radio industry, satisfactory profits have been made.

As mentioned in my statement last year, further Ordinary shares were issued in December last to the extent permitted by the Capital Issues Committee, and while the net proceeds have been adequate for current needs to date, it is possible that further capital may be required before the end of 1950 for expansion of the business.

The consolidated profits for the year under review, before taxation, are £113,203 (against £103,083). From this amount is deducted £63,128 for taxation. The board recommend a final dividend of 10 per cent., making a total distribution of 20 per cent., less income tax, for the year.

Having regard to the particular nature of the trading of your companies, the directors anticipate that they will be able to present to you another satisfactory report next year. The report was adopted.

MALAYALAM PLANTATIONS, LIMITED

HEAVY TAXATION DEMANDS

The twenty-eighth annual general meeting of Malayalam Plantations, Limited, was held on December 8th in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from his circulated address:—

Exportable tea realised about 1½d. per lb. and rubber about 1½d. per lb. more than in the previous year. Unfortunately, the f.o.b. cost of production of tea exceeded that of the previous year by over 3½d. per lb. and the f.o.b. cost of rubber by over 1½d. per lb. For tea this was partly due to the reduction in the crop by over 965,000 lbs., caused principally by adverse climatic conditions and by blister blight. In the case of rubber, however, the crop exceeded that of the previous year by over 250,000 lbs., and included 171,611 lbs. of sole crepe.

Notwithstanding the increases in realised prices for tea and rubber, the profit remaining, after taxation, was £63,089 below that of the previous year. The directors propose to pay a final dividend of 10 per cent., making 15 per cent. for the year. I would again draw attention to the heavy taxation demands upon the company necessitating the provision this year of £234,488, or nearly 64 per cent. of the profits before taxation.

Given favourable climatic conditions, we estimate during the current year to produce approximately increased crops of 14,000,000 lbs. of tea and 5,774,000 lbs. of rubber, and according to our present information at a somewhat reduced cost for tea but a slightly increased cost for rubber. As far as we can tell at present, both tea and rubber also should realise higher prices, and therefore it is reasonable to expect better results this year than last.

The report was adopted.

STRAND HOTEL, LIMITED

MAJOR M. GLUCKSTEIN'S REVIEW

The forty-second ordinary general meeting of The Strand Hotel, Limited, was held on December 15th at the Trocadero Restaurant, Piccadilly Circus, London.

Major M. Gluckstein (the chairman) in the course of his statement said: Our industry, like others, is suffering from the imposition of theory by those with insufficient knowledge of the trade; a dogma which, in the minds of those with the power and inclination to interfere, transcends practical knowledge and experience. For the good of industry and the country we hope that, whatever party is

in power, this era will be short lived. The reference, in the statement accompanying the accounts, to the fact that we are denied the stimulus of freedom has implications which extend far beyond the confines of our own industry.

The best brains of the commercial world are despairing as they see their efforts frustrated by complicated legislation. Industry's vitality is being drained away through state interference, and the willpower and fibre of our people are being steadily sapped. Short hours create leisure; leisure is costly to the individual, and with purchasing power of wages decreasing the worker finds his daily life expensive. It is cheaper to be at work than at play.

When the state did not presume to run industry, but left it to those whose job it was, businesses were not fettered with theoretically-inspired boards, organisations with their attendant time-wasting committees, sub-committees and functionaries. Today, too much valuable time is devoted to talking instead of doing, and if the time spent could be assessed what startling figures would be revealed!

I have spoken generally, but all I have said applies to our own industry. Among our heaviest handicaps are the regulations of an Order made under the Catering Wages Act; and it is welcome news that, at long last, an inquiry is to be made into its operation.

The report and accounts were adopted.

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Applications are invited for two or more Adult Scholarships, of the value of up to £300 per annum, intended to give an opportunity for full-time study for a first degree to suitably qualified students who have shown promise in previous studies. Further information and application forms, which should be returned by March 1, 1950, may be obtained from the Secretary, the London School of Economics, Houghton Street, Aldwych, London, W.C.2.

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Investment Statistics

Company Notes

Bass, Ratcliff and Gretton.—Group trading profit declined from £1,763,886 to £1,657,844 in the year to September 30, 1949. Group total profit amounted to £1,808,432 (£1,950,334) and net profit to £591,584 (£645,798). Net current assets at the year-end were £5,434,493 (£5,640,941) and liquid funds £4,957,702 (£6,076,647).

British Lion Film Corporation.—Net consolidated loss after provision of £1,388,797 for estimated loss on films and film advances amounted to £1,197,191 in the year to March 31, 1949. For 1947-8 a net profit of £43,843 was shown, but no provision was made for film losses. Neither preference nor ordinary capital receive a payment for 1948-9 compared with 10 per cent. on the preference and 30 per cent. on the ordinary in the previous year.

Mitchells and Butlers.—Balance on consolidated trading account declined from £1,855,738 to £1,441,279 in the year to September 30, 1949. Net profit amounted to £496,000 (£722,460). Net current assets at the year-end were £1,648,648 (£2,220,274) and liquid funds £1,435,321 (£2,365,174).

British Northrup.—Trading profit increased from £260,743 to £545,845 and net profit from £83,232 to £212,765 in the year to October 31, 1949. The recommended final dividend is 7½ per cent. (same), making a total of 10 per cent. (same). Net current assets have increased from £262,306 to £409,450 and fixed assets from £921,409 to £1,064,647.

Avon India Rubber.—Balance on consolidated trading account for the year to October 1, 1949, was £286,296 and total group profit £291,397. Net current assets of the group at the year-end were £678,000. No comparative figures are available for 1947-8.

Clutson and Kemp.—Consolidated trading profit increased from £274,514 to £391,212 and net profit from £118,690 to £232,009 in the year ended August 31, 1949. Net current assets were £333,000 (£188,000) at the year-end.

Allen and Harburys.—Consolidated profit declined from £564,062 to £441,258 and net profit from £167,623 to £124,384 in the year to June 30, 1949. The total dividend of 3s. 6d. for the year is unchanged. Net current assets at the year-end were £381,000 and liquid funds £171,585.

British Coated Board and Paper Mills.—Total group profit fell from £95,995 to £72,563 in the year to June 30, 1949.

Brickwood and Co.—Total group profit declined from £206,652 to £64,071 and net profit from £292,894 to £214,827 (after taxation of £302,058 in 1947-8 and £210,619 in the past year). The dividend has been reduced from 25 per cent. to 20 per cent.

Birfield Industries.—Consolidated trading profit fell from £1,133,010 to £880,333 in the year ended August 31, 1949. The dividend of 12½ per cent. is unchanged.

British Benzol and Coal Distillation.—Net profit for the year ended October 31, 1949, was £50,477 (£60,789). The total distribution is unchanged at 17½ per cent.

Hector Whaling.—Consolidated trading profit increased from £1,168,744 to £1,304,027 in the year to July 31, 1949. Net profit amounted to £314,289, against £293,076. Total cash at the year-end was £98,272 (£57,849) and net current assets £116,000.

Woolwich Equitable Building Society.—Balance on profit and loss account for the year ended September 30, 1949, amounted to £1,120,455 (£1,054,706). Of the total amount available for appropriation, £936,385 (£887,024) represented interest to shareholders, £50,000 (£50,000) transferred to investments reserve, £200,000 (£200,000) to general reserve, and £45,793 (£58,627) is carried forward.

Raleigh Industries.—Group net profit declined by £11,000 to £583,000 in the year to August 20, 1949. The ordinary distribution is maintained at 20 per cent.

Ilfringworth Morris.—Net profit of the group increased by £43,363 to £201,388 in the year to September 30, 1949. The total distribution of 15 per cent. for the year is unchanged.

Capital Issues

Agricultural Mortgage Corporation.—Lists will open and close on Monday, December 19th, for the issue of £3,000,000 3½ per cent. debenture stock 1965-67 at £99 per cent.

William Collins and Sons (Holdings).—Lists opened and closed on Wednesday, December 14th, for the sale of 429,000 5 per cent. redeemable cumulative £1 preference shares at 21s. per share and of 297,000 £1 ordinary shares at 26s. 6d. per share. Capital consists of £1,550,000 in £20,000 5 per cent. redeemable cumulative £1 preference shares and £1,030,000 in £1 ordinary shares. Consolidated profit, subject to taxation, for years ended December 31st: 1938 £56,720; 1947 £612,924; 1948 £386,831.

Haigh and Hamer.—Application has been made to the London Stock Exchange for permission to deal in the issued capital of £120,000 in £60,000 6½ per cent. cumulative £1 preference shares and £60,000 in 2s. ordinary shares.

Kirklees (rayon manufacturers).—Some £300,000 is to be raised by an issue of 500,000 5s. ordinary shares at 6s. 6d. per share and £150,000 4½ per cent. unsecured loan stock at £99 per cent.

New Issue Prices

Issue	Issue Price (a)	Price, Dec. 14, 1949
Booker Bros.	22 0	4 10 5 41pm
Constructors, 5½% Pref.	21 0	20 10 5 21 41pm
Derby & Mid. Mills.	11 6	11 6 12 0
East African Power, Pref. (10% paid)	20 0	9 10 5 41pm
Do. Ord. (20% paid)	30 0	16 0 16 3
Ever Ready (S.A.) 5s.	100	16 0 21pm
Franklin, Doh. (25% paid)	28 0	2 0 2 41pm
Do. Ord.	51	7 10 7 1
General Mining	20 5	19 11 19 7 1
Haden, 5½% Pref.	30 0	30 9 31 9
Perry (Holdings)	30	4 10 5 41pm
P.L.A., 66-68 (40% paid)	20 0	20 0 20 9
Roads, 5% Cum. Pref.	20 0	57 6 59 0
Serek Radiators	39	1 10 5 41pm
South Africa, 65-67 (40% paid)	30 0	3 0 3 38 0
Tiger Oats	30 0	1 10 5 41pm
Wholesale	30 0	3 0 3 38 0
Willows Francis, 2 6s.	22 6	21 5 22 0
Do. 6% Pref.	22 6	21 5 22 0

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Bass, Ratcliff and Gretton; British Lion Film Corporation; Mitchells and Butlers.

Prices, Year 1949, Jan. 1-Dec. 14		Name of Security		Price, Dec. 7, 1949		Price, Dec. 14, 1949		Yield, Dec. 14, 1949		Prices, Year 1949, Jan. 1-Dec. 14		Last Two Dividends		Name of Security		Price, Dec. 7, 1949		Price, Dec. 14, 1949		Yield, Dec. 14, 1949	
High	Low			High	Low	High	Low	(a)	(b)	High	Low	(a)	(b)			High	Low	High	Low	(a)	(b)
British Funds																					
101 1/2	100 1/2	War Bonds 2½% Aug. 1, 1949-51	101 1/2	101 1/2	0 5 4	1 12 8 1/2	106 1/2	9 1/2	(d)	101 1/2	101 1/2	0 11 7	106 1/2	9 1/2	(d)	101 1/2	101 1/2	0 11 7	106 1/2	9 1/2	(d)
100 1/2	99 1/2	Exch. Bonds 1½% Feb. 15, 1950	100 1/2	100 1/2	0 15 0	2 0 4	103 1/2	9 1/2	(d)	100 1/2	100 1/2	0 15 0	103 1/2	9 1/2	(d)	100 1/2	100 1/2	0 15 0	103 1/2	9 1/2	(d)
102 1/2	101 1/2	War Bonds 2½% Mar. 1, 1951-53	102 1/2	102 1/2	0 19 10	2 3 9 1/2	104 1/2	9 1/2	(d)	102 1/2	102 1/2	0 19 10	104 1/2	9 1/2	(d)	102 1/2	102 1/2	0 19 10	104 1/2	9 1/2	(d)
103 1/2	102 1/2	War Bonds 2½% Mar. 1, 1952-54	103 1/2	103 1/2	0 10 10	2 3 9 1/2	105 1/2	9 1/2	(d)	103 1/2	103 1/2	0 10 10	105 1/2	9 1/2	(d)	103 1/2	103 1/2	0 10 10	105 1/2	9 1/2	(d)
100 1/2	100	Exchequer Bonds 1½% Ast.	100 1/2	100 1/2	1 3 3	2 4 5	100 1/2	9 1/2	(d)	100 1/2	100 1/2	1 3 3	100 1/2	9 1/2	(d)	100 1/2	100 1/2	1 3 3	100 1/2	9 1/2	(d)
103 1/2	103 1/2	Exch. Stk. 2½% Feb. 15, 1955-59	103 1/2	103 1/2	1 5 0	2 8 8 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 5 0	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 5 0	103 1/2	9 1/2	(d)
104 1/2	104 1/2	War Bonds 2½% Aug. 15, 1954-56	104 1/2	104 1/2	1 5 9	2 10 3 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 5 9	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 5 9	104 1/2	9 1/2	(d)
105 1/2	105 1/2	Nat. Def. 3% July 15, 1954-58	105 1/2	105 1/2	1 6 2	2 12 6 1/2	105 1/2	9 1/2	(d)	105 1/2	105 1/2	1 6 2	105 1/2	9 1/2	(d)	105 1/2	105 1/2	1 6 2	105 1/2	9 1/2	(d)
106 1/2	106 1/2	War Loan 3% Oct. 15, 1955-59	106 1/2	106 1/2	1 6 3	2 13 4	106 1/2	9 1/2	(d)	106 1/2	106 1/2	1 6 3	106 1/2	9 1/2	(d)	106 1/2	106 1/2	1 6 3	106 1/2	9 1/2	(d)
104 1/2	104 1/2	Sav. Bonds 3% Aug. 15, 1955-59	104 1/2	104 1/2	1 14 11	3 2 10 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 14 11	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 14 11	104 1/2	9 1/2	(d)
102 1/2	102 1/2	Funding 2½% April 15, 1956-61	102 1/2	102 1/2	1 16 7	3 4 5 1/2	102 1/2	9 1/2	(d)	102 1/2	102 1/2	1 16 7	102 1/2	9 1/2	(d)	102 1/2	102 1/2	1 16 7	102 1/2	9 1/2	(d)
104 1/2	104 1/2	Funding 3% April 15, 1957-61	104 1/2	104 1/2	1 10 0	3 5 2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 10 0	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 10 0	104 1/2	9 1/2	(d)
115 1/2	101 1/2	Funding 4½% May 1, 1960-90	107 1/2	107 1/2	1 17 6	3 5 8 1/2	107 1/2	9 1/2	(d)	107 1/2	107 1/2	1 17 6	107 1/2	9 1/2	(d)	107 1/2	107 1/2	1 17 6	107 1/2	9 1/2	(d)
103 1/2	103 1/2	Sav. Bonds 3% Sept. 1, 1960-70	103 1/2	103 1/2	1 17 7	3 5 8 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 17 7	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 17 7	103 1/2	9 1/2	(d)
103 1/2	103 1/2	Sav. Bonds 2½% May 1, 1964-67	103 1/2	103 1/2	1 11 1	3 5 10 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 11 1	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 11 1	103 1/2	9 1/2	(d)
116 1/2	104 1/2	Vict. Bonds 4½% Sept. 1, 1920-76	109 1/2	109 1/2	1 11 1	3 5 10 1/2	109 1/2	9 1/2	(d)	109 1/2	109 1/2	1 11 1	109 1/2	9 1/2	(d)	109 1/2	109 1/2	1 11 1	109 1/2	9 1/2	(d)
103 1/2	103 1/2	Sav. Bonds 3% Aug. 15, 1965-75	104 1/2	104 1/2	1 18 8	3 7 4 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 18 8	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 18 8	104 1/2	9 1/2	(d)
110 1/2	108 1/2	Consols 4½% (after Feb. 1, 1957)	103 1/2	103 1/2	2 3 0	3 18 9	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 3 0	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 3 0	103 1/2	9 1/2	(d)
107 1/2	107 1/2	Conv. 3½% (after Apr. 1, 1957)	104 1/2	104 1/2	2 1 0	3 18 9	104 1/2	9 1/2	(d)	104 1/2	104 1/2	2 1 0	104 1/2	9 1/2	(d)	104 1/2	104 1/2	2 1 0	104 1/2	9 1/2	(d)
104 1/2	104 1/2	Treas. Stk. 2½% (after Apr. 1, 1957)	104 1/2	104 1/2	1 19 9	3 12 6 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 19 9	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 19 9	104 1/2	9 1/2	(d)
103 1/2	103 1/2	Treas. Stk. 3% (after Apr. 5, 1966)	104 1/2	104 1/2	1 19 7	3 12 2 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 19 7	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 19 7	104 1/2	9 1/2	(d)
102 1/2	102 1/2	Redemp. Stk. 3% Oct. 1, 1986-96	102 1/2	102 1/2	1 19 8	3 9 0 1/2	102 1/2	9 1/2	(d)	102 1/2	102 1/2	1 19 8	102 1/2	9 1/2	(d)	102 1/2	102 1/2	1 19 8	102 1/2	9 1/2	(d)
104 1/2	104 1/2	War Loan 3½% (after Dec. 1, 1952)	104 1/2	104 1/2	2 1 6	3 15 0 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	2 1 6	104 1/2	9 1/2	(d)	104 1/2	104 1/2	2 1 6	104 1/2	9 1/2	(d)
104 1/2	104 1/2	Consols 2½% (after Feb. 1, 1957)	104 1/2	104 1/2	1 18 11	3 10 8 1/2	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 18 11	104 1/2	9 1/2	(d)	104 1/2	104 1/2	1 18 11	104 1/2	9 1/2	(d)
103 1/2	103 1/2	Brit. El. 3½% Gd. Apr. 1, 1968-73	103 1/2	103 1/2	1 18 0	3 6 11 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 0	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 0	103 1/2	9 1/2	(d)
103 1/2	103 1/2	Brit. El. 3½% Gd. Mar. 15, 1974-77	103 1/2	103 1/2	1 18 0	3 6 11 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 0	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 0	103 1/2	9 1/2	(d)
103 1/2	103 1/2	Brit. Tpt. 3½% Gd. July 1, 1978-83	103 1/2	103 1/2	2 0 2	3 9 0 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 0 2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 0 2	103 1/2	9 1/2	(d)
103 1/2	103 1/2	Brit. Tpt. 3½% Gd. Apr. 1, 1968-73	103 1/2	103 1/2	1 18 7	3 6 10 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 7	103 1/2	9 1/2	(d)	103 1/2	103 1/2	1 18 7	103 1/2	9 1/2	(d)
103 1/2	103 1/2	Brit. Gas Gd. 3½% May 1, 1990-95	103 1/2	103 1/2	2 0 4	3 9 8 1/2	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 0 4	103 1/2	9 1/2	(d)	103 1/2	103 1/2	2 0 4	103 1/2	9 1/2	(d)

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'r'. To this rule there is one exception (Funding 4 per cent.) on which the yield is taken to earliest date and marked 'e'.
(a) Net yields are calculated after allowing for tax at 9s. in £. (b) Flat yield.
* Assumed average life 15 years 6 months.

(a) Interim (b) Final (c) Whole year (d) Int. paid half-yearly (e) Assumed dividend 18½% after capital bonus (f) To latest redemption date (g) Free of tax (h) Yield basis 35% after capital bonus

Statistical Summary

that he can bring the proceeds of the sale home if the sale is prevented by quota restrictions. It is only when quotas are replaced by tariffs—which can always be surmounted at a price—and when money earned by traders of one country through sales to a second can be spent by them in a third, that trade will flow again. To produce those conditions in all categories of goods and in relations with all countries is impossible at one bound; but the obvious task is to remove import quota restrictions on goods and exchange control restrictions on payments over as wide an area, both of goods and countries, as possible.

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There are several reasons why this is a propitious moment for a fresh effort in this dual direction. The first is the pressure coming from America. It is not many weeks before the third annual appropriation for the Marshall Plan will have to be laid before Congress. It is difficult to remember a year when there was not apprehension of grave difficulty in persuading Congress to pass some important and necessary piece of legislation, and some Europeans, perhaps particularly in London, are inclined to apply quite a heavy rate of discount to some of the warnings that are coming across the Atlantic. They have, nevertheless, an urgent ring to them and they should not be disregarded. The Americans call for "integration," and though the literal meaning of the word is something more far-reaching, there is little doubt that a genuine act of liberation for European trade and payments would greatly lighten Mr Hoffman's task of persuasion in Washington.

It is not only in America, however, that reasons can be found for saying that it is now or never. There is impatience on the Continent too. The majority of the European countries are determined to be rid of at least the more rigid of the restrictions that at present bind their mutual trade. There are, it is true, elements of almost comic excess in the revival of European "liberalism," and it is not difficult for the British adherents of the welfare state to point out the social irresponsibility of many of the ideas that have taken possession of Continental minds. But the European move away from *dirigisme* cannot be ignored; it is a fact. It is in full flow in Italy; there is a strong movement in France; Switzerland and Belgium have never been in any other mood. And what is perhaps most significant of all for British policy, the Germany that is so rapidly moving back into the place of the most powerful economic unit of Continental Europe (and the most direct competitor of Great Britain throughout the world) is a Germany whose economic policies are based on the assumptions of a free market.

That the devaluation of sterling did not get a better psychological reception on the Continent was only in quite a minor degree due to the manner of its announcement; it was mainly due to the fact that it was not accompanied by any action, or even any tiny gesture, in the direction of liberating sterling. Right or wrong, the Europeans do not trust or wish to hold a currency which does not look as if it will ever be free for them to spend as they desire. There are prophecies going round that before long many of the European currencies will be made fully convertible, as Belgian and Swiss francs are now. This is perhaps an excess of "liberal" optimism; but it is not inherently impossible. What would be the position of Britain if the pound sterling were the only

important currency still blocked? What would happen to British trade if sellers avoided sterling? And what still worse fate would befall the City of London, with its still very large invisible earnings?

These are the reasons for making haste. But though they are perhaps more visible than they have been, they are in no way new. What is new, and all-important, is the willingness of the United States to permit and encourage partial solutions. It has not been sufficiently remarked in public, but perhaps the achievement of the September conference in Washington that is of greatest immediate importance is the agreement of the United States (tacit at least) not to stand upon the letter of the famous Article Nine of the Loan Agreement of 1945. The policy of non-discrimination is in at least partial and temporary suspense. The significance of this is immense. Hitherto, any proposal to make holdings of sterling convertible into any other currency have had to be extended to make them convertible into dollars—at least in theory. That was the trouble with the ill-fated convertibility of sterling in 1947. The pound could then safely have been made convertible into most of the world's currencies; but unfortunately the Agreement insisted that it must also be convertible into dollars. It is a great step forward from those days that European countries should now be able to relax their import quotas and their exchange restrictions in favour of each other without immediately extending the same concessions to the dollar world. This is the essential new condition which permits progress by stages, and thus makes progress, for the first time since the war, practically possible.

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The various plans that are put forward differ in their technical details. But circumstances force upon them a considerable resemblance in general outline. On the commercial side, they would require the European countries to remove quota restrictions on the import of each other's goods over a wide range of categories. On the financial side, they envisage breaking away from the present network of strictly bilateral payments agreements and establishing some central mechanism of clearing for the European currencies among themselves. The British plan is believed to be based, in large part, on a reversion to Keynes's original plan of a Clearing Union, which would be operated by the Bank for International Settlements at Basle. A clearing is of very little value, however (as the existing Intra-European Payments Scheme has shown), without some satisfactory provision for the settlement of the net balances which result. The defect of a scheme that makes no provision for the settlement in gold or hard currency of net debts is that it provides the debtor with no incentive to become a creditor. The defect of a scheme that provides for such settlement in full is that it imposes such a terrible penalty on debtors that they will throttle their trade rather than run up a deficit. Clearly, therefore, the path of wisdom is to make the debtors redeem some part, but not the whole, of their debts in hard currency. If the United States were willing to put some dollars into the scheme—and the unallotted \$150 million of the current year's total funds is offered—creditors could get more dollars out of the scheme than the debtors put in. For habitual debtors and habitual creditors there will also have to be an appropriate set of pressures to mend their ways—pressures strong enough to achieve some result

but not so strong as to amount to dictation. It is here that some flexibility of exchange rates would be useful.

The efficacy of any such scheme would clearly depend first on the extent of the initial local currency contributions that the member countries were prepared to make to it—that is, on the fresh overdraft facilities that they will give each other—and secondly on the effectiveness of the measures intended to remove chronic disequilibria in the balances of payments of the European nations with each other—for without them, any clearing union would quickly be deprived of its dollar resources and glutted with soft currencies.

It is not therefore—as much American comment assumes—a simple matter of faith and good will to liberate the European economy. There are real and obstinate difficulties to overcome. It is safe to say that without British collaboration no such system could be made to work. But if the British contribution is the most essential, it is also the most difficult. Some Americans, and most Europeans, still fail to realise how genuine and special some of the British difficulties are. There is the whole complex of questions arising out of Britain's relationship with the sterling area—questions which are not simple matters of whom the British love most, but difficult matters of the diversion of trade and supplies. There are also difficulties arising out of the past pattern of trade. Before the war, Britain was, generally speaking, in deficit with western Europe and a steady supplier of dollars for European needs. If the liberation of trade meant a simple reversion to this pattern, it would be ruinous to Britain in a degree which finds no parallel on the Continent.

Burma in Dissolution

HIGH on the agenda of the Colombo Conference will certainly be the affairs of Burma. The chaotic disorder into which that unhappy country has fallen directly affects the security and food supply of India, important commercial interests of Britain and the interest which Australia has acquired since the war in the maintenance of peaceful conditions in South-east Asia. The fact that Burma was a British dependency until two years ago gives the Commonwealth a special concern with its fate. But Burma is a world problem, especially in view of the recent extension of Chinese Communist power to its north-eastern borders and the possibility that it may become one of the liveliest sectors of the international "cold war." The situation in Burma should not be beyond the range of vision of the United States, nor should reference to the United Nations—as in the case of Kashmir—be excluded from any proposals for assistance to Burma which may be discussed among members of the Commonwealth.

When power in Rangoon was transferred to Burmese hands and the last British Governor took his departure amid demonstrations of the friendliest feeling on all sides, Britain certainly wished the new Burma a prosperous and successful future. Today Britain has neither the will nor the capacity to resume control in Burma, and British good will towards the Burmese people has in no way diminished. But nothing is to be gained by euphemism, and some plain speaking about the new Burma cannot be avoided. The deplorable fact is that of all

But if there are these real difficulties it is only fair to say that there are also some unreal bogeys to which far too much attention is paid in Whitehall—bogeys arising out of the fears generated in 1947 or out of ideological dislike of the Continent's revulsion from *dirigisme*. There is one school of thought in London which sees in all of these plans a plot to prevent sterling from resuming its natural role as the currency of account in European trade. There is some substance in this; but the distressing fact is that sterling is not yet ready to resume this role, be the fault whose it may; and events will not wait.

Real or unreal, the difficulties must now be resolved. There are risks for Britain in engaging in any of these initiatives of liberation of trade and finance in Europe—risks to the British balance of payments and risks to the sovereignty of domestic economic policy. But the political and economic risks of not going forward are still greater. On the political side, Britain is already in danger of being cast for the role of dog in the manger. On the economic side, there are all the risks of being progressively excluded from the commercial and financial community of the world.

The ominous fact is that Britain has come perilously close to a position of isolation. This may perhaps be not wholly unwelcome to the present mood of many of the British people, badgered and beset as they are by the cold realities of a world they did so much to save. But if so, the greater is the need for statesmanship to give a clear lead in taking the calculated risks. For there is no country in the world of which it is more obviously true that isolation spells ruin.

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These conditions undoubtedly faced any Government of Burma with an extremely difficult task. They would perhaps have justified a postwar period of direct British rule to restore the essentials of law and order and get Burma's economy back into working order before handing over power to inexperienced Burmese politicians. But the Burmese nationalists had no doubt of their ability to run their country, and on the principle that self-government is better than good government the British authorities gave way to them; above all, the transfer of power in India made it impossible to treat

Burma differently, for there is nothing that Burmese so much resent as any suggestion of inferiority to Indians.

Having been given power, however, the Burmese must be judged on their record, and the serious initial handicaps from which they have suffered cannot alter the fact that the record has been one of utter disintegration and collapse, in the most painful contrast not only to India, Pakistan and Ceylon, but also to Siam and even—since the excesses of the immediate postwar period—to the Indonesian Republic. Assassination has eliminated several of Burma's ablest leaders; there have been, not one, but several, civil wars of armed factions going on simultaneously, and government over a great part of the country has been reduced to the collection of tribute by local gangsters at the point of a gun. The economic life of a nation almost uniquely favoured in proportion to its size with exportable surpluses of food and raw materials in demand on the world market has been thrown into such confusion that the Government is faced with bankruptcy and foreign companies, even when their assets have not been expropriated, find themselves unable to carry on.

In this depressing picture, the Karen revolt is an element of particularly sombre significance. The Karens are a people who were oppressed under the old Burmese kingdom and sided with the British during the Burmese wars; they are therefore associated in Burmese minds with the imposition of a foreign rule, while the Burmese in their thoughts represent an ancient tyranny. The old cleavage was renewed in 1942, when with a few exceptions on each side, the Burmese joined or did not resist the Japanese invaders, while the Karens and other border peoples of Burma remained loyal to the British. The resistance of the Karens brought on them not only savage reprisals by the Japanese, but also massacres by the Burmese irregulars who first aided the Japanese and then came over to the British side when the Japanese power was crumbling. By subsequently quitting Burma the British left all the minority groups in Burma which had stood by them in their adversity at the mercy of the Burmese. The British Government was anxious not to interfere in any way in the internal affairs of the new Burma and incur the charge of using the minorities to put pressure on the Burmese leaders; on the other hand, some British ex-officers who had served in Burma and felt strongly that the Karens had been let down encouraged their agitation for autonomy to an extent which put a great strain on British-Burmese relations. Some British unofficial pro-Karen activities have been, to say the least of it, indiscreet in a foreign country—which Burma now is. Yet Britain certainly has a moral obligation towards the Karens and the Karen revolt is the most serious single issue now confronting the Burmese Government.

If a settlement with the Karens could be obtained, the prospects of success for the Government against other rebellious groups, including the Communists, would be greatly improved. In a sense the demands of the Karens have already been granted, for the Burmese Government originally agreed in principle to the formation of an autonomous Karen state within the Burma Union. But it has always also insisted that the Karens must first give up their arms; the Karens, however, have learnt from bitter experience that without weapons in their hands they are exposed to massacre by Burmese mobs or undisciplined troops which the Government, whatever its intentions, is unable to control. There is further the question of the boundaries of the autonomous state; the scattered ethnic distribution of the Karens is such that no compact territorial unit including all the Karens is possible without virtually surrounding Rangoon itself. The only solution—though it is a *pis aller*—seems to be an exchange of populations with a Karen state comprising Tenasserim and the Moulmein region;

if the Karens cannot live in security in the Irrawaddy delta, as it appears they cannot, they will have to be accommodated in a national home further to the east. A settlement on these lines is possible, and would probably be durable, but as things are now, the hatred and distrust between the Burmese and Karens are such that warfare can go on indefinitely and even a Burmese victory would bring no real peace.

The essential point as regards the present economic position in Burma is that it is useless to put foreign money into Burma for economic rehabilitation, whether in the form of a loan to the Burmese Government or

of new capital expenditure by private enterprise, until a certain minimum of law and order has been re-established. In general, it is a sound principle that to preserve a country from Communism it is not sufficient to provide arms and supplies to a would-be "strong" Government; it is necessary also to reduce the popular appeal of revolutionary extremism by promoting real economic progress. But in such conditions of anarchy as exist in Burma money spent on the economic development of the country, without some restoration of responsible authority, would be merely poured down the drain. The transport on which depends the movement of rice, teak and tin to the ports is nearly everywhere intercepted by marauding bands who levy "contributions" on trade; the oil companies have been trying to operate their business with their pipe-line in the hands of rebel forces. It is vain in such circumstances to expect political improvement from an economic recovery, when the economic recovery is thwarted by civil war and banditry.

Priority must, therefore, be given to the task of



strengthening the central Government and its military forces, so that the authority of the state can be restored in at least the key areas of the country. Only when this has been done will it be practicable to undertake tasks of economic rehabilitation and development in Burma, whether by loan or fresh private investment. The Government's political and military recovery depends on the political leadership of the Prime Minister, Thakin Nu, and the military capacity of the War Minister, General Ne Win; both are men in whom it is reasonable to place hopes for a revival of Burmese national life. If assistance is given to them, it is desirable that as few strings as possible should be attached, so that the Burmese Government may not be exposed to the charge of selling out to "imperialists." But one condition should certainly be imposed: that the Burmese Government invite the good offices of a mediator to be appointed by the United Nations for the purpose of a settlement with the Karens. It is intolerable that British arms and supplies should be used—as they already have been—

The Co-operatives—II

Finance and Customers

WHAT has been said in the preceding article in this series about the co-operative movement's attitude to retail markets and to manufacturing enterprise can equally well be said about its finances, namely that the size and scale of its past achievements have produced a cautious conservatism in its present habits of thought.

In 1948, from a turnover of just over £500 million, the retail societies made a net surplus (after paying share interest at 2½ per cent) of a round £40 million. Since the average dividend was 1s. 5½d. per £ of sales, about £36 million out of this £40 million must have been repaid to members, although a great deal of this doubtless found its way back into the movement through such channels as thrift clubs, house purchase schemes, savings banks, etc. Share and loan capital and sundry funds increased by £3½ million in 1948, which may represent roughly the extent of members' accumulation.

The retail societies operate under the Industrial and Provident Societies Act, with £1 withdrawable shares of which no member may hold more than 200; £24 is, in fact, the average holding. Since these societies constitute the membership and supply the funds of the wholesale societies, their capital is the basis of the whole movement. The published figures for the British and Irish Societies at the end of 1948 show the retail societies to have had between them total resources (in round figures) of £398 million. The two main sources of capital are share capital (£245 million) and loan capital (£60 million). Out of this total of £398 million, no less than £270 million was not employed directly in their own trade, but was invested, most of it in the Wholesale Societies.

The English and Scottish Wholesale Societies together showed at the same date total resources of £322 million, but of these only about one quarter was employed directly in their own trade. By far the biggest item among their assets consisted of investments totalling £242 million. These are represented by holdings in other co-operative undertakings, and other investments

for the suppression of a brave people to whom Britain owes an unpaid debt of gratitude; without such unilateral aid the Burmese have no prospect of decisively crushing the Karens, but as long as the war against them continues, the Burmese army will prefer to fight them rather than to oppose the Burmese Communists.

The Burmese-Karen war must be brought to an end; then progress can be made. But if the Burmese Government were to refuse even this condition for international assistance, it would be impossible to save it from disaster. The time is likely soon to come when it will be unable to pay such troops as it has; in the sequel not only the Karens, but also the Chins and Kachins would probably break away from a derelict Burma, and if the Chinese intervened in Burmese politics, as they well might, an Indian counter-intervention would almost certainly follow. Only statesmanship in Rangoon can now preserve Burma from still greater evils than it has had to endure in the last eight years.

held by the CWS's own banking department. The Co-operative "Bank" handles, in effect, the proceeds of a gigantic thrift organisation, and acts as a central agency for investing the accumulated savings of the movement.

On the footing, presumably, that its function is to be the repository of savings which, in the main, not only come originally from the poorer sections of the community but also are normally less mobile than ordinary bank balances, the CWS "Bank" has never been burdened with the obligations and conventions which are imposed upon the commercial banks. In particular, it is not subjected to the Treasury prohibition of payment of any interest on customers' current accounts or to the low maximum rate which the Treasury prescribes for deposit accounts; neither is it required to take up a quota of the Government's week-to-week issues of low-yielding floating debt (this offers only ½-¾ per cent per annum) or to keep in the form of cash the customary minimum proportion of its deposits. Because of these immunities, the "Bank" has been able to employ some nine-tenths of its resources in higher-yielding gilt-edged securities, mortgages and advances which necessarily are less liquid and offer greater risk of depreciation than the very liquid assets which must be substantially held by banks the bulk of whose deposits are payable on demand. This investment policy enabled the CWS banking department to offer to its depositors much higher rates of interest than those paid by the clearing banks even before, on the outbreak of war, the Treasury began to impose its own control; since then, and especially since 1945, the disparity has become much more marked.

So long as the CWS "Bank" adhered strictly to its function of acting as a thrift organisation, there was, perhaps, little justification for the restiveness occasionally shown in commercial banking circles at these privileges. The peculiar status of the CWS banking department began to raise quite different issues, however, as soon as it began, after the war, to attract the banking business of local authorities away from the com-

mercial banks and, more recently, to assume the banking business of the North Eastern Gas Board. If the CWS is to continue in this business, it ought to assume the obligations which are imposed upon the commercial banks.

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The British co-operative movement is founded on the consumer. But nowadays the co-operative consumer's role is in the main a passive one. Broadly speaking the societies in the south, facing keener competition, aim at achieving market prices, while in the north slightly higher prices and dividends seem to be the rule. The original conception of dividend was that it was only incidental, a by-product of the attempt to abolish private profit. More and more, however, it has come to hold the centre of the stage; action is taken to defend it; it has even given rise to the absurdity of co-operators protesting against the price control squeeze of all profit margins on the grounds that they do not allow a "fair dividend" to be paid by the co-operative sector. There are, no doubt, excellent reasons of expediency for defending the dividend. It is a thrift forming device for the poor, and an excellent advertisement; moreover, low prices are all too readily identified in retail trade with poor quality. It has, however, raised a hornets' nest of accusations, suspicions and resentment among those outside the movement which grows as the movement grows, and which lends some colour to the view that if it is to appeal successfully to the whole population, the movement should aim at a straightforward policy of charging the lowest prices that will cover cost, and letting the dividend-hunters go hang.

Appealing to middle-class custom in general is a problem that co-operators have not yet faced. Social snobbery, acting in fifty undefinable ways, is no doubt a big obstacle. Even the housewife who shops for household goods by means of the telephone and quarterly account is not generally catered for, though such services are near necessities for many business women. But all middle class custom involves including an element of

service which the co-operatives have so far studiously avoided. In their relations with working class customers, they have a tradition of discouraging the unnecessary proliferation of services, on the grounds that these are only devices for diverting attention from the prime necessities of price and quality. In so far as delivery services in urban areas, credit accounts, elaborate showrooms and big stocks of more expensive foods would increase the prices of commodities to the mass of poorer customers who have no use for these things, the retail shops are no doubt justified in sticking to their old character. But there are no signs that they are even seeking to discriminate where they can. A small charge on the dividend rates of those concerned, for example, would enable credit accounts and van deliveries to be provided everywhere, without sacrifice of principle, for those who find them worth while.

Advertisement is a slightly different case. Until recently it was regarded in much the same light as any other squandering of profit on inessentials. Now that this attitude is changing, however, the lack of any strong centralised organisation to co-ordinate advertising campaigns on a national scale is becoming an obvious drawback; the individual and unwieldy nomenclature of the thousand-odd separate societies is another; perhaps worst of all is that fumbling mouthful "Co-operative Movement" of which "Co-op" provides but an undignified stump. This is not mere fancy. There is a lot in a name, as every experienced advertiser knows, and when all the retail societies in 1948 agreed to cut their foodstuffs prices for a year, the main attempt to present the facts to the public had to be made (somewhat ambiguously) under the name of the CWS.

The movement's attitude to the consumer market seems in fact to be, "If you want me, you know where to find me." So far it has worked. But there is nothing to suggest that the colonel's lady will follow Judy O'Grady into the Co-op store without a lot more coaxing.

(To be concluded)

Alas, Poor Dobbin

(From an Old-Fashioned Correspondent)

PERSONS whose opinions proceed rather from sentiment than from reflection may find matter for regret and misgiving in the contemplation of London's horse-traffic; regret for its vanished glories, and misgiving for its future survival. Those, however, who take pleasure in speculating upon the significance of trivial incidents cannot but feel the singularity of the circumstance that when a horse bolted into the crowd at the recent Lord Mayor's show, even in this year of grace when people have so long been pampered by mechanical contrivances, a young gentleman appeared from among the bystanders, seized its head, soothed its terrified plunging with a skilful touch and, in short, reduced the emergency to a commonplace mishap to be put right as coolly as a loose bootlace. Familiarity with horses, as well as sentimental regard for them, is happily still widespread among town dwellers. Fifty years ago, half a dozen men in any crowd might each have stopped a runaway without

exciting remark. Fifty years hence it is debatable whether horses of any description—from spirited runaways to such as fall down when taken out of their shafts—may not have become as rare a sight upon the streets of London as prancing elephants.

All but the most youthful readers will clearly recollect that in September, 1907, *The Economist* ventured to predict that the sentence of commercial death, universally pronounced upon horse traffic with the arrival of the motor car, would prove to be premature. No doubt they have since been awaiting a reconsideration of the subject. Although this earlier optimism may be said to call for some modification, nevertheless one cannot but feel that it has for a long time been vindicated by events. In 1911, of the 71,000 vehicles entering the City of London, no fewer than 52,000, or 77 per cent were horse-drawn. Today, the proportion in the City is less than 1 per cent, and in the whole Metropolitan

area about 2 per cent. The absolute number, however, although no exact figures are available, is still remarkably high. Just before Hitler's war, for instance, in a 12-hour census in Greater London, no fewer than 60,000 horse-drawn vehicles were observed—surely a surprising testimony to the species' power of surviving the revolution in every aspect of its environment. How bizarre it would seem, if our perceptions were not blunted by its daily familiarity, to meet amid the towering omnibuses and fuming lorries on the Commercial Road two classically beautiful shire horses, no more disturbed by the uproar than if they were in the middle of their own green field; or to glimpse between the flashes of those long, low "automobiles" that glide silently about the streets of St. James's the old milk van, its pattern unchanged in living memory, rattling and swaying behind a brisk-trotting cob, a "reglar little 'oss coming along rayther sweet."

Moreover, this truly remarkable persistence of draught by animal power in our urban thoroughfares can in nearly every instance be justified by the creature's economy, the grand *desideratum* in all questions of commerce. For short broken journeys, for stopping and starting in traffic, for a constant alternation of exertion and recovery, the constitution of the horse is ideal; he gives of his best where the wear and tear on a petrol engine is most excessive; he can be switched from an empty to a full cart without delay, and removed altogether from fish and meat carts while they are hosed. The so-called mechanical horse or detachable petrol motor for trailer-vans is but an ironical form of flattery.

For light work on a tradesman's delivery van the capital expenditure on horses is very low. A young cob can be bought for £40 or £50 and with care and good luck may give from ten to twenty years' service, and even then be worth a substantial proportion of his price at an auction. The case for the heavier shire horses is a more debatable one. A first-class young shire horse may cost anything up to £200; he eats, if he is in a railway stable, about 32 lb. of fodder a day, and in consequence of "the 'ammer, 'ammer, 'ammer on the 'ard, 'igh road" wears out a set of shoes every few weeks. Many long-term questions like the growing scarcity of farriers, the increased prices of harness and fodder, and fluctuations in the prices of horses themselves, make expert comparison of the cost of horse and motor transport for heavy loads a matter for nice dispute.

Dickens averred that no cabhorse could perform three consecutive miles without going down, a source of entertainment vastly to be preferred in what he called "these

days of universal lassitude" to "them carriwans of hominibuses." The accident rate on London streets, however, has not declined *pari passu* with the number of horses, a circumstance all the more remarkable in view of the present-day fashion for many gentlemen—and ladies, too—to drive their own conveyances, a steady, well-conducted and sober class of persons having thus largely taken the place, so it would seem, of drivers with habits and character the very reverse. Modern horses, on the other hand, are the most careful road-users; they keep their feet more cleverly than their ancestors appear to have done, in spite of the slime which a light shower often spreads treacherously over the tarmac.

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Standards of care and attention are commonly agreed to be higher now than they ever were. The Easter parade of light turnouts in Hyde Park attracted 340 competitors in 1949, from costermongers to big dairy firms, while the heavier horses have their parade at Whitsun. These van horsical events, as Tristram Shandy would have called them, focus attention on the horse's welfare, not on its pedigree. There is, unfortunately, a cynical reason for the greater care of horses since the war; cast-off animals command a good price for slaughter, and the Royal Society for the Protection of Cruelty to Animals find that those auctioned for destruction or export need a sharper eye kept on their welfare than those still at work in the streets. The society has also been largely instrumental in ending the old controversy about docking horses' tails; an Act prohibiting the practice comes into force in January, 1950, and the enthusiasts for hygiene must bow to the humanitarians.

Railway horses, of which there are above a thousand in London, are universally admired for their spruce condition. Chosen for plain work, not showmanship, they nevertheless make a fine sight; any pair of them, breathing smoke on a sharp morning and nodding away like clockwork on their solemn progress, is worth a second glance. An even heavier class of horse belongs to the brewers, whose tightly-packed drays of barrels carry about four tons. Theirs is the slow business of delivery to individual premises, and they experience more inconvenience from the banishment of slow-moving traffic from busy thoroughfares in working hours than do the dairies or railways. Whitbreads' stables were praised over a hundred years ago—"the beauty and amiability of the horses is quite affecting"—and although the number of horses there is now only thirty, these are all first-



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rate animals, fit for the honour, which is still bestowed upon them, of drawing the Speaker's Coach on state occasions.

It is the lighter equipages which have suffered the most serious decline. Apart from the delivery vans and the little carts, which still hawk logs or vegetables through the residential streets, there is hardly a light turnout to be seen and few of any elegance. Your correspondent can recall only Dapple, who pulls the van of Lloyd's Register of Shipping, the spanking bays of Messrs Johnson Matthey, the Hatton Garden gold merchants, and the smartly liveried turnout of Messrs Scott, the West End hatters. There may be one or two barouches or victorias mouldering in forgotten mews. Even the Royal mews, which fifty years ago had as many as one hundred and forty horses, now house only thirty—all carriage horses—although they still maintain seventy-one equipages ranging from the state coach through landaus and broughams to homelier luggage brakes and dog carts.

Even more noticeable is the disappearance—apart

NOTES OF THE WEEK

Arms Across the Atlantic

The agreement between the United States, Canada and this country to begin gradual progress towards standardising weapons, equipment and training is to be warmly welcomed—on one condition. The condition is that American service advisers are ready for more give and take in staff work, more genuine exchange of ideas and sharing of tasks than they were during the last war. Unless there has been, or there is in progress, some such change of heart, the three partners must expect irksome and protracted arguments, which will delay the economies and improvements in efficiency which standardisation could bring. With the best will in the world progress must be slow—a matter of years—and a lot will depend on the mood in which the first exchanges are made.

Standardisation is, of course, not just a matter for staff officers and civil servants. It affects industry—and peacetime industry at that—down to the very screws and their threads. For a decade or more it will mean expensive and complicated double-stocking. There will have to be an interchange of ideas and plans on a scale and at levels never before attempted within an alliance of free and equal governments. Even to agree on the design of a standardised jeep is—as the French and British know—a diplomatic task of a delicacy indescribable.

With this agreement between nations that speak the same language the first difficult step has been taken: each government's observers will be watching in the other two countries demonstrations and tests which may produce results of "common interest." As weapons and equipment are standardised, so will be training in their use. What arrangements will be made about patents and payments are not revealed; in this field alone there is much to be clarified and agreed.

Hundreds of Brass Hats

A curious feature of this arrangement with the Americans and the Canadians is that its three-cornered pattern cuts right across the political, defence and other patterns drawn across Europe and the Atlantic area by British foreign policy. The British do not belong to the North American group of the Atlantic Pact, in which the Canadians and Americans collaborate. Nor do the Americans belong to the west European group with which the British are principally concerned. Is it therefore intended that French and Belgian

from a few officers of the Guards and children in Rotten Row—of the saddle horse. The independent gentleman of modest means who detests the public transport system nowadays flaunts his bowler hat above, not a cob, but a bicycle. Only the dignified horses of the mounted police and the splendid black chargers of the Household Cavalry remain to comfort the solitude of London's many equestrian statues.

Horse-drawn transport promises to survive for some years yet, but it will disappear, when it does so, abruptly. Like its romantic counterpart the sailing ship, it is not an expression of one skill but of many. Just as a sailing master cannot command a schooner without having at his back a whole army of riggers, sailmakers, and experienced hands, so also a London stable depends upon the services of breeders, farriers, harness-makers and veterinary surgeons; decline in the whole business is cumulative with vanishing skills. But how much we shall miss horses when they go. What mere motor ever earned—really earned—the name of Dumpling?

standardisation should be only with the British? Or is it intended that the British should pass on American and Canadian ideas and designs to the Continent? In Paris this English-speaking arrangement will certainly be once again interpreted as a sign of British determination to play a separate hand with the Americans—whether for security or other reasons.

Indeed, the whole committee organisation of western defence is ripe for searching review—before it expands to bursting point. There is a real danger that each of the five planning groups in the Atlantic Pact organisation will now start developing on the generous scale of the Brussels Pact committees. The Norwegians and Italians cannot be expected to show any less zeal for paper-passing and sub-committee forming than the British and Americans; and the time is not far off when the number of those who deal with some aspect or other of western defence plans will number not hundreds but thousands. A tremendous brass-hat interest is being built up at great cost in men and money.

At the root of this cancerous tendency is the determination of each government to "hold its own." In the capitals of western Europe fear of the political implications of co-operation is almost as strong as the desire for its benefits. Even in the agreement on standardisation this fact stands out in the statement that

Co-operative arrangements for this purpose do not impair the control of any country concerned over any activities in its territory.

Either this means nothing and is therefore superfluous or it means that governments still think they can really carry out the purposes of the Atlantic and Brussels pacts without some diminution of national sovereignty. In fact, the main obstacles to any real integration of forces such as might save money and lives are still political; and the multiplication of committees and papers is one of the ways in which the politicians—among them Mr Alexander—keep their real problems from rising to the top of their in-trays.

Stalinmas—1949

In the story of Stalin's birthday and of what the Communist party is making of it there is much that is ludicrous and much that is sadly impressive. In the tributes and the presents that have been collected for the "genial father of humanity" Byzantine ostentation, vulgarity, mass flattery

and propaganda nonsense jostle with genuine respect, sincere personal feeling and shrewd party calculations of political profit.

It is a far cry from the Alfa Romeo car of Hollywood magnificence, offered by Italian Communists, to the iced cake sent by women admirers in the Isle of Wight; from the fawning tribute of European intellectuals to the "giant of thought and action" to the breezy message from Mrs Ball of Camden Town—"It's my old father's birthday, too—same day, same age"; from the massive red lace sent by the Mayor of Calais to the pledge of the Pishma copper electrolytic refinery that it will produce 24.5 per cent more refined copper than in 1948. Sufficient pairs of socks have reached the Kremlin to last the whole Politbureau half a century; and if there is any question whether members of that body will survive that long, it can be answered by astrologers with the aid of the planetarium which is being presented by the Zeiss workers in eastern Germany.

For Soviet propaganda purposes it is a happy coincidence that the span of Stalin's life should have reached three score and ten in the year in which their "peace campaign" has been raging. Indeed, this birthday falls so close to Christmas that in some simple minds the two festivals have become confused. The Communist press of western Europe, especially in France and Italy, has been full of touching little stories revealing how the meek and humble and ignorant have been dazed and misled by the incessant repetition of the charge that the Americans and British want war, whereas only the Russians and their allies want peace. The confusion reaches its height, as one might expect, in eastern Germany; there a certain Johannes Becher, president of the Communist-controlled Culture League, has said:

It is Stalin's incomparable historical merit that the time is drawing near when the great dream of humanity, the 2,000 year old message of peace on earth, is at last becoming a tangible reality to the joy of all peoples.

It is clearly a matter of some importance that Tito's birthday on May 25 should be celebrated on similar lines.

Return to Incentives

There seems to be an implicit recognition on the part of Ministers that the present Government has made the least headway in the very field of policy in which a party grounded on Socialist theory and backed by Labour votes might have been expected to be most successful—the planning and fulfilment of a proper distribution of manpower between the various industries. Last week the Minister of Labour announced that "the ring fence" which at present forbids workers in agriculture and mining to leave these industries is to be abandoned from January 1, 1950, although the other aspects of the Control of Engagement Order, including the unused weapon of the direction of labour, would remain. On Wednesday of this week the Minister's Joint Consultative Council, the astral body which brings the representatives of labour and the employers together, met to consider hours of work and questions of labour direction.

It is plainly right that, whatever else can be done to improve the direction given by the Ministry of Labour to floating labour, the "ring fences" around the two industries should go. They conflict with every principle of freedom, and although the law has been sparingly applied, Mr Arthur Horner is probably right in saying that they have discouraged recruiting in coalmining. But the removal of a restriction on liberty does not constitute a positive policy. The Attorney-General, speaking at Brighton last weekend, frankly confessed himself in favour of a policy of economic incentive, including a study by the trades unions of the possibility of a new wages structure linked more closely to production and less to

old-fashioned differentials, together with an adjustment of taxation to give greater incentive to earnings. He is undoubtedly right. It has taken Socialists, whose creed was largely evolved in reaction to the brutal effects of an excessive addiction to economic incentives, a long time to realise that to abolish them altogether leaves a government which wishes to control the economy with the alternatives of acquiescing in stagnation and chaos or of using force. And the present Government, like any other British Government, is ready enough to assume the legal panoply but not to wield the bludgeon of force. It is, therefore, slowly and painfully being forced back to a recognition of the part that economic incentives must play in a sensitive economy. The sooner it is recognised that too little reliance on material incentives can do as much harm as too much, the sooner will the political parties and special interests which support them be able to devote their energies to more fruitful forms of argument.

* * *

Is Labour's Patience Exhausted?

One of the least pleasing features of the Government's pre-election psychology has been its gradual acquisition of a combined persecution mania and permanent sense of moral outrage. When, last year, Mr Bevan characterised the British press as "the most prostituted in the world" most people charitably ascribed the outburst to Celtic temperament, but now the whole Government front bench is denouncing its critics in similar tones, if not with equally unbridled choice of epithet. Concerns threatened with nationalisation should not—must not—protest. If the law as it stands cannot be interpreted (a kinder word than stretched) to scotch Mr Cube and Sir Loin, then the law must at the earliest opportunity be altered; so says Mr Herbert Morrison. Periodicals must not run feature articles criticising the groundnut scheme, still less must they invite comment (shaped in the usual journalistic conditions of optional anonymity) from anyone connected with that scheme; so says Lord Addison. Members of the Opposition must not cast aspersions on the terms of compensation awarded to gas stockholders, they demonstrate thereby that "the gilt is off" their own patriotism; so says Mr Glenvil Hall. The Conservative Party must not exhibit posters implying that they are interested in child welfare—so impudent a claim shocked Sir Hartley Shawcross. The Stock Exchange and those who use it must not mark down the price of those Government securities which fail to hold the public favour, nor talk about the reasons for that failure—such "goings on" call, says Dr Dalton, for "further measures" to curb "money lenders."

Further evidence of persecution mania is provided by the successive campaigns, official and unofficial, to blame the wicked foreigners for everything that goes wrong. The wicked Americans' prices were too high and are now too low; the wicked Canadians will not enter the sterling area; the wicked Belgians have seduced half of Europe into deflation; the wicked Argentines think the price of coal is relevant to the price of beef; innumerable wicked governments, emulating Sir Stafford Cripps, have thrown austerity spanners into the export drive; sterling, as every Government supporter now knows, was devalued because the whole wicked outside world ganged up to overthrow it.

If Labour's spokesmen were to pause and, as it were, listen to their own voices they might get a salutary shock. They might reflect what speaker and what regime could have been unhesitatingly identified ten years ago by addiction to rage against critics, oburgations against scapegoats and a general obsession with encirclement. It is through fear and self-

righteousness rather than an active taste for oppression that men commonly become tyrants.

* * *

Departmental Diets

On Thursday of last week the House of Commons debated that perennial subject—the nation's food—for which material had already been provided by the publication of a White Paper on food consumption in the United Kingdom (Cmd. 7842). Unfortunately, the debate, which took place on the adjournment was concerned only with nutrition. Members, therefore, spoke about calories, proteins, vitamins and "fat deficiency" and about the relation of nutrition to the fall in infant mortality and the rise (in Scotland) of the death rate from tuberculosis. In short, they talked about things that had some meaning during the war when food supplies were always problematical and it was a matter of real concern that enough of the right foods should be available for consumption and distributed according to need.

Today, the position is quite different. Food supplies have now reached a point, both in total amount and in variety, which allows all but the most foolish of housewives to provide, if she wants to, a diet that the nutritionists would call balanced. It is indeed high time that that word "calories" disappeared from statements on food supplies. During and shortly after the war, it had a certain use in that it provided the only available measure of what those total supplies were compared with what they should be. Now, however, it has become virtually meaningless to point out, as the White Paper points out, that the calorie level rose by 3 per cent to 2,980 in 1948-49. Mr Walter Elliot, in fact, put the calorie firmly in its place by declaring that the consumption of calories in Beda and Zuru in Nigeria was respectively 2,639 and 2,947.

The average person in this country does not want to know about such esoteric matters as calories and proteins. He wants to know, first, why he cannot have more meat and sugar; secondly, what is going to happen to food prices; thirdly, whether there is any chance of rationing being abolished or at least greatly relaxed; and, fourthly, if he has an eye on the future, what will happen to food supplies when the next balance-of-payments crisis comes along. He can have found no satisfactory answer to any of these questions in last week's debate. The housewife's dream of being able to buy what she likes, where she likes and when she likes will have been rudely shattered by Dr Summerskill's apparent belief in rationing for rationing's sake:

We look forward to the day when we can allocate that balanced diet, which has its full complement of every nutrient that hon. members of the House would like to see, without having to consider the supply question.

But perhaps Dr Summerskill's belief that the "dark days of 1947 have gone as far as food supplies are concerned" and that housewives "may look forward to the future with confidence" is due for a rude shattering as well.

* * *

Funds for Federal Germany

For some time past, it has been clear that one of the chief obstacles to further economic revival in western Germany is the acute lack of capital. The new agreement signed between the Federal Republic and Mr McCloy, the United States High Commissioner, who is also head of the ECA Mission in Germany, should go a little way towards easing the problem. The agreement allows for the release of just over one billion marks from the ECA Counterpart Fund to be invested in western Germany. The four largest categories of investment are to be heavy industry, the expansion of electricity, agricultural projects, including the settle-

ment of refugees and—a smaller sum—the development of housing.

This agreement has political as well as economic significance. It is one more milestone in Germany's progress towards equality of status with its neighbours in western Europe. Since the coming into being of the High Commissioner's office, all American aid to Germany, whether from State Department or from War Department funds, has been administered through the ECA mission, so that the conclusion of the agreement brings ECA procedures in Germany virtually into line with those adopted in other European countries.

The Germans hope that this release of a billion marks will pave the way for further investment. Nevertheless, Dr Erhard, Federal Minister of Economics, estimates that another four billion is urgently needed if full reconstruction is to be achieved. Part of this sum, he believes, may be provided by German savings, provided the taxation system is designed to encourage private investment. But the bulk of it must, he declares, be attracted in the shape of foreign capital from abroad. By this he does not mean the continuance of governmental aid, but the free development of investment between German and American private industry. Indeed, for a state official, Dr Erhard expressed himself with some firmness on the question of state loans and state investment. "I should like," he told an audience in Germany recently, "to see the half-wit who will entrust his money to the state to invest it for him."

* * *

Rebuke to Soviet-German Enterprise

More revealing than official statistics of progress in the economy of the Pieck Republic is the experience of businessmen in federal Germany: they find that the managers of publicly-owned enterprises in the eastern zone can be bribed with a pound or two of butter. But even the statistics—as given by Herr Fritz Selbmann, the Communist Minister of Economics, at a recent conference of managers of enterprises confiscated by the East German State—are a poor advertisement for Soviet planning in Germany.

Monthly output has indeed risen by no less than 83 per cent, but only when expressed in values, and only when compared with the first half of 1948—a period of blockade by the west. Quantitative output, despite the lifting of the blockade, has not risen to anything like the same extent, except in the steel industry (now employing many more men than before the war), and in the production of motor tyres and of window-glass. In the heavy industries, to which every incentive is given, the modest Two-Year Plan will be fulfilled by the end of the year, but many other branches of industry lag behind. According to one reliable estimate, total production in eastern Germany is not more than 55 to 60 per cent of what it was in 1936, whereas in Federal Germany the percentage attained is now 93.

Moreover, the east German increase in output has not been nearly as great as the rise in the number of men employed. Many works with more labour are producing only half of prewar output. In the metallurgical industry, for example, the ratio of wages to output has increased by no less than one hundred per cent.

Herr Selbmann also showed great concern at the shoddy quality of the goods that are being produced. This is a particularly serious matter because the eastern republic must rely on exports for much of its food and raw materials. The Russians are extremely critical buyers; and even the inter-zonal trade partners across the Elbe are now too well-placed to consider the purchase of low-quality goods. Hence the new campaign in the eastern zone to create "activists of quality," who will join the production "activists" on whose performance and example all Soviet states rely

Where Planning Goes Wrong

The financial situation described by Herr Selbmann was equally unsatisfactory. The Ministry has completely failed to control the confiscated enterprises, which work under its command; with "well-nigh criminal irresponsibility" they have indulged in an orgy of building, without regard to the central investment plan. The consumer goods industries are so heavily indebted to the banks and the central budget that they have "jeopardised the liquidity of all other publicly-owned enterprises." Part of the trouble is due to the fact that firms are holding stocks of unsaleable goods that had cost millions of marks to produce. In addition to censuring all those concerned, including the trade unions, Herr Selbmann gave a warning that enterprises must find some way, apart from raising prices, of absorbing the rise in costs that will follow the recent abolition of subsidies on coal and other raw materials.

Another cause of anxiety to the rulers of eastern Germany is the constant smuggling of assets to the west. For years past, firms have been shifting their headquarters out of reach of the Russians, share packets have been transferred, and plant removed. In an attempt to prevent the mortal decline of the eastern zone, an example is to be made of businessmen, officials and politicians who are accused of transferring assets of the Continental Gas Company to the west. "The criminals of Dessau" are to be tried, and a general witch hunt is going on among business managers and the workmen who—for reasons so incomprehensible to the Soviet mind—aid and abet them.

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The Technologist's Rainbow

Sir Lawrence Bragg has thrown his own colours on to the mixing palette of technical education. He was speaking at the Home Universities conference in London last Saturday on methods of improving technological education in Great Britain. The end of producing better applied scientists for research and industry is universally approved; the means are as widely disputed. Sir Lawrence selected three important aspects of the controversy. First, there was the relative absence of freedom in the technical colleges, most of which are owned by local authorities, which keeps them in the position of poor relations of the universities. Secondly, he advocated as an ideal the establishment of new centres of higher technical education which, like the universities, would be free to decide their own courses and standards, and would presumably receive an Exchequer grant with the same freedom from internal interference as the universities. Thirdly, with or without the existence of such institutions, he maintained that one end of the wide spectrum of technological education had a place in the universities, and that if separate institutes were at present impossible then the universities must do as much in this sphere as they could.

These are sound suggestions. There should be no rigid line of demarcation between technical college, technical institute and university department and the metaphor of the spectrum is apt. The trouble is that the middle colours are missing. At one end there are the technical colleges and at the other the universities. Between the two there is nothing but the beginnings of five highly specialised colleges of advanced technology such as those for rubber, foundrywork or clock-making.

The universities had doubled the number of students in their technological departments between 1938-39 and 1947-1948 and it is probable that some of them could still expand a little more without seriously affecting the balance of studies in the universities. But these possibilities of expansion do not meet the nation's demand for advanced technical education. It is difficult to avoid the conclusion that several para-university institutions are required, perhaps in the same towns as universities, on the lines of the Massachusetts Institute of Technology.

But even this is not enough. At bottom almost all the arguments in this controversy spring from questions of prestige and money. Hence the reluctance of those who are already in the technical departments of the universities to support expansion outside the university orbit. One possible method of bringing together all the different institutions might be to follow the precedent of a Royal college, which would award degrees (B. Tech.) to the non-university students and elect fellows from the universities, technical institutes and colleges alike. This would secure a recognised standard of degrees in all non-university institutions, and it would bring together the post-graduate elements inside and outside the universities. These at the moment lack the exchange of ideas and experience vital to bridging the gap between pure and applied science which many observers have noted as a characteristic weakness of the British economic scene.

* * *

The Dons' Dilemma

Oxford and Cambridge have now decided to pay higher salaries to their dons—a decision which the provincial universities reached six months ago. The decision has not been without its embarrassments. Overtaken by the tide of devaluation and economic crisis, both the older universities have been caught in the awkward situation of voting themselves higher pay at almost the exact moment when civil servants and trade unionists were being told to tighten their belts. The dilemma was faced in the open at Oxford when an amendment was moved and rejected for postponing until 1951 all increases in salaries over £900 a year except those for medical appointments. Oxford teachers were not prepared to deny themselves what had been gained already in other universities. Nor, one suspects, were the non-medical professors enamoured of an amendment which would have given to the "medicos" still greater advantage over them.

At Cambridge the debate took a slightly different course, but again the salaries of the staff in the medical faculty were a bone of contention. This is a bitterly controversial subject, common to all universities, of which the last has probably not been heard. It springs from the Spens report on the "Remuneration of Consultants and Specialists" (Cmd. 7420), published in May, 1948. The report concerned the national health service, and in that context seemed reasonable enough. Its object was to provide a scale of salaries for consultants who joined the national health service whole or part-time. The unintended effect was to bring to public notice the difference between the earnings of a consultant in a hospital and a full-time medical professor paid by a university.

We regret

to announce that we can no longer accept orders for the 1950 edition of THE ECONOMIST DIARY. The size of the edition was substantially greater than for 1949, but it was, nevertheless, insufficient to meet the heavy demand from home and overseas.

We suggest

that the best way of ensuring that you are not too late next year is to instruct us to notify you when the 1951 edition is ready. All you need do is to write your name and address on the back of a postcard and send it addressed to: 1951 DIARY, THE ECONOMIST, 22 RYDER ST., LONDON, S.W.1.

The difference was glaring. And so by the well-known process of the spiral, first the clinical medical, then the preclinical medical and then all the non-medical professors have had a rise in salary, and with them all their junior staff. This rise was possibly necessary to deal with the cost of living, but it has not obliterated the invidious distinction between the medical and non-medical faculties. (Only at Cambridge have the medical staff not secured the full measure of preference.) In 1939 the average professor's salary was £1,115 a year. In 1946-47 it was £1,534. The new scales lay down a basic salary for professors outside the medical schools of £1,600 (plus a block grant, originally intended for supplementing the salaries of particularly distinguished or senior individuals, but in fact used by most universities, in part or in whole, to increase the minimum to £1,800 or £1,900), of £2,000-£2,500 for medical professors and of £2,250-£2,750 for clinical professors. An ironic feature of the whole affair is that Government economies have forced the hospitals to make fewer appointments of consultant status than was expected, so that in some cases those at the spiral's centre have benefited others more than themselves.

* * *

Paper for Periodicals

The President of the Board of Trade has given the periodical press of this country a most acceptable Christmas present. He announced in the House of Commons on Thursday of last week, that, as from March 1st next, existing magazines and periodicals "will be allowed to use all the paper they can obtain." The restrictions on new publications will also be withdrawn. Newsprint, unfortunately, is still scarce and the newspapers will continue to be strictly rationed.

It is wrong to look gift horses in the mouth. But it is perhaps permissible to point out that this is another illustration of the present Government's unwillingness to remove restrictions until they have become virtual dead letters. Not very many periodicals have been using their full ration for some time past, and if a free market had been restored a year ago it is doubtful whether it would have exerted more than the slightest upward pressure on prices. For a year longer than necessary, there has been official discrimination against the more successful of the existing periodicals (since they alone have been kept short of paper) and an official ban on new periodicals (save those of insignificant circulation).

The Economist, as it happens, is one of the minority of periodicals to which the removal of the restrictions will make a substantial difference. It was in July, 1945, that the decision was deliberately taken to print *The Economist* on very thin paper, in order to keep within sight of the demand for copies without reducing the number of pages below the minimum necessary to provide the service that readers have come to expect. At that time, the circulation was some 75 per cent in excess of the highest prewar figure. The present circulation is more than two-and-a-half times that of July, 1945, and four-and-a-half times that of 1939. This has financial consequences to which we confess that we are not wholly indifferent. But the justification of the thin paper policy is not mainly a commercial one; it lies in the fact that it has enabled us, broadly speaking, to provide a copy of *The Economist* for everybody who wanted one. The indulgence of readers has, therefore, been given to each other as much as to the journal itself.

It will be an unmitigated relief to be able to choose paper for its suitability alone, and not for its weight. We hope, later in 1950, also to restore the grey cover of prewar years.

* * *

The Manstein Trial

Trials for war crimes may serve two purposes, which are distinct, though they are often confused. The first is what

may be called the restriction of national vengeance. When a nation at war suffers atrocities committed by the enemy against its prisoners of war and civilians and subsequently wins the war, it is natural that there should be retaliation; and it is a gain for reason and humanity that the retribution should not be indiscriminate, but applied according to a recognised code of law and by a proper procedure of legal trial to the individuals responsible. But, however legal and however fairly administered, such measures remain fundamentally a taking of redress by the injured party.

The wider aim of war crimes trials should be, and has been widely intended to be, the firm establishment of a system of impartial international criminal law commanding respect even from the vanquished enemy. Unfortunately, this aim cannot be realised as long as the law is applied only to the vanquished and the victorious nations openly set themselves above it. Charges of the most terrible kind have been fully proved against the leaders of Nazi Germany and their subordinates, from the killing of war prisoners and execution of hostages to the deportations for slave labour and the horrors of the concentration camps. But west Germany is full of refugees from the east who know that similar outrages were and are characteristic of Russian practice; and if it is said that Russian atrocities in Germany or Austria were only the outcome of German cruelties in Russia, a German can reply that the Russians did even worse to the Poles and Balts who had never invaded them.

As for the western Allies, though the grosser kinds of war crime have not been charged against them, it is unlikely that they would emerge unscathed from judgment by a tribunal strictly applying the international law of 1939 in such matters as the bombing of non-military objectives. In any case, whether charges against any one of the United Nations are true or false, there is no tribunal before which they can be brought, and the contrast with the rigour of the law applied to Germany is glaringly obvious.

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The most striking feature of the Manstein trial has been the fact that he was tried before a British court on charges of acts committed exclusively in Poland and Russia. Both Poland and Russia demanded his extradition, and it has never been officially explained on what ground it was refused. Presumably it was considered that it would have a bad effect on German opinion at a time when western co-operation with the Russians had broken down and the western allies were beginning to consider German feelings. But, as a compromise, the British Government decided to give Manstein (and others who have been kept from the court by death or illness) a trial by a British court. So Germany has witnessed the strange spectacle of one of its most brilliant generals being tried and sentenced by the British four years after the end of the war for what he did to Russians, thereby showing a disinterested passion for justice which would be impressive if it were not of such limited application.

* * *

Syria without Statesmen

"A third *coup d'état*" is a thorough misnomer for last Monday's upset in Syria. By comparison with the true *coups* of last April and last August—in the first of which President Shukry Kwatly was kidnapped and banished, and in the second of which Marshal Zaim and his prime minister were shot at dawn—this third piece of army dictation was a tame affair. No one was killed. The same government carries on. All that happened was that one of the many army cliques that is opposed to union with Iraq administered a sharp rat-tat on the door of Syria's new and weak "provisional chief of state." Its purpose was to teach him to mind his p's and q's and not to sign a presidential oath binding him "to act for the accomplishment of the unity

of the Arab countries." It succeeded. Mr Atassi sent a message to the Assembly saying that he was too ill to take the oath. The idea of union with Iraq is shelved.

The incident gives a sorry but true snapshot of the state of Syrian politics in 1949. In the first four months of the year a cabinet of businessmen, with some grasp of the country's economic needs, did its best to repair the ravages caused by years of rule by nationalist diehards who had quarrelled with the Lebanon, the oil companies and other possible contributors to the Syrian exchequer. In April, Colonel Zaim overthrew them in the name of patriotism. Everyone hoped for a Mustapha Kemal; but power went to Zaim's head. By August some thought him mad and, again in the name of patriotism, Colonel Hinnawi murdered him. This time, the army put in his place a caretaker government with instructions to draft a new constitution and to go back to democracy. Elections followed in November. They took place in an atmosphere of complete public apathy. That only 39 per cent of the roll troubled to vote is not explained by the boycott proclaimed by the nationalists. The public trusted no one. Syrians are not famous for moral courage and most of the best men had retired into business or to their estates.

The party that was returned to power, which is liberal and calls itself Populist, represents chiefly the merchant class of Aleppo and is young, inexperienced and *parvenu* in the eyes of anyone who does not belong to it. It holds under 50 out of 114 seats and is confronted by a majority of independents. It cannot raise a finger against the army. Yet the army itself is divided and demoralised by its recent intrusions into politics; just as Hinnawi threw out Zaim so, now a Colonel Abid Shishakali has thrown out Hinnawi. The political equipment with which Syria starts the year 1950 is, therefore, an army full of embryo Napoleons and a chamber full of embryo plans, but without the patience or the capacity to see to their administration.

* * *

The Clapp Approach

This portrait of one Middle Eastern state makes a gloomy introduction to part II of the Clapp report—that is to the long term recommendations by the United Nations Economic Survey Group that has been studying the Arab Refugee problem in relation to Middle East development. This report will not be published in full until mid-January, but Mr Gordon Clapp, on his way through London this week, gave an adequate summary of the thoughts that he is going to utter.

The keynote of his plan is that the Middle Eastern governments must work for any help they are to get. They must want it and ask for it, and produce plans for it through national development boards which (where these do not exist already) they must set up for the purpose. The plan's second new feature is that the benevolent body to which these new boards will turn for long term aid will supplement, but will not be the same as, the United Nations directorate which (as was described in *The Economist* of November 26th) is to help them with providing work for the Palestinian refugees. The new body will be different in nature because it will be appointed and financed only by the powers contributing money and experts to the long term schemes—in the first place only by America, Britain, France and Turkey. It will consist, presumably, of four men who are a cross between pro-consuls and engineers, and the organisation they set up will, at an initial cost of only \$10 million, provide sponsors, advisers and general advocates on behalf of the local boards already described.

As an illustration of the kind of help this body would be prepared to give, the report will set out four sample "pilot schemes" of the type it would be prepared to consider—one in Arab Palestine, one in Jordan, one in Syria and one in

Lebanon. The report's concentration upon these small beginnings should pour a salutary cold douche upon fantasies "of more than Oriental splendour" to which Mr Clapp's name has been linked in Middle Eastern newspapers. One, for instance, envisaged "the rapid construction of a canal from the Euphrates to the Mediterranean."

*

It is just possible that this new international body, if composed of men of sufficiently arresting and informed personality, will have for the Middle Eastern governments an attraction that, in their mistrustful xenophobia, they have never felt for other foreign bodies at their disposal—the Middle East Supply Centre, the International Bank, the American Export Import Bank, or the British Middle East Office. It is also just possible that one or two successfully accomplished pilot schemes might set a fashion of leaving some matters to the hitherto mistrusted foreigner. It is advisable not to be too sanguine; several of the local governments are shaky; the expert development boards they have tried are apt to quarrel with their politicians; few of them want to borrow money unless they may spend it without foreign restraint. Perhaps the best augury for Mr Clapp's new "approach"—his own word—to Middle East development is that two of his pilot schemes are in the area administered by King Abdullah. For Jordan, under its present ruler, is one of only two Arab states—Saudi Arabia is the other—that do not think it below their dignity to trust efficient foreigners with a measure of direct management.

* * *

The LCC takes Notice

It must be accounted for grace to the London County Council that it has accepted public criticism of the architectural quality and administrative organisation of its housing programme. On Tuesday last, only a fortnight after the publication of its own book which sets out the present organisation in all its ponderousness, the Council decided to transfer the prime responsibility back to its architects' department, from whose hands it was removed in 1945. There are, however, two reservations to be made. A return to the pre-war organisations will not itself effect improvements—the LCC's prewar housing schemes were not of a high quality. It is up to the architect's department to show that they can build dwellings worthy of the world's largest housing authority. Secondly, the architect's department is only to take charge of schemes approved after January 1, 1950, so that it will be two years before the public will have an opportunity to judge the merits of the change in policy.

* * *

Measure for Measure

The President of the Board of Trade, in reply to a recent Parliamentary Question, said, "Where intoxicating liquor is supplied in quantities of less than half a pint in England and Wales, and in quantities of less than one pint in Scotland, sale by Imperial measure is not compulsory, nor is the quantity supplied required to be stated in terms of measure." It was perhaps no surprise to the House to learn that a tumblerful more or less is all one north of the border, but a Scottish Nationalist may well feel that if the Sassenachs can stoop to examine the minute gradings of their "nips" and even discuss them in Parliament, then indeed Westminster is no place for him. The English, on the other hand, are more likely to be disturbed by this revelation of the quicksands of private enterprise beneath their feet where they are accustomed to the firm foundations of legal regulation; the absence of statutory compulsion in any field of buying or selling is discovered these days with shocked surprise.

Publicans, if challenged, claim that they sell "by the price." Few of them trust their barman's elbow; some use little bucket measures; but most use the intriguing automatic pourer which is graded "5 out," "6 out" or "7 out," etc., according to the helpings it measures out of a spirit gill. A "7 out" pourer, for instance, gives 36 measures to the bottle. Which kind he uses depends on the proprietor's judgment. In one bar, a prosperous custom may justify the use of a "4 out" and a charge of perhaps half-a-crown for whisky; in another a poorer class of custom may prefer smaller helpings at a lower price without the indignity of having to ask for them. For most customers, however, the distinction between a "single" and a "double" will remain the only one they bother to remember. This field of free enterprise, it appears, is under the eye of officialdom; there is a committee at present engaged in studying the retail sale of intoxicating liquors. If consumer-research is any part of their project, now is the season to call for volunteers.

The Wages of Death

THE Society of Friends, by the unostentatious manner in which they consign their dead to the tomb, have long set others . . . an example they ought to follow. We have procured, and we publish, the expenses of the funeral of one of the most distinguished members of that body—a man who in life possessed of all the advantages of a large fortune and high consideration.

[The bill then followed. Including a "super flannel dress, sheet, pillow, and mattress," "a stout lead coffin . . ." and "a smooth elm case . . ."; it totalled £25 9s. 6d. It was then contrasted with two other bills, of which one follows.]

	£	s.	d.
To one lead coffin, one oak coffin and inside shell	18	10	0
Coffin cloth	1	14	4½
Drugget	1	4	9½
Making	0	2	2½
Three ministers' handkerchiefs and scarfs, six yards each; 18 yards of crape	4	10	0
Clerk's handkerchief	0	12	6
Sexton	0	18	1½
Two beadles and staffs covered	1	19	0
Six pall-bearers and scarfs	9	0	0
Six bearers	2	8	9
Five coachmen	2	0	7½
Coffinmaker and scarf	1	10	0
Undertaker	1	10	0
Assistant	1	10	0
Youth (sic)	0	12	6
Six mourners and scarfs	8	2	0
Five pair of men's gloves	0	12	6
Ten ditto	1	7	6
Thirteen gentlemen's ditto	2	5	6
Nine ditto	1	13	9
Fifty-six handkerchiefs	0	14	0
Use of best pall	1	1	0
Use of seven best cloaks	0	14	0
Opening vault, funeral fees, etc.	3	5	2
Coaches	13	11	6
Five coachmen	0	10	0
Fees to two beadles	0	4	0
Fees to two bearers	0	6	0

£80 19 10½

Such a contrast must promote that reform in undertakers' bills which has long been demanded. Certainly there is no greater mockery, or more offensive spectacle, than that which is called a "splendid funeral."

The Economist

December 22, 1949

Perón Attacks the Press

The Peronistas have seemingly become restless over the degree of freedom permitted to the local opposition and to foreign agencies in Argentina. Another gun has now been fired in what will possibly turn out to be a *gleichschaltung* operation. Last month two members of the anti-Argentine activities committee made a surprise visit to the two great independent dailies, *La Prensa* and *La Nación*, and installed auditors in the business offices. Their ostensible object was to scrutinise the accounts for any evidence that the two papers had received donations from the opponents of Perón in the 1946 elections. To make sure of adequate publicity the visitors took the precaution of inviting along a corps of reporters and press photographers from the leading Peronista organs. The inquisition was later extended to the Communist organ, *La Hora*, the American news agencies, the National City Bank's local office, a branch of the Bank of London and South America, and the Argentine Jockey Club.

These operations are the latest in a series of attacks on the independent Argentine press which the regime usually accompanies with dark warnings against "foreign meddlers." Both *La Prensa* and *La Nación* are widely read in Latin America and have an international reputation for news coverage and balanced editorial comment. Both are critical of Perón's policy, especially of its economic aspects. To date there has been no direct interference with their editorial work but further trouble appears to be in store for them. Representatives of the police have remained on the premises ever since.

Perón recently announced to a large conference of the press that he would bring a libel suit against the two papers for printing a report alleging that the President had enriched himself in office. They were said to have given too much prominence to Perón's denial that while in office he went from rags to riches. The process, Perón claimed, had been in the reverse direction, and to prove his point each reporter was presented with a photostat of a bank statement certifying the existence of a mortgage on his country estate. The Federal prosecutor will handle the suit which will be brought under the provisions of the so-called "disrespect" law.

* * *

Secrets of the Soviet Navy

One of the major puzzles of the North Atlantic defence planners looks like remaining a puzzle for some time to come. Estimates of the size and quality of the Soviet submarine fleet have been bandied about with happy irresponsibility, since few people are in a position to challenge the figures. This week, the publication of the 1949-50 edition of "Jane's Fighting Ships" shows that the secrets of the Soviet Navy are still closely kept. In their foreword, the editors state that they gathered a large number of reports about the Soviet Navy, but that these reports could not be reconciled one with the other and that some could scarcely be credited. After this warning, they go on to say:

Under the current naval construction programme, within the next five-year plan, it was hoped to have 1,000 submarines completed for service by 1950-51, of which 400 were to be in the Far East, 300 in the Baltic, and the remainder in the White and Black Seas; but it is extremely doubtful whether the Russians have the shipyard capacity and the trained technicians necessary to build an underwater fleet of this size in such short time.

They report that, in fact, possibly more than 100 Russian submarines were put in hand for delivery this year.

The successful planning of how the defence resources of the 12 Atlantic Pact Governments are to be apportioned depends largely on reasonably accurate information of the size and performance of the Russian submarine fleet. The long supply lines to Europe constitute one of the most vulnerable parts of the whole defence network; if the threat

to them is likely to be at all formidable, the Allied navies and naval air arms will continue to demand substantial fractions of the national defence budgets—in Britain £189 million, in the United States \$4,920 million. Official opinion in America and this country—as publicly expressed—has wavered between uncertainty and confident assurances that things might be worse; but at the back of every naval expert's mind is the question: how well have the German technicians served their Soviet and Anglo-American captors?

Germany, it should be remembered, began Hitler's war with 57 U-boats; by the end of August, 1942, 304 operational U-boats had been built and of this number 105 had been lost. Yet, during the whole of 1942, with about 100 U-boats continuously at sea (if not simultaneously in action), the Germans sank a monthly average of about 500,000 gross tons of shipping. Anti-submarine measures are much better now than they were then, but submarines are improving, too. If the Russians are in fact building submarines at the rate of 100 boats a year, it can only be because they believe sheer weight of numbers might overcome the technical superiority of the Atlantic navies.

Shorter Notes

In a leading article in *The Economist* of last week reference was made to Mr Baldwin's dissolution of Parliament on May 10, 1935. This should have read "May 10, 1929."

The sixth annual report of the Catering Wages Commission has some strong words on the apathy of Government departments towards the tourist industry. It mentions five recommendations which were put forward to various departments as a means of encouraging the tourist trade—or rather of getting rid of its worst handicaps—and the replies it received were as follows: from the Ministry of Works, "the hotel and catering industry can be given no priority"; from the Ministry of Fuel and Power, "the recommendation will

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IT'S ONLY A DAY BY TCA

be borne in mind"; from the Ministry of Food, "no relaxation of the price control on meals can be granted at present"; from the Board of Trade, "policy . . . is as flexible as it can be . . ."; from the British Transport Commission, "the matter is already under consideration." As the Commission points out, this is not the right attitude to adopt towards Britain's biggest dollar earner.

The new Australian Cabinet was announced last Sunday. Mr Menzies, the Prime Minister, is keeping himself free from departmental responsibilities; Mr Fadden, the leader of the Country party, is to be Treasurer; Mr Casey is to take over a new department of National Development, and Mr P. C. Spender, K.C., is to supersede Dr Evatt as Minister for External Affairs. For the first time in Australia a woman, Dame Enid Lyons, who is the widow of a former Australian Prime Minister, is to be given cabinet rank as Vice-President of the Executive Council—a post much the same as that of Minister without portfolio. The new Cabinet has 14 Liberal and five Country party members. The only surprise was the appointment of Mr Casey, who was generally expected to take over the department of External Affairs; he is, however, an experienced mining engineer as well as a diplomat, and his new department will meet an urgent need in Australia today.

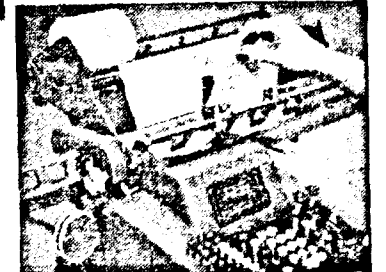
The Voortrekker celebrations which have been going on in South Africa reached their climax last Saturday during the unveiling of the huge monument to the Great Trek outside Pretoria. It was generally feared that the celebrations would lead, as the centenary celebrations in 1938 did, to a new wave of extreme nationalist feeling. Instead, Dr Malan, Mr Havenga and General Smuts all met on a common platform, and the occasion seems to have been marked by a welcome softening of policy on the part of Dr Malan and his party—at least as far as the European races are concerned.



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Books and Publications

British Foreign Policy

"Documents on British Foreign Policy, 1919-1939." First Series. Vol. III. Edited by E. L. Woodward and Rohan Butler. HMSO. 909 pages. 32s. 6d.

THE first two volumes of the first Series of this collection having given us the minutes of the Allied Supreme Council for the second half of 1919, the third begins the publication of the Foreign Office archives for the same period, for the six months following the signature of the Treaty of Versailles. Further volumes will appear on this period, for, as was obvious in advance, the documentation is on an exceptionally large scale in 1919; and this first instalment from the British records, of more than nine hundred pages, covers only three of the pressing problems which had to be faced in these months: the withdrawal of German troops from the Baltic provinces, developments in Russia, and the Polish-Ukrainian conflict over Eastern Galicia.

These problems derived their urgency and their inter-connection from the fact that Russia and the territories that bordered on her in the west had become a political no-man's-land, a power vacuum, as a result of the almost simultaneous collapse of the Russian, the German and the Austro-Hungarian Empires. This was the formidable situation which faced the Allied Supreme Council and the individual governments of the remaining Powers. The Council tried to legislate for it; but its arrangements were inevitably incomplete; and events in the second half of 1919 bore constant testimony to the gulf which exists between paper settlements and political realities. If the peace had been signed, the war was still on. If a settlement had been reached, it had still to be applied; and its application was a matter, not of fixed and long-range policies, but of waiting on and wrestling with day-to-day developments.

It is this which gives a special character to the documentation in this volume. In the first place the prevailing confusion must have made the editing of the material a particularly difficult task. The topics dealt with were simultaneous and interconnected; but they must be presented in separate chapters if they are to emerge with any clarity. The material itself is more than usually complex; and to this difficulty is added the unavoidable multiplication of the British channels of communication at the time, as well as the over-lapping of British and inter-Allied channels and springs of action. Mr Butler, who is responsible for the First Series, has dealt most admirably with these complexities, the more technical of which are explained in a lucid introduction.

One other result from the nature of the situation is that the material adds little that is new or startling to previous knowledge about the broad lines of British foreign policy. To take but one of the topics, the general British attitude to developments in Russia, the documents add very little of substance to Lloyd George's speech on April 16, 1919, to the House of Commons, which is printed as an introduction to that chapter. What they reveal is the execution, against the background of day-to-day events, of the attitude outlined in the speech; and, valuable as it is, this casts no light on the formation of British foreign policy. The same criticism has been levelled with such monotony against the later volumes in this collection as to leave no doubt that, for light on the formation of British foreign policy after 1930 at least, the unrestricted access to all Foreign Office archives, which the editors enjoy, is not enough. With reference to the present volume, however, although it may be true that access to other archives would be more rewarding on this subject in this period of Lloyd George's

ascendancy, the documents themselves give out a more authentic and substantial ring than do some of the later volumes. They suggest that, if the formation of policy does not emerge, it is chiefly because no policy was being formed, because no clear policy could be formed in the situation which obtained.

Journalists on Themselves

"Dateline: Washington." The Story of National Affairs Journalism. Edited by Cabell Phillips, Duncan Aikman, William C. Bourne, Homer J. Dodge and William A. Kinney. Doubleday and Company. 320 pages. \$4.00.

THIS book is a symposium gathered by a committee of its members to celebrate the 40th birthday of the National Press Club in Washington, a city referred to by all too many of the twenty-one contributors as the "news capital of the world." The National Press Club is a remarkable institution, which, thanks to one of those mysterious real estate deals which were so common before, and so responsible for, the slump of 1929, owns an imposing building in the middle of Washington. On its top two floors (floors which, under the local building regulations, should not be there but were added while the building was in progress by special act of Congress, thanks to the pressure of Washington correspondents on their local Senators and Representatives) it has its spacious, but seldom aired, premises, for which it pays a rent of \$1 a year. On the eleven floors below are the offices of newspapers from all over the world. (The floor immediately below the Club, for instance, houses *The Times*, *The Daily Telegraph*, *The Christian Science Monitor*, *The New York Herald-Tribune*, *Chicago Daily News*, *Baltimore Sun*, *New York Daily News*, the magazine *Newsweek* and a dozen others.) Most of the 1,400 journalists who hunt for news in Washington belong to it. It has the worst cuisine of any club in the world, but its bar is the unofficial news exchange of the city and every morning men with some piece of information from the Department of Agriculture, which they do not intend to use, will be there ready to barter it for something from the Treasury which fits the piece they are presently writing.

The symposium is what is called a labour of love. With the exception of four of the eighteen pieces (some are the work of more than one hand) it is on the intellectual and stylistic level of the Old Boys' section of a school magazine. It is curious that men trained to report an intricate story clearly and without delay should become so self-conscious when given time to correct their copy. (In one short chapter an exclamation mark is used thirteen times to underline a joke. Another chapter begins: "On a May morning in 1908 that section of F Street about seven blocks east of the White House was quiet in the sunshine of a drowsy Washington spring.")

The remaining four pieces, however, are good enough to make the book worth buying. The two best are Mr Wallace Deuel's account of the life of a diplomatic correspondent, which includes a beautiful analysis of the diplomatic lie—delivered by Mr Stimson when he was Secretary of State—and Mr Thomas Stokes's bird's-eye view of the whole field of news coverage today. Mr Bruce Catton has some valuable things to say about the uses and possible abuses of the press release and the Departmental Information Officer, who is as ubiquitous in Washington as in London but is also more circumscribed in his activities. Congress watches carefully to see that he gives only factual information and is discouraged from becoming a press agent for his political chief. And, finally, the history of censorship and information services in both wars is written, much too briefly and all in one chapter,

by those who know most about it—Mr George Creel, who handled both for President Wilson, Mr Byron Price, Director of the Office of Censorship after Pearl Harbour, and Mr Elmer Davis, Director of the Office of War Information.

But generally it is a disappointing book and must be considered a lost opportunity. Its weakness is that, like Congress, it suffers from the seniority system. It has been written, with the exception of the four good chapters, by those who have been longest in Washington and, for that reason, know least about the rest of the world. The immortal American phrase—"Fancy this happening to little me"—is implicit in the wide-eyed surprise of one writer after another who has travelled from reporting crime in Kansas to attending the President's press conference once a week.

The Estate of the French

"Mise en Valeur de la France." By J-F. Gravier. Le Portulan. 378 pages.

M. J-F. GRAVIER's motto is that of *Candide*: *Il faut cultiver notre jardin*. The garden in question is France; and this ambitious and stimulating book is a survey, a stocktaking and a preliminary blueprint for his conception of the France of the future. Here is the national estate—its geographical position and characteristics, its resources in soil, minerals, energy; here are its inheritors—too few, too predominantly old, above all too unevenly distributed; here are the technical possibilities, the essential changes of organisation, economic emphasis, psychological attitude, political structure; here, finally, is the estate as it should be, region by region, a balanced entity fitted once more to fill its historic (and in M. Gravier's eyes inevitable) role of European leadership.

It is, for all its remorseless geographical detail, a book which even a foreigner finds it hard to put down. M. Gravier brings to his task that loving enthusiasm which one can often hear ringing in the voice of a man who, having just acquired an old, rather dilapidated, but beautiful house and garden, explains its possibilities and outlines his future improvements. His economics are, indeed, of a crashing naïveté. He calculates the optimum population of France—and of her neighbours—according to the resources of each in food production and energy, without it apparently entering his head that the nature of economic activity and the degree of the division of labour, geographical and other, may have anything to do with the question. He scorns economic liberalism ("the free fox in the free chicken-run") without ever displaying the faintest understanding of its mechanism. He rejects with equal contempt the impressive mass of evidence that the secular root of economic progress lies away from primary production towards secondary and tertiary activities; he takes an almost physiocratic view of agriculture. When his facts can be checked by a foreign reader, they are much too often fantastically wrong or wrongly interpreted. How pleasant it would be were every farmhouse in England equipped, as he says they are, with running water and electricity. And how very peculiar is his deduction, from the proportion of building achieved in this country by public and private enterprise over the last four years, that the former must be the more economical instrument. His admiration for Britain and British methods is gratifying, and, one would like to think, deserved, but its foundations are decidedly shaky.

Yet, when one has said all this—and one could say more to the same effect—one still cannot help feeling that M. Gravier has hold of the right end of the stick; that his plea for decentralisation, regionalism, the rebirth of local initiatives, and for a shift of emphasis, in policy or in education, towards technical and agrarian betterment, is more adequately founded than are the economic arguments with which he supports it. There are few circumstances, after all, in which *Candide's* dictum is inapplicable. This country could do with some of M. Gravier's spirit if not of his methods.

Shipping: Commerce or Strategy?

"British Ships and Shipping." By Peter Duff. Harrap. 240 pages. 10s. 6d.

THE British interest in an expanding volume of world trade, which tends to be overshadowed at times by questions of self-sufficiency and the balance of foreign payments, could hardly be more clearly exemplified than by a survey of the shipping industry such as Mr Duff has produced. Exclusive and mercantilist policies are old in the shipping business, and this account recalls that British shipping interests met the repeal of the Navigation Acts with forecasts of ruin. But, as it happened, world trade expanded, and British shipping was sufficiently strong and efficient at the time to hold its relative place; so that British tonnage increased from 4,420,000 tons in 1850 to 8,450,000 tons in 1870. By 1914 British and Empire shipping was 21 million out of a world total of 50 million tons.

Although the aggregate size of the British and Commonwealth fleets had not changed greatly by 1948, their place in the world picture had begun to look different; for world tonnage by now was 81 million tons, and the United States registration had risen (because of the vast American war building programme) to nearly 30 million tons. Unfortunate though this relationship may at first sight appear for the British shipping industry, it is still more embarrassing for the United States, which cannot hope to keep a fleet of this size profitably employed in a competitive world. But the American merchant fleet, if it cannot be used, is unlikely to reproduce itself; what becomes, then, of the American strategic policy of keeping an adequate merchant fleet in being against the possibility of war? The various devices so far adopted by United States maritime policy—the reservation of the coastal and inter-coastal and even the Hawaiian trades to the American flag, the subsidies on building, the discrimination over ECA cargoes—have by no means removed the effects of the great competitive disadvantages under which the American merchant fleet labours. Mr Duff draws the outlines of a possible reassessment of United States maritime policy which would recognise frankly that the American need is strategic and not commercial—and would abandon, or at least moderate severely, the attempt to keep the strategic shipping reserve employed in commerce.

The writer's concern is not, primarily, with American affairs, or indeed with world affairs except in so far as they concern the British shipowner. He gives a lucid account of the composition of the British merchant marine, and of the technical and economic considerations which govern its development. He is frankly sympathetic to the shipowner's point of view: but his account of the shipowner's problems is not the less useful for its frankness, and is rendered readable by the studiously plain language in which it expounds what are often specialised or technical matters.

A Sound Tradition

"Brown Studies." By W. J. Brown, MP. Latimer House. 224 pages. 9s. 6d.

THOSE who, in the bureaucratic paradise of the more or less planned economy, wistfully or passionately wish that a Cobbett or a Chesterton could be resurrected for a day to speak for England, may return thanks for Mr W. J. Brown. He may not equal the first in energy and output or the second in mastery of the glories of the English tongue, but he is in a sound tradition. He knows that tyranny is no less tyranny when its procedure is correct, meticulous and regulation-abiding than when it is arbitrary, private and blatant. He knows that the piecemeal erosion of freedom is more dangerous than a frontal attack. He knows that the best of causes will go bad in the hands of doctrinaires, of men who "ave no backs to their heads." He knows that there is a time to advance and a time to reconsider the direction; twice, and effectively each time, he tells the story of the one Gadarene swine who,

to the scorn of his comrades, "reacted" against the magnificent solidarity of the rush down the steep place.

Regular readers of the *Evening Standard* will find themselves familiar with most of the essays here reprinted, and the rest appeared originally in other periodicals. But they all bear re-reading extraordinarily well. Robust humour, equally robust commonsense, a most enviable knack of placing punches, and an unfailing grasp of human values, give them a more than ephemeral place in the literature of political controversy. It will be a bad day for Britain when the Browns lose their voice.

A Stiff Pudding

"Distributive Trading." By Margaret Hall. Hutchinson's University Library. 200 pages. 7s. 6d.

WITH one exception this is a worthy addition to Hutchinson's present series of handbooks. It is short, up to date, and (within the limits of its subject) sets forth the main factual basis in a readily accessible form. The writer has not, however, pampered her audience. Although this is an introduction to the subject for the general reader, she has not always taken the extra trouble that is involved for an academic economist in calling a spade a spade.

Once a management takes into account that price reductions (intended to increase sales) may bring about price reductions on the part of its competitors, the attractions of price competition are reduced, probably eliminated. A market in which managements take into consideration the effects of changes in their price policy on the price policy of others has been called an oligopolistic market. Conditions of oligopoly are widespread in this country and in the United States.

and so on. This may be easy writing, but might not the general reader catch on more easily if simply reminded that when a handful of firms dominate the market, price wars between them no longer pay?

Like all modern books on applied economics, it contains the usual cold slap of indigestible abstract theory, complete with diagrammatic marginal analysis on axes *x* and *y*. Apart from the fact that the elements of conventional theory cannot be boiled down to twenty pages and retain any meaning for the average reader, the very attempt is itself a confession of failure. If pure theory has any relevance to the real world, surely it is the author's job, not the reader's, to fit them together? A Chinese scroll and a Chinese grammar are not the same thing as a good translation; Chinese scholars will despise the grammar and the rest will merely admire the pretty pictures. Perhaps it is unfair, however, to expect a book of this kind to flout current fashion by dispensing with this conventional badge of economic respectability. Besides, Chapter Eight gives us very good measure in a spirited attack on resale price maintenance.

Light on Incentives

"Human Relations in Modern Industry." By R. F. Tredgold. Duckworth. 190 pages. 8s. 6d.

THIS short book contains the substance of a series of lectures by a psychiatrist to groups of students, business men, trades unionists, personnel managers, nurses and doctors. The author believes that much industrial strife and inefficiency and some ill-health amongst workers can be avoided if those who have to deal with groups of people in industry have some knowledge of elementary individual and group psychology. This he provides.

In his discussion of "incentives," a subject which so often degenerates into a slanging-match between political opponents, he makes it plain that there are in fact numerous reasons why men work, that these reasons alter in one individual from time to time and that they vary in importance from man to man according to his temperament and character. Those who

believe that there is some simple solution to present problems by increasing "incentives" plainly underestimate the complexity of the subject.

An important section is devoted to neurosis in industry, which is more important as an economic factor than most people realise. It is estimated, for example, that between a quarter and a third of all sickness is due to this factor. In this connection, a little space could with advantage have been found for discussing the influence of social security measures such as the Industrial Injuries Act and sick-pay schemes upon this problem. In dealing with morale, leadership, "groups," and "tensions" Dr Tredgold keeps his language simple and avoids the jargon of social psychology.

The Happy Warrior

"Pipes of Peace." By Sagittarius. Jonathan Cape, Limited. 142 pages. 9s. 6d.

WHO is the happy journalist? Who is he Whom every prosy scribe would wish to be? It is the gleeful spirit who declares The paradoxes in the world's affairs, Disarms our criticism with comments wrought Centres upon some verse that pleased our childish thought, Who mocks at fools but at the same time shows That most exist among his party's foes, Whose partisanship is redeemed by grace, But yet sometimes when called upon to trace Some awful issue in which Heaven has joined Great issues, good or bad, for human kind, Speaks for us all, and voices, as few can, The indignation of the common man, Then, e'er the mists of time obscure his cause Reprints, in certainty of more applause. This is the Sagittarius. This is she That many a journalist would wish to be.

Shorter Notices

"Practical Investment." Compiled by The Investors' Chronicle. Eyre and Spottiswoode. 326 pages. 12s. 6d.

THE unrivalled experience of the staff of the *Investors' Chronicle* in the discussion of practical investment has been applied in this volume to sketch a pattern of the whole field open for the investment of British capital. In twenty-one chapters which are short and to the point, the scope ranges far beyond the immediate sphere of stock exchange investment, though here the description is more detailed, particularly of investment in commodity and mining companies. Other avenues such as investment in real property, building societies and life insurance are also given authoritative treatment. Perhaps the book is most useful in its clarification of taxation problems, in detailing the inner workings of the investment machinery, in clearing the fog from such subjects as bonus issues and official intervention in the gilt-edged market, and in analysing company earnings.

"The Pattern and Finance of Foreign Trade." Published for the Institute of Bankers by Europa Publications Limited. 231 pages. 15s.

THESE lectures, delivered at the recent International Summer School of the Institute of Bankers, were briefly commented on in a Business Note in *The Economist* on September 17th. They include enlightened critiques of Britain's inflationary position on the eve of devaluation by such lecturers as Sir Hubert Henderson and Professor R. G. Hawtrey and detailed case studies of particular sections of Britain's foreign trade mechanism and problems by Mr Harold Wilson, Mr W. Manning Dacey, Mr Paul Bareau, Mr Maurice Megrah and others. The Institute of Bankers is to be warmly congratulated on so speedily making available in book form this well-blended potpourri of opinion and information. It is, however, a cause for rueful comment that, despite the intervention of devaluation, very few of these lectures—and certainly not those on exchange control—look in any way anachronistic.

Letters to the Editor

The Dilemma of Defence

SIR,—In your article of December 10th, you pointed out that at £800 million Britain's defence budget, in terms of the national income, is now about double that of the middle thirties.

It is significant that this point—the proportion of their national incomes devoted to the common defence pool by the Atlantic Pact signatories—was recently discussed by the American House of Representatives Committee on Foreign Affairs. The Committee's report, No. 1265, finds that if a common percentage were struck, Great Britain could reduce her defence budget by £147 million.

This thinking is quite clearly in the right direction. It is equally clear that if the dilemma you pose is to be resolved at all, practical steps need to be taken in this direction. Throughout the entire participating defence area, the citizens who have combined in defence of freedom and justice are engaged in what is an emergent federal defence function. Where there is federal function, there also must be federal finance. The general interest, economic and political, would surely be well served by a decision to integrate the defence budgets of all participating States in accordance with this principle.—Yours faithfully,

J. L. GIBSON

The Beeches, Gravelly Hill, Caterham

Sterling Deals

SIR,—Considering the British Treasury's loathing of deals in sterling at a discount supposedly in contravention of the rules of the Exchange Control, the article entitled "Argentine Maize Mystery" in your issue of December 10th is apt to bewilder many a continental and American student of finance.

To the foreign spectator the fact that the British Government have been willing to pay for the recent maize purchase from the Argentine a sterling price at a premium of about 13½ per cent—if compared with the Chicago \$ quotation—would seem to exhibit a similarity with certain much criticised sterling deals in non-British centres. It will be noted with interest that you consider that "the new Argentine price may be a fair premium to pay to avoid expenditure of dollars."

Amsterdam

BANKER

Electricity Off Peak

SIR,—I notice that the correspondence in *The Economist* on the subject of incentives to shift electricity consumption to off-peak periods makes no mention of differential rates to consumers. No doubt the differential would be impossible to administer in the case of small domestic consumers but industrial and commercial users, whose own peak hours are at all flexible, might be glad to pay for the cost of installing a clock

controlled meter in order to obtain this advantage.—Yours faithfully,

MICHAEL VVYVAN

Odums, Carlton, Nr. Newmarket

Communist Vocabulary

SIR,—In your issue of December 3rd you publish a paragraph, "Dogs of Peace," in which you misquote the recent resolution of the Information Bureau of Communist Parties.

"The task set to Communists throughout Europe," you say, "... is to organise the 'ideological stupefaction of the working masses'."

What the resolution in fact stated is: "Thus similar to the Fascist aggressors, the Anglo-American bloc prepares a war in all directions:—military-strategical measures, political pressure and blackmail, economic expansion and enslavement of peoples, ideologically stupefying the masses and intensified reaction."

I know it would be useless to expect you to publish a letter outlining a policy which does not suit your book. But this is not a matter of opinion, it is just a question of plain distortion and falsification. And by so falsifying and distorting the resolution, you have in fact proved the accuracy of the statement in the Cominform Bureau Resolution that one side of the war preparations of the Anglo-American bloc is the attempt at ideological stupefaction of the masses.—Yours faithfully,

WILLIAM B. HALL

9 Haslemere Road, N.8

The phrase "ideological stupefaction of the masses" is not—and was not intended—to be read as a quotation from the Cominform resolution. It is an expression that is common in the Communist Party vocabulary, and was used in the Note in question to express the view of *The Economist* that Communists spend much time accusing others of what they are doing themselves. It is our habit to put quotation marks around such expressions as this in order that readers may be aware of their source and significance. Mr Hall may find it helpful to read the leading article on Soviet Semantics in *The Economist* of November 19.—EDITOR.]

Cruelty to Children

SIR,—I have read with interest your comments on the debate which took place in the House of Commons recently in regard to Cruelty to Children. There was, however, one serious mis-statement—that "it is only working-class parents who come before the Courts or indeed are warned by Inspectors of the National Society for the Prevention of Cruelty to Children." That assertion is not true. The Inspectors of the NSPCC warn, and have prosecuted when the need has arisen, people in all classes, including those who have ample means.—Yours faithfully,

DAVID SMITH, Vice-Chairman

National Society for the Prevention of Cruelty to Children



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AMERICAN SURVEY

Santa Claus and the Multiplier

(From Our American Staff)

ACCORDING to the census of 1940, there are in the United States some 300,000 persons who are Dutch by birth or parentage, and another five million odd who are German. The first group brought in Santa Claus (said by the Oxford English Dictionary to be of United States origin out of a Dutch dialect character spelled Sante Klaas) and the second the Christmas tree. Given the multiplying effect of factory production and the American propensity to spend, the mark of these two immigrations on the character of the American Christmas is out of all proportion to their numbers.

The traditions of other nationalities emigrating to the United States during the last three centuries and a half also survive. The English holly and the mistletoe wreath chandeliers and hang from door knockers, the Latin Catholic manger is dimly lit (by electric light) in churches as well as in museums, the Spanish *misa de gallo* is sung in New York as in Madrid. But while Christmas, like so many other features of American life, is a racy and incongruous mixture of customs brought across the Atlantic and those that have grown up since, the two symbols that dominate all others are the white-bearded fat man in the red suit and the decorated evergreen. So potent is their spell that even the children of orthodox Jewish families, told that Christmas is merely an adaptation of an earlier Jewish holiday, reject the Talmud's teaching and insist on celebrating the gift-giving virtues of the Dutch saint and the German tree.

This year those gifts are lit with neon, washed with gold and spangled with rhinestones. The amount of glitter would dazzle an Alpine climber at high noon. Fifth Avenue looks as though it has sacked the riches of the world, not only those made by American factories, but also the rarities of other lands which have returned in quantity for the first time since the war. Clay donkeys from Italy, wines from Hungary, printed silks from France, saris from India, lacquer from Japan and caviar from Russia, even raincoats from England, crowd the Christmas counters, competing with American specialities such as cocktail glasses made to dribble down the unwary front and lipsticks wrapped in a gold-illuminated scroll bearing the Christmas hymn.

All these items and a thousand more are supposed to make their way into gift wrappings and under the Christmas tree by way of Santa Claus' pack, and not all of them are destined for children. "Easily the most seductive gift," says one reporter, "is a pair of cuff links made of solid gold and fashioned in the shape of naked ladies." The white-bearded fat man in the red suit is still the children's friend, but his wages are paid by the Salvation Army and the department stores. Outdoors he rings a bell and solicits alms for the Salvation Army. Indoors he makes sure that hovering parents know what dear desires the child whispers to him, and can find them without leaving the store. So successful is he, in both roles, that his work has become a short-term profession, though not yet unionised. The same men, corpulent by nature or by padding, apply for jobs year after year, and there is even talk of a school which trains them in mild

jokes and smiling patience. Outside of fiat feet, the only occupational hazard is the inflammable false beard.

At the turn of the century there was competition between the stocking that Santa filled at midnight and the tree that parents trimmed as the resting place for gifts, but this now seems to have been resolved in favour of both. The tree is admittedly the more picturesque. It may be six inches high, made of plastic and bought at the ten cent store, or it may be 168 feet tall like the Douglas fir set up by a town in the State of Washington. Wherever it stands it must be lit—with candles or their electric counterparts—and it must wear on its topmost branch a star that glitters.

*

The American willingness to believe that two of any item has more than double the virtue of one has a special affinity for Christmas madness. Two pairs of nylons (sold in cigar stores for \$1 a pair) are known to be more than twice as good as one pair because they amount in fact to three pairs—the original two and the one that is left when ladders develop in two stockings of the original four. Two diamond clips are advertised as more than twice as good as one because together they may be combined into a third of a different shape. At least two radio sets are essential in a well-found house (this axiom has yet to be applied to television) and if one of them is portable its range may be extended so that two become three, four or five times as useful as one.

The multiplier is the keynote of those illustrated advertising booklets which reach the potential donor so conveniently early. You would like to give your great-aunt a blanket for Christmas? A good one will cost you \$15, and will, of course, be incomplete without a blanket cover which, costing an additional \$4.95, is itself a two-fold gift as it "protects your blanket and makes a lovely bedspread as well." Your uncle needs a coat-hanger? Have it monogrammed, and send six. Your brother wants a box to hold his cigarettes? Here is a new design with a plastic bird at one side which, when the appropriate lever is pushed, will pick out a cigarette in its long bill, and offer it. This says the merchant, provides not only a cigarette box full of cigarettes, but also a "conversation piece" which "operates with one-fingered ease." Box, bird, conversation and ease are a bargain at \$4. The more expensive jewellery stores will provide playing cards picturing the Republican elephant at two packs for \$3—the Democratic donkey is not displayed. Or they will sell you a pair of jewelled duck pins with ruby top-knots and emerald eyes for \$5,600. These compete with Cadillacs done up in cellophane and mauve bows, ready in the garage on Christmas morning.

There are moments when this incrustation of merchandising around what used to be the children's holiday seems too heavy to be borne, and one wonders how long the warm heart and the Christmas spirit can survive it. But the pangs of abundance afflict only the grown-up. Unlike the pleasures of austerity, they do not yet have to be explained to the young.

The National Security Resources Board

[FROM OUR AMERICAN STAFF]

ON November 16th the *Washington Post's* first leader consisted of a single sentence, under the heading "Memo to Mr Truman": "The National Security Resources Board has been without a chairman since last December." Another December has now come round without a nomination. A "Help Wanted" sign is also hanging out at the Research and Development Board; Dr Karl Compton resigned several months ago, and there are no indications of a successor. The Munitions Board was also without a chairman until it was taken over recently by Mr Hubert Howard, a Chicago coal merchant. But the National Security Resources Board needs more than a chairman. It needs agreement on its functions in both cold and hot war, particularly in view of the new machinery of defence established under the Atlantic Pact.

The NSRB was set up under the 1947 Act which established the Department of Defence and the Joint Chiefs of Staff, co-ordinated intelligence through the Central Intelligence Agency and established a formal link between the State and Defence Departments in the National Security Council.

In the minds of a number of the people who had a hand in the drafting of the legislation, of whom Mr Ferdinand Eberstadt, never a man for half measures, was one, the National Security Resources Board was to complete the structure by providing an agency through which military requirements could be related to the civilian economy. In short, it was to do in embryo the job that the War Production Board had done during the second world war. It was on this assumption that the Board's first chairman, Mr Arthur Hill, proceeded to operate; the phrase "intended to be a nucleus" was on his early organisation charts. But the assumption soon ran into brisk opposition.

The NSRB, apart from its chairman, consists entirely of members of the Cabinet who, being the heads of other departments, would not naturally be inclined to favour the growth of a super-agency. The Commerce Department in particular, sensitive to the relatively minor role which it played in the last war, probably hopes to do better in the future. When the difference of opinion became sharp enough for the President to be asked to clarify the functions of the new agency, he supported the Cabinet view that the Board should be merely advisory. This ruling not only left the Board in a somewhat undecided position, but drew attention to a difficulty in its structure with which the Hoover Commission dealt promptly, in its report on the National Security Organisation: the chairman of the NSRB, a Board composed of Cabinet members, is himself of sub-Cabinet rank.

Actually, the Board has not been materially handicapped by this situation during the last year. When, after Mr Hill's resignation, the Senate refused to confirm the appointment

of Mr Mon Willgren, Mr Truman made Mr John Steelman acting head of the Board, with Mr David Stowe as his assistant. In effect, this carried out the recommendation of the Hoover Commission that the NSRB be made part of the executive office of the President, since Mr Steelman is Assistant to the President and Mr Stowe is also a member of the White House staff. Mr Steelman, in his primary capacity, attends Cabinet meetings and the Board can, therefore, now meet informally after Cabinet sessions to discuss such matters as are not disposed of by the interdepartmental staff group which normally represents the members. And the acting chairman has no problem in securing access to the President. But this can hardly be a permanent expedient, and the present statutory position of the chairman would become increasingly inadequate if more action and fewer surveys come to be required from the Board.

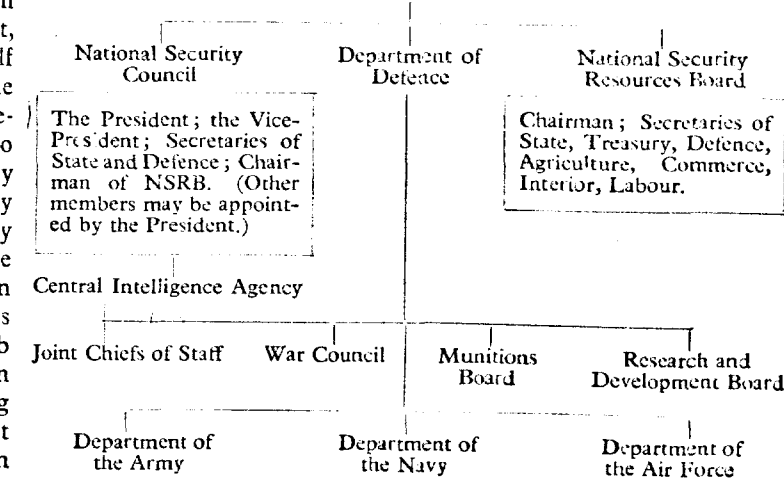
As adviser to the President, the Board has two other advisory agencies with which it must get along, the Council of Economic Advisers and the Joint Chiefs of Staff. With the former, it is likely to have only the difficulties arising out of amicable overlapping. But its dealings with the latter are affected by the disagreements within the Services of which much was heard this autumn. It is the NSRB's function to estimate the country's economic capacity in relation to the requirements of the armed forces. But super-aircraft-carriers and B-36 bombers are not made of the same materials, by the same industries, with the same skills, or in the same places. As a result, it is to be assumed that there is some tentativeness about the strategic plan which was passed last summer by the Joint Chiefs, converted into items of equipment by the Munitions Board, and handed on to the NSRB for its practical industrial feasibility to be assessed. These tests of feasibility

—you tell us what you want, we tell you whether you can get it—have been made in respect of a considerable number of items of equipment, the major metals, petroleum and shipbuilding; phantom orders for war supplies have given manufacturers some idea of what they might be asked for. The results of most of the tests are secret, but the NSRB has made no secret of the fact that, for the present at least, the armed forces cannot have as much manpower as they would like if the civilian economy is to produce the required amounts of supplies.

Among the early detailed industry studies made by the Board, that on machine tools was probably the most important; other types of enquiry have included energy and utilities—electric power, coal, gas, and the water which the west has always known is short but which New York is only now coming to appreciate. A third set of estimates concerns transportation. The work on sea transport under Captain Granville Conway, former War Shipping Administrator, ties in directly with planning on the Atlantic Pact. Captain Conway's preparatory visit to Britain last summer, to investigate the shipping capacities of the Western Union nations, pro-

THE NATIONAL SECURITY ORGANISATION

The President of the United States



vided American background for the sub-committee of Atlantic Pact signatories that is to consider sea transport next month.

Yet, however much the NSRB has accomplished in the way of surveys, if it is to be merely a survey-making, advisory agency, there is no organisation ready to do the job that the War Production Board did in the last war. As long as this is the case, the civilian side of the balance between the civilian and the military components of national policy-making is going to be up in the air. In the National Security Council, the balance between the Secretary of State and the Secretary of Defence is already somewhat distorted by the fact that Mr Johnson, the Secretary of Defence, is a personality of much greater influence in the Democratic Party than Mr Acheson. The belief that the United States is very probably facing a long period in which a high proportion of the national product will be used for defence purposes, and will be subject to government action, is causing much sober concern. Dr Vannevar Bush, former head of the wartime Office of Scientific Research and Development, has recently given a great deal of space to the subject in his book, "Modern Arms and Free Men."* The Committee for Economic Development, a nation-wide group of leading businessmen, has just released a report on "National Security and Our Individual Freedoms," which considers further development of both the National Security Council and the National Security Resources Board essential to the effective exercise of civilian supremacy in the national economy.

American Notes

Cotton at the Crossroads

This year the Secretary of Agriculture, Mr Brannan, did not receive the usual invitation to address the annual convention of the American Farm Bureau Federation. This pointed omission dramatised the separation of the ways between the Administration and the Federation, who are no longer struggling hand in hand, as they have been since 1933, along the road to permanent prosperity for agriculture. To the Federation the path now chosen by the Administration—the Brannan plan, promising high incomes to farmers and low prices to food consumers—leads directly to socialised agriculture and national bankruptcy. In Mr Brannan's opinion, bankruptcy also lies at the end of the flexible price support route advocated by the Federation's president, Mr Allan Kline. Furthermore, it would, according to Mr Brannan, leave the city consumer sitting hungry by the wayside without lifting the burden of regimentation from the farmer.

This last contention is substantiated, as Mr Brannan has been quick to point out, by the tribulations that the cotton farmers are now undergoing as the result of the Cotton Act of 1949, which regulates the imposition of acreage controls and marketing quotas. Congress wrote this Act under the guidance of the Farm Bureau and refused to give the Department of Agriculture the discretionary powers for which it asked. In consequence the Department can now do nothing to help the big cotton farmers, who already lead the opposition to Mr Kline within the Federation. The protection which the Act gives to small farmers means that some of the big farmers are having to reduce their cotton acreage by 50 per cent or more, even though the total national cut this year is only 23 per cent (to 21 million acres).

Resentment against the Act did not, however, drive the cotton farmers to reject the marketing quotas, limiting the amount they may sell, which are being applied to cotton for the first time since 1941. Tobacco is also subject to these quotas, but it is not yet certain whether surpluses of the other basic crops—wheat, maize, rice and peanuts—will

* Simon and Schuster, New York.

be large enough to require them. Next year all will be under the acreage controls without which they would not, since the new Agricultural Act, be eligible for the high price supports to which they are accustomed.

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But Congress did not direct the Department of Agriculture to apply these limitations in their most drastic form, the only one in which they can hope to be effective. Farmers are still free to grow what other crops they like on their diverted acres, instead of being obliged to plant non-competitive soil-conserving crops such as clover. Southern farmers, for example, can produce soya beans, or even maize, instead of the prohibited cotton; these feed crops will take the place of the maize which middle-western farmers are not allowed to grow. The Government is therefore likely to find itself nearly as heavily involved in the purchase of surplus crops next year as it has been this. The Commodity Credit Corporation has already let it be known that its present borrowing authority of \$4.75 billion will not be enough.

If it becomes obvious that the new Agricultural Act will not work without much stricter regimentation, one of the chief objections to the Brannan plan will lose much of its force with farmers. They are in any case being drawn towards the plan by its guaranteed income, which is becoming very attractive as their net income declines; it has gone down by about 20 per cent in the last two years. Southern farmers are already showing an interest in new methods of guaranteeing cotton prices and it is by no means certain that all of the 1,400,000 farmers represented by the Farm Bureau are convinced that Mr Kline's policy is better than Mr Brannan's. The National Grange, the other big farm organisation, has also condemned the Brannan plan, but some of the 850,000 members would nevertheless like to give it a trial run. Next November farmers will be able to say themselves which road they want Congress to take.

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Pensions and Prices

The United States Steel Corporation, the most reluctant and grudging of the large steel companies to grant non-contributory pensions to its workers, has proved the first to pass on the costs of the new scheme to the consumers of steel. Prices have been raised by an average of \$4 a ton for finished products, and the rest of the industry, though it deserted US Steel on the pension issue, is expected to follow its traditional bell-wether on prices. The increase is not greater, rather somewhat smaller, than had been expected in industrial circles, in view not only of the estimated annual \$80 million increase in social security costs, but also of higher prices for raw materials.

Steel at approximately \$100 a ton adds another \$8 to the cost of an automobile, \$3 to a tractor, and 50 cents to a refrigerator. But it does not follow that prices to the ultimate consumer will be raised by this amount; competition will force some buyers of steel to absorb the increase. It is likely, however, to rule out some reductions that would otherwise have been made, and industries which themselves are committed to pay new insurance costs may be forced to make the consumer shoulder all or part of the burden.

The moderating effect of the return of competition makes the present rise in steel prices less inflationary than that in

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1948, but this will not excuse the steel companies from having once again to justify their price policy to the appropriate Congressional committees. These are now controlled by Democrats, rather than Republicans, and consequently more vocal, though it is hard to see how they can do more than lock the stable door.

The board appointed in the summer by the President to study the steelworkers' claims against the industry recommended that the union, if it won old-age pensions, should forgo a wage increase, which might have an inflationary effect on prices. But the board went on to suggest that steel profits were high enough to permit prices to be reduced and that, if this did not take place, the union would be justified in pressing for higher wages to enable it to participate more fully in the industry's prosperity.

It is not unnatural that the steel companies should be anxious to recoup as soon as possible some of their losses in the six-week strike. But the union (now prevented, by the terms of its contract, from pressing new wage demands until November, 1950) is more impressed by the fact that the profits of the US Steel Corporation, at \$133 million for the first nine months of the year, were running, until September, at a level higher than at any time for twenty years past. In the wake of the strike, operations are nearly 95 per cent of capacity, and the price increase itself suggests the industry expects no early slackening in demand.

It is healthy, no doubt, that the nation should realise that even non-contributory pensions must be paid for. But the lesson would have been accepted with a better grace if US Steel had not been so eager to act as the instructor.

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Veterans Learn Their Lessons

Before long the voice of the veteran will cease to be heard on the college campus. Only 20 per cent of this year's freshmen are ex-servicemen and women, instead of the 50 per cent that has been usual since the war. In 1947 there were nearly one and a quarter million veterans studying for a university degree; now there are about 900,000 and only about one-third of college students are veterans, compared with three-quarters in 1946. It is no longer the undergraduate, but the graduate and professional schools, which are stretched to bursting point by the influx of ex-servicemen. That influx, when it began in 1946, raised college enrolment to record levels but, in most, although not all, universities, its subsidence has only reduced the average rate by which the student body is increasing, instead of causing the absolute decline which had been expected. This year's freshmen are evidently finding that their parents' prosperity is an adequate substitute for the government bounty that has seen their older brothers and sisters through college. The university authorities are saying good-bye with regret to these comparatively mature and experienced ex-service students, who have nearly always taken their education seriously. Their needs have been met by changes and improvements in college curricula and methods, many of which are likely to be permanent.

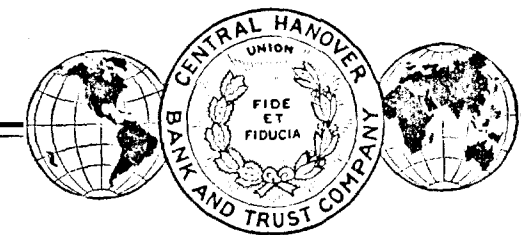
Should jobs become harder to find, it is possible that some veterans may return to college and that others may decide to take advantage for the first time of the opportunities which the government offers them. So far only comparatively few ex-servicemen have exhausted all the educational benefit to which they are entitled. The government pays tuition fees of \$500 a year and a subsistence grant of from \$75 to \$120 a month for periods which vary with length of service, disability and so on. Nearly half of this year's appropriation of \$5.6 billion for the Veterans' Administration will be spent on education and training, which since 1945 has cost the country about \$7.5 billion. During that time over \$35 billion has been spent on aid to veterans, which also includes compensation and pensions, hospital care, business loans, unemployment benefits, and so on.

Two million veterans have gone to college under the scheme and an additional two and a half million have received other forms of teaching; of these 500,000 have completed their elementary education. The number of veterans taking technical training is still increasing; it has gone up from 600,000 at the end of 1947 to about 800,000 now. Many new trade schools have been founded since the war to cash in on the government's generosity, and the VA has constant difficulty in preventing abuses. This is partly due to the frequent political pressure put upon it to relax its regulations regarding the courses which it is prepared to finance. It has, however, succeeded in making the veteran who wants to learn about dancing or fishing, or to develop his personality, prove that the study will help him to get a job.

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Bulls in the Coffee Shop

In the middle of November, Senator Gillette's attention was directed to the high price of coffee when the Senate coffee shop gave the death blow to the traditional nickel (five-cent) cup, already moribund elsewhere, and the Senate restaurant abandoned its "bottomless cup" policy of giving free refills. Mr Gillette already had a committee investigating the gap between the price of food at the farm and on the counter. It at once began to inquire into its chairman's allegation that speculators were responsible for the well-publicised rumours of a coming coffee shortage. The price had almost doubled in recent months and the New York Coffee Exchange had been forced to lift its ceiling on daily increases in green futures, from 1½ to 2 cents a pound. The rise was halted by the news of Senator Gillette's concern, but not before it had driven wholesale and retail prices up by 20 to 25 cents a pound. Even so coffee is still selling at well below the \$1 a pound about which shopkeepers



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have been whispering; fear of this emptied their shelves and filled housewives' store cupboards.

The representatives of such trade organisations as the National Coffee Association and the Pan American Coffee Bureau were not particularly convincing when they protested their lack of speculative intent before the committee. There is no doubt that Mr Truman will improve the occasion by pressing for the tighter control of the commodity markets which he has been advocating for some time. There was also some conflict between the estimates given by various

UNITED STATES COFFEE CONSUMPTION

Year	Imports (thousand bags of 132½ lb.)	Annual Consumption a head (lb.)
1937-39 (average)	14,358	14.38
1940	15,536	15.57
1941	17,045	15.62
1942*	12,962	13.77
1943*	16,618	12.55
1944	19,707	16.31
1945	20,539	16.75
1946	20,632	19.39
1947	18,854	17.81
1948	20,946	19.04

* Coffee was rationed in 1942-43.

government officials, one of them rushed hot-wing from Rio, on the effect the recent drought in Brazil will have on next year's coffee crop.

The drought certainly opened the doors of the coffee shops to the bulls and they were pushed wider by exhaustion of the stocks of Brazilian coffee which have been overhanging the market for many years. This encouraging event has been brought about by a decline in output, the recent recovery in European demand and the apparently irrepressible rise in US consumption. Impossible as it seems, the habit of drinking coffee is still growing in the United States and does not seem to be dependent on present prosperity. Individual consumption continues to go up, in spite of higher prices; the population continues to increase, and most of these new citizens have hardly yet reached coca-cola, let alone coffee, drinking age.

Since the United States already takes 70 per cent of the world's exportable coffee and must import all its supplies, this autumn's spectacular rise in coffee prices was only an extreme symptom of what is likely to be a long-term trend. This will last at least until newly-planted coffee trees begin to bear in five years' time, but Latin Americans are not as enthusiastic as the American housewife would like about planting these trees. They remember when coffee sold at one-fifth of its present price; they are anxious to escape from their one-crop economy; and they see an answer to their troublesome dollar problem in their near monopoly of this American necessity.

Encouraging Imports

The trade returns for October, the first full month since devaluation, show a sharp decline in the excess of American exports over imports, but a clearer indication of the success of the policy of encouraging imports is provided by the alarm of some affected industries in recent weeks. In October, the export surplus was only \$289 million, the lowest figure for nearly a year, but reduced exports, due in part to the steel strike, played a larger part than the increase in imports. The latter were \$29 million higher than in September, while exports were down almost \$56 million. Further increases, in British exports to the United States, at least, took place in November, but most of the foreign goods tempting American Christmas shoppers were bought before devaluation.

One very useful guide post to the dollar-hungry has been provided by the National Retail Dry Goods Association in a report to the Economic Co-operation Administration. This

is a list of 400 items which it feels could be sold in quantity in the American market. The great value of the report is that it specifies the price ranges in which such goods should sell, and the characteristics that will be demanded by American shoppers. To reach these friendly counters, however, foreign goods must pass through the needle's eye of the US Customs. The Treasury, which controls the customs, feels it has already introduced such reforms as are possible without Congressional approval; and Mr Snyder recently summoned customs inspectors from all over the United States to instruct them that the United States policy is no longer protectionist, and that they must extend a friendly and helping hand to importers.

As soon as Congress meets, it is expected that the Treasury, backed by the State Department and Economic Co-operation Administration, will submit legislation to amend the Customs procedures laid down by the Smoot-Hawley Act of 1930. The chief aim is to simplify classification and valuation so that importers may know, without undue delay, what rate applies to their goods. American foreign trade circles hope that this may mean the end of "foreign value" or cost of production as a standard of appraisal. International reform of arbitrary and antiquated customs procedure is part of the Charter of the International Trade Organisation, and the State Department puts ratification of the ITO charter first on its legislative list for the next session of Congress. But the charter is controversial, and hence legislation to amend customs procedure is likely to be made a separate measure.

Even so, its passage may not be early or easy. Czech competition is felt in shoes and berets; cheap foreign steel is reappearing, and even the toy industry, sheltered by a tariff that goes as high as 70 per cent, is sponsoring a quiet "Buy American" campaign and refusing to accept foreign advertising in its trade journals.

Shorter Notes

During the past three weeks, any parent living in the area served by the New Haven Railroad has been able to take the family to the nearest city to visit Santa Claus for only 25 cents a child for the round trip. The limit was 13 children to a parent, which the railway thought would be enough for most families. In one Florida town Santa Claus, arriving by parachute, landed on the electric power lines and completed his descent ignominiously by ladder. Park Avenue in New York is again lined with Christmas trees, lit with white and yellow bulbs only, to avoid confusion with the red and green traffic lights. Even sailors in the Pacific will have Christmas trees; four thousand were cut for the Navy two months ago in the Californian mountains and sprayed with a special liquid plastic to keep them green.

It is a year since the Supreme Court ruled that the Bermuda military base, which the United States leases from Britain, was an American possession. It has now, however, decided that the similar base in Newfoundland is in a foreign country. The immediate sufferer from this semantic contradiction is the widow of an airline employee who had hoped to obtain compensation from the Federal Government for her husband's death in an accident at the Newfoundland base.

Since controls on instalment purchases lapsed last June, outstanding consumer credits have risen to over \$17 billion. This record high level is due in part to price increases, but the ratio between instalment credits and disposable personal income is higher than it was in 1929. There is also an ominous reappearance of the easy credit terms and "no down-payments," which entice consumers to contract debts they cannot pay and were in part responsible for the collapse in 1930. However, bankers feel that there is no cause for concern so long as national income remains high.

THE WORLD OVERSEAS

Trial and Death of Traycho Kostov

(By a Correspondent)

THE incredible monstrosity of the case of Traycho Kostov, former Secretary-General of the Bulgarian Communist Party, stands out even against the background of the long and sickening list of judicial murders in Eastern Europe. Kostov and his ten co-defendants, all ex-Cabinet Ministers, Communist leaders of long standing, and high Communist officials, were tried according to a retrospective law passed only last month for the specific purpose of dealing with them. The President of the newly-created "Supreme People's Court," which tried the case, was also President of the "Election Commission," which ensured the 97 per cent government majority last Sunday, a mere 48 hours after Kostov had swung from the gallows, as a sort of "eve-of-the-poll" appeal to the voters.

The trial itself did not take place in the Sofia Law Courts, but in the ballroom (specially decorated for the occasion) of the Military Club, which was packed with several hundred "shock-workers" assembled there to enjoy the show. The indictment was such a fantastic document, even for a Communist trial, that neither the "people's judges" nor the accused and their counsel bothered to analyse it seriously or in detail. All they did was to shout in unison—with the notable exception of Kostov—that "terrible crimes" had been committed and that "the heaviest punishments" should be inflicted on the traitors, spies, saboteurs and wreckers. Kostov's counsel, an elderly Communist lawyer and a Communist M.P. went so far as publicly to rebuke his client for not having "confessed" in court. He fully accepted the prosecutor's view of Kostov's "guilt" and argued that "in a Socialist country it is the duty of the defence counsel to assist the Public Prosecutor in his noble task." Finally, several hours after Kostov's hanging, the Communist press published a sort of "posthumous confession,"—it was three weeks later in the case of Petkov—in which Kostov was alleged to have praised his death sentence as "absolutely correct and corresponding to the interests and peaceful development of Bulgaria in its struggle against Anglo-American imperialists and their agent, Tito."

"Confession" Withdrawn

The sensation of the trial was, of course, Kostov's pleading not guilty, repeated after the half-hour "rest" granted him "to refresh his memory," and defiantly reiterated, at the last day of the trial, when he delivered his "last words" before the Court, drowned in hisses and boos by the spectators. Kostov admitted that he had held "anti-Soviet sentiments," though he had always "respected the Soviet Union." But he denied having ever been a police spy, a Tito stooge, or a British agent. He was supposed to have confessed to all these crimes in a 32,000 word statement, written "in his own hand" during his long months of imprisonment. Baffled and panic-stricken by Kostov's "not guilty" plea, the presiding judge asked him incredulously: "Do you mean to say that you reject your confessions written in prison?" "Yes, I do," replied Kostov, amidst the "indignant" shouts and hisses of the audience. Whereupon judges, prosecution and defence counsel, after a hurried conference, decided

simply to ignore Kostov's statement before the Court and to stick to his "written" confession.

Soviet and Communist commentators everywhere were furious at Kostov's defiant attitude. In fact, for the first 48 hours, obviously waiting for instructions, neither the Russian nor any other satellite radio station or paper dared to comment upon it. On the third day of the trial *Pravda* described Kostov "as a shrewd, experienced and determined enemy," with a "soft and oily voice" and "the cunning eyes of a thief." *Pravda* poked fun at Kostov's "bent back," not mentioning, or perhaps not even knowing, that Kostov had been a hunchback ever since 1924, when, as a Communist organizer, he threw himself from the top floor of the Sofia police building, where he had been tortured, in an unsuccessful effort to commit suicide.

Plots and Counter-Plots

The main charges in the indictment, fully substantiated by the "confessions" of Kostov's co-defendants, were three: (1) that Kostov had been a Bulgarian police agent and a British agent since 1942; (2) that he had plotted, under British orders, to proclaim Bulgaria a federal unit in Tito's Yugoslavia in 1944; and (3) that he had plotted, in 1947 and 1948, with Tito—and again under instructions of the "Anglo-Americans"—to overthrow the Bulgarian Communist Government, to assassinate Dimitrov and to "detach Bulgaria from the camp of peace and democracy, led by the glorious Soviet Union."

Kostov dismissed the first charges with great skill and an obvious contempt for his accusers. He pointed out that all files of the Bulgarian police were captured by the Communists in 1944 and that from these files, published officially by the Communist Party after the war, it was proved that Kostov had never betrayed anyone, even in the face of inhuman tortures, and had never been a police agent. To back its charges the prosecution brought to the court the chief of the Bulgarian Secret Police under King Boris, Andrey Pramatarov, who was condemned to death by the Communists in 1945, but, as has now been revealed, was not executed at the time. Pramatarov, whose life-long career had been to hunt down Communists, enjoyed himself before the Court testifying against the leader of the Communist Party, who had been his most dangerous enemy for over twenty years.

The second charge—the Tito-Kostov plot in 1944—is from a political point of view the most interesting. It is quite true that in November, 1944 Tito and the Bulgarian Fatherland Front government were engaged in secret negotiations for the immediate proclamation of a South Slav Federation. These negotiations, however, were fully backed by the Soviet Union, as part of the Russian political and military offensive in the Balkans at that time. The Federation was not proclaimed only because of energetic opposition on the part of the British and American governments. Now, at the Kostov trial, the prosecution "proved" that these negotiations were a vile British plan to subjugate Bulgaria to Tito's Yugoslavia. But there are embarrassing official

documents on the subject: the British Notes of protest to the Soviet and the Yugoslav and Bulgarian governments. The Court explained this easily as a British trick of camouflage—Kostov had plotted to proclaim the federation but, in order to fool the Soviet Union and the world, the British had promised to register their official opposition to the plan.

Concerning the third charge (conspiracy with Tito in 1947 and 1948), Kostov pointed out that he had always talked to Tito and to Rankovich in the presence of Dimitrov, and that the Soviet government, and Vyshinsky in particular, were kept well informed of the Yugoslav-Bulgarian negotiations. Kostov did not deny that concrete plans for a union of South Slav republics had been made between Belgrade and Sofia; but, he argued, this had been the official Soviet and Communist policy at that time. Moreover, in the Stalin-Tito controversy, Kostov had taken Stalin's side completely. He was, he pointed out, one of the signatories of the anti-Tito proclamation produced by the Cominform in 1948.

Kostov's co-defendants presented the sorry spectacle of frightened, broken-down Communist leaders who went out of their way to denounce themselves as spies, traitors and enemies of the people, to ask for the heaviest punishments for their treacheries and finally to beg "with tears in their eyes" for mercy and forgiveness. Up to two or three months ago, these people held the top posts of the Bulgarian Communist Party and government administration. Ivan Stefanov was Finance Minister; Tzoney Tzoneyev, governor of the National Bank; Nikola Pavlov, chairman of the powerful Control Commission of the Communist Central Committee; Nikola Nachev, vice-chairman of the Cabinet committee for economic and financial affairs; Vassil Ivanovsky, chief of the propaganda department of the Communist Central Committee; Ivan Tutev, Minister of Foreign Trade; Boris Hristov, Bulgarian economic representative in Moscow, and so on.

Stefanov admitted that he had been a British spy since 1932 (when he was a high Soviet official in France). Tutev revealed that he had worked regularly for the British Intelligence since 1935 and that he had become a Communist only because the British had ordered him to do so.

Chaos in the Bulgarian Economy

The confessions of sabotage and wrecking activities by several of the other economic ministers are more than revealing in that they indicate the chaotic conditions of Bulgarian economy today. According to Stefanov, the Five-Year Plan was based only on "very rough estimates, which did not give a true picture of the financial situation." The income tax system for 1946, 1947 and 1948 was also defective and "did not correspond to the actual incomes of the population." The credit and bank systems were "complex and unworkable" and caused the "discontent of the people, especially in the villages." The whole system of the govern-

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ment quotas for wheat, rye, meat, eggs, potatoes, wool, vegetables, and so on, was "arbitrary" and "disorganised."

The desperate economic plight of the country was confirmed by the latest decree of the Central Committee of the Communist Party, published during the Kostov trial. The decree speaks of an "unhealthy and harmful attitude on the part of the government economic departments in the provinces," and complains that "there is no state discipline." The people's councils (local Soviets) are proclaimed guilty of "wrecking tendencies" in connection with the government requisition of food produce. The official Communist paper, *Rabotnichesko Delo*, in a leading article, states: "The situation has become much worse, thanks to the sabotage economic policy of the treacherous band of Kostovites in the country." Only 52 per cent of the government quotas have been fulfilled, and in some provinces the quota has not reached more than 10 per cent and even 4 per cent. Again, because of sabotage activities, 180,000 bread ration cards were distributed to people who had no right to possess them.

These Communist admissions point to an almost complete breakdown of the state administration and the party machine, which is not surprising, as Kostov was—and had been for many years—the supreme controller of both. It is surprising, however, that the Russians should have chosen this particular moment to destroy the very loyal and, in many ways, very able and efficient leadership of the Bulgarian Communist Party.

Striking Force in the Eastern Zone?

[FROM A CORRESPONDENT IN BERLIN]

WERE the para-military formations of the East German police, commonly known at present as *Bereitschaften*, expanding anything like as swiftly as some reports have suggested, there would be little cause for alarm. A really effective striking force of 200,000, or even of 100,000, is not nowadays created from nothing in a year. Only loose bandying of the generic term *Volkspolizei* has given rise to the popular misconception that the *Bereitschaften* are so many. The *Bereitschaften* are an élite training corps within the *Volkspolizei*, which counts among its numbers some 30,000 Frontier Police, some 30,000 ordinary constabulary, the whole of the criminal police, and the new women traffic police. If the *Bereitschaften* were already as numerous as the entire *Volkspolizei*, they could be but poorly equipped, ill-trained, and of questionable reliability. As it is, they have come into being slowly, after very careful staff work. Approximately 35 *Bereitschaften*, each 1,200 strong, have been formed since September, 1948. It is expected that by about the middle of next summer there will be 50—a total force of 60,000 well-armed men whose training will not have been scamped, and whose military efficiency must be respected.

It became generally known in Germany in 1935 that, in his capacity as *Reichsfuehrer SS*, Heinrich Himmler was organising armed formations complementary to the *Leibstandarte Adolf Hitler* and the virtually unarmed *Allgemeine* or general SS. They were called *SS Verfuegungstruppen*, "Disposal Troops." Apart from their obvious usefulness in the event of trouble at home, it is doubtful whether Himmler appreciated at first how he would eventually want to dispose of them. When the pattern of the future became more clearly discernible, they were no longer called *Verfuegungstruppen*. Required for known ends they were expeditiously regrouped into the formidable divisions of the *Waffen-SS*, whose role was beyond doubt.

Something similar is happening in eastern Germany today. A totalitarian government, supported by only a minority of the 18 million people it rules, yet consumed with ambition to

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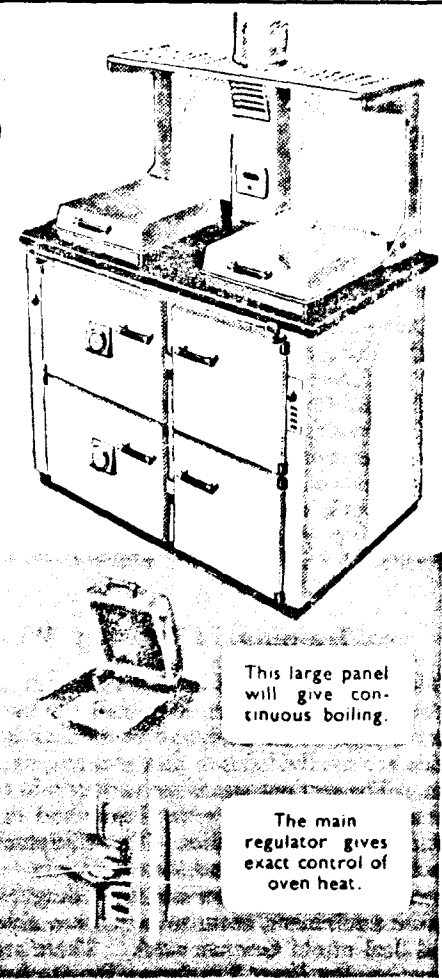
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extend its authority over another 45 million Germans beyond the Elbe, is making as careful provision as it can for adventures that are certain to come but are still unpredictable in detail. The *Bereitschaften* of the *Volkspolizei* are the German Communists' *Verfügungstruppen*—a reserve of force and experience that can be relied upon in fair or foul political weather anywhere inside Germany. In the meantime the rank and file of the *Bereitschaften* continue to train within their barracks, neither taking part collectively in ordinary police duties, nor being posted individually to units outside. So absorbed are the *Bereitschaften* in training that they are referred to from time to time simply, but rather misleadingly, as "the Police Schools." The syllabus of the earliest-recruited formations is not planned to end before next May.

Wehrmacht Generals in Charge

Nominally the whole of the eastern German police force comes under the control of the Minister of the Interior, Karl Steinhoff, an unimpressive personality whose appointment can be attributed only to the intention of Walter Ulbricht, the Deputy Premier and Germany's most influential Communist, to keep the real power in his own hands. Immediately beneath Steinhoff comes Kurt Fischer, Chief of Police at the Ministry of the Interior, one of the group of German Communists who fled obscurely to Russia in 1933 and returned in 1945 in the wake of the Red Army. From Fischer's desk the orders pass down two separate channels of command, one leading to the Land Police (frontier, criminal, and traffic), the other to the administration for training, which means the *Bereitschaften*. On matters concerning the Land Police, Fischer reports normally to his chief, the Minister of the Interior. On matters concerning the Department of Training, he reports directly to Walter Ulbricht, the dominating figure in the east German Politburo, a man, like Fischer himself, trained and trusted in Moscow.

At the head of the Department for Training, immediately supervising the *Bereitschaften*, is another Communist of long standing, General-Inspector Wilhelm Zaisser. As "General Gomez," Zaisser commanded the Thaelmann Brigade in the Spanish civil war. In the last war the Russians put him in charge of a school for German prisoners, from whom he singled out many of the experienced Wehrmacht officers who are helping him in Germany now, including the former generals von Weech, Wulz, Lattman, Freitag, Ulex, and Heinemann.

They have put in some hard work in the past twelve months, these competent professional soldiers and their political confederates. Their administration for training is divided into four main departments, responsible for technical training, political indoctrination (Politkultur), general staff duties, and supplies. The 35 *Bereitschaften* which they have brought into being are stationed in the larger towns and principal strategic areas of eastern Germany. Six of them are within fifty miles of Berlin—at Potsdam, Eiche, Luckenwalde, Falkensee, Kyritz and Brandenburg.

Training in Infantry Weapons

The *Bereitschaft* has an establishment of four companies each of 250 men, and an additional 200 men with extra-company duties. The company is divided into four platoons, which are subdivided into four sections, each composed of 15 men. The sections specialise variously in the arms available. These include infantry guns, heavy and light machine-guns, machine pistols, and rifles. The equipment was at first of Czechoslovak, Polish, and Russian origin. In recent months General-Inspector Zaisser and his colleagues, in a bid to standardise equipment, seem to have been able to get hold of a good deal of old German stock. There are reports that one formation, the *Ernst Thaelmann Bereitschaft* at Grossenhain,

between Dresden and Leipzig, has been equipped with anti-tank rifles, and that other formations are to be given some Russian T34 tanks. They have not yet been satisfactorily confirmed.

While driving from western Germany through the Soviet zone to Berlin a few weeks ago, the present writer was hailed for a lift by what appeared at first sight to be an officer of the *Volkspolizei*. It was established in the opening gambits of conversation that the German had hitch-hiked from Torgau in Saxony that morning, and was on his way home for a few days' leave. Torgau, formerly a Wehrmacht prison, now houses the police school, or *Bereitschaft*, from which the son of Max Reimann, the western German Communist leader recently deserted to the west. The young policeman—he was nineteen—said that his father, a forester, was a refugee from Insterburg in East Prussia. Unlike most of his comrades at Torgau, he himself, was not an ex-prisoner of war. He, too, had wished to take up forestry, but had been advised "by the Russians" that, since there were already too many foresters, he would do better to join the police. So there he was at Torgau, until next May, studying police duties (particularly frontier duties), mathematics, map-reading, and Russian, and listening to political lectures by German police officers and Soviet army officers.

Two Uses for the Future

What will become of the *Bereitschaften* when the first 35 formations are ready in May? The answer lies with Walter Ulbricht, the east German Communist Politburo, and their Soviet mentors. It is possible that the *Bereitschaften* may have to continue their training for a while longer, until it is decided whether the Soviet Army of Occupation is to leave Germany or not, and what sort of striking force the east German Government will then require in support of its policies. The *Bereitschaften* are already strong enough to guarantee Communist law and order within the boundaries of the Soviet zone, if not beyond. If western Germany remains an obviously unassailable province it is probable that the *Bereitschaften* will evolve finally into first-class Communist police schools, from which officers and NCO's will be posted regularly to the various organisations of the *Volkspolizei*. But they will always be there as powerful, independently-operating reserves of force.

In the circumstances it is surprising that the three western Foreign Ministers have not yet closely questioned Mr Vishinsky concerning the breach of the Potsdam Agreement which the training and arming of the *Bereitschaften* constitute. They allowed the blockade of Berlin to be imposed stage by stage until they were driven to make the costly stand of the air lift. What defensive action may have to be regretfully taken one day against the *Bereitschaften*? Eastern Germany, with a population of 18 million, already has a total police force of some 200,000, of which the para-military formations compose 21 per cent. Western Germany, with a population of 45 million, has a police force of 100,000 men, whose only arms are a stock of rifles and pistols which can be drawn upon in an emergency.

Trust Busting in Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE conflict between the pure liberal philosophy of trust-busting and the control measures taken in Canada (as elsewhere) during the war has landed Mr St. Laurent's government in a storm of unexpected trouble. Canada has had a Combines Investigation Act for many years, but it has been constantly amended; even the Liberal party has wavered in

its fidelity to the pure principle of economic liberalism that agreements to restrict competition or maintain prices must always be bad. After a low point in the early 1930's when the Bennett Conservative government watered down the Combines Act to almost nothing, the Liberals have made progressive amendments, putting teeth into the Act.

By the amendments of 1946, Mr Mackenzie King's government gave a civil servant, called the Commissioner, the power to start an investigation into suspected combines without authority from any Minister, to seize files and interrogate witnesses, and then to make a report which the Government was bound to publish within 15 days. Prosecution was not bound to follow, but it was held—and this was Mr King's main point—that automatic publicity was in itself the strongest possible weapon against combines which operated against the public interest. The Commissioner clothed with these powers was Mr F. A. McGregor, a man who had been private secretary to Mr Mackenzie King in the early days of his premiership and who had been associated with the fight against combines since the First World War.

During the second world war, when proceedings against combines were subordinated to price-control and production directives from the Government, Mr McGregor became enforcement officer for the wartime Prices and Trade Board; in that capacity he could both see that industry complied with wartime orders and also exert some influence over any formal authority that might be given to a particular industry to restrict competition. With the end of the war, the Canadian Government embarked on a policy of gradual decontrol. Mr McGregor, believing that the danger of combines operating against the public was greater than it had ever been, returned to his job as Combines Commissioner. He kept a watch on each industry as it was decontrolled. In September, 1947, when both the flour-milling and the interconnected baking industry were freed from controls, Mr McGregor found grounds for investigation, and, as a result of his report on the baking industry, prosecutions are now pending. As a result of his report on the flour mills, however, the Liberal Government has been going through some difficult times and he has resigned.

Report on the Flour Mills

The investigation into the flour mills covered the period from 1936 until September, 1947. The report, summarising thousands of seized documents and interrogations, found that throughout this period the Canadian National Milling Association and eleven member firms had operated an illegal combine. The report was completed and delivered to the Minister of Justice on December 29, 1948. This Minister happened to be newly appointed, a former premier of Manitoba, Mr Stuart Garson, who did not get to Ottawa until several days after the report had been delivered. He was later to plead that with the best will in the world he could not have digested the report and had it published before the statutory date, January 13th, as required by the Combines Act.

On this technicality, he had universal sympathy. But the report was not actually published until November 7, 1949, by which time the Combines Commissioner had resigned in depression and futility, and the Liberal Government had won a June election—with the flour mills report neatly and illegally hidden in the Government vaults. What happened between January and November would normally be a privileged matter of discussion within the Cabinet and between senior civil servants, but, because of the peculiar circumstances, the veil has been lifted on some of these events.

When Mr Garson, the Minister of Justice, in the midst of many cares attending his new office, finally read the report on the flour mills, he realised it dealt with the period of wartime controls about which he knew nothing. So he consulted the Minister who, remaining from Mr Mackenzie

King's wartime administration, knew most about them. This was Mr C. D. Howe, who had been Minister of Munitions and Supply, and who, when he saw a summary of the report, promptly insisted that the millers had had Government sanction for their wartime collusion, and that it was impossible to attack them now for the co-operative arrangements they had made in carrying out the Government's wartime policies.

Arguments in Secret

In the argument which developed—still in secret—neither Mr Howe nor Mr McGregor could convince the other; and Mr Garson, the Minister responsible for Mr McGregor's department, was caught in the middle. The wartime controls on milling had been complicated and unique. Wheat was exempted from price control. Most of it was sold overseas and earned whatever price it would fetch. But a free price for wheat in domestic consumption would have wrecked the structure of price controls; so an arrangement was made whereby the millers would sell their products below a ceiling based on a certain prewar period, and they would get a subsidy to make up for whatever their wheat cost them above a certain fixed price. In return for this subsidy they agreed to the strictest profit control taking in export as well as domestic sales. It was therefore argued by Mr Howe and senior officials of the Prices Board that the flour millers' wartime co-operation could not be against the public interest. They could make no excess profits, and any widespread price reductions would merely have cost the taxpayers more in subsidies.

Mr McGregor was unimpressed. He had turned up letters and agreements between milling companies which had every air of being furtive and conspiratorial. The Government could produce no formal authorisation to the millers to agree on minimum (as well as the enforced maximum) prices;

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and he believed that a prewar combine had been perpetuated throughout the wartime control period.

The Government therefore found itself legally bound to publish the report, but practically it could not do so without one of its senior ministers (Mr Howe) and some of its senior civil servants (including Mr Donald Gordon, the wartime head of the Prices Board) publicly contradicting it. It chose illegality to embarrassment. It suppressed the report, and went ahead with preparations for the election of last June in which it won an overwhelming majority.

It may be claimed that no embarrassment after an election is as bad as a lesser embarrassment before one. But Mr St. Laurent's government has had a bad time since these facts came to light. Mr McGregor, an honest and conscientious civil servant, resigned at the end of October. In explaining its actions the Government had to reveal much more than it would have liked. The Opposition and the press pursued it fiercely, not necessarily in support of Mr McGregor, but at least in indignation at the suppression of the report. It was argued that if parliamentary democracy were as healthy here as in Britain, at least one minister would have had to resign. That is not going to happen; but the reaction of parliament, press and public has been enough to present a stern warning to this or future governments. And parliamentary democracy cannot be in too weak a state when a Government enjoying the support of 190 out of 260 members of parliament has been driven into a position of such humiliating self-defence as this one has.

Trading in Spain

[BY A CORRESPONDENT]

THERE are no commercial secrets in Spain. Every transaction, whether import, export or re-export, is open to public investigation, and full details are available to anybody who is interested in his competitors' activities. This information is given, not only *post factum*, but, in many instances, even in advance.

The Ministry of Commerce publishes full details of every import and export licence issued and, as all foreign trade is licensed, the interested parties can learn in advance what their competitor intends to do in the near future. The data give the name of the licensee, and also the quantities, prices, country of origin and final destination of the goods. The issue of import and export licences may, however, give an incomplete picture of actual trade transactions because licences may be left unutilised; but for a payment of about £15 a year one can obtain full and detailed information of the extent to which these licences were taken up.

In Malaga there exists a publication marked "confidential" which is available to anybody who subscribes to it; it gives details of the manifest of every ship, large or small, arriving at or leaving a Spanish port. The editors or compilers of this publication, the *Informaciones Totelo*, have access to copies of every bill of lading, and tabulate the information contained therein according to country of origin and destination and the type of merchandise; they give full details, including name and address of consignor and consignee, as well as nett shipping weights and the full value of the goods as declared on the invoices.

The publication rips open all important business secrets. In any other country it would be looked upon as containing most valuable trade information, and it would immensely help any live firm to expand its business activities into fresh fields. But not in Spain. There the volume of business done seldom depends on commercial experience, drive or ingenuity. In Spain trade is done, not by the firms who excel in salesmanship and ability, but by people with contacts and access to the right channels.

No Fixed Rates of Exchange

The selling and buying price of export and import goods, as given in pesetas, is a riddle which only few can solve. One hundred pesetas can stand for anything between 10s. and £2 10s. It all depends on who receives and on who pays for the goods in question; a fixed rate of exchange does not exist. The *cambio* (Spanish term for a rate of exchange) has more than a hundred different values. Every commodity, either imported or exported, has a different rate of exchange, and it often happens that the same commodity has a rate of exchange varying by as much as 75 per cent, according to the firm which figures as exporter on the invoices or bill of lading.

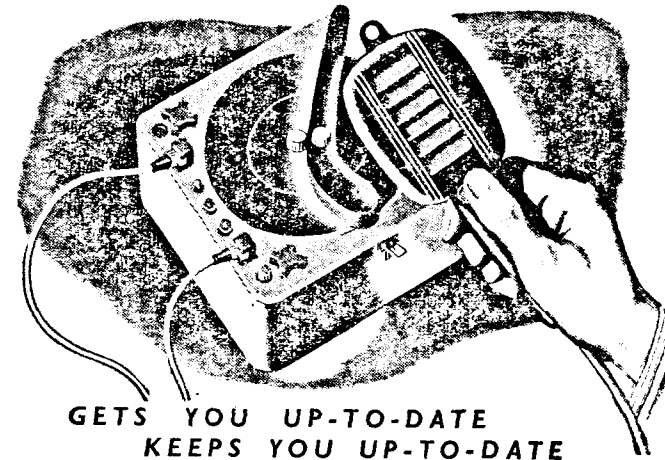
This rate of exchange, which is the key to any business transaction, is often fixed by arbitrary officials of the Ministry of Commerce in conjunction with the Money Institute. It happens that, for the very same commodity, one firm is obtaining an exchange rate amounting, for example, to 50 pesetas to the £, while his next-door competitor may obtain as much as 150 pesetas because he succeeded in finding the right contact and the right person to submit his case to the officials who fix the *cambio*.

Officially, the rate of exchange for the pound sterling varies at the moment from 45 to 75 pesetas. In practice, there are many commodities for which the Spanish exporter can obtain as much as 250 pesetas to the £. This is achieved by the loophole known as "free sterling." The Government allows the importers to import freely any commodities they require for a part of the sterling earned on the exports to Great Britain. In the black market this free sterling fetches as much as 250 pesetas according to the commodity imported. If, for example, the free sterling is used for motor-cars, luxury goods, or certain chemicals, it will fetch nearly 250 pesetas on the semi-official black market. In many instances fabulous fortunes have been made in the last two years by Spanish exporters who used their sterling earned through the so-called Combined Accounts for importing from Britain and the Commonwealth goods which were in short supply in Spain, and for which exorbitant prices were charged.

Affair of the Fruit Juices

There are also some cases where the rate of exchange is fixed in a very irrational manner. It happened last year, for instance, that exporters of natural citrus juices from Spain obtained 50 per cent free sterling, but this concession was denied to the exporters of orange juice concentrate. It is well known that it is always in the interest of the exporting country to ship concentrate rather than natural juices, because the former is manufactured, while the latter is a raw material. Nevertheless, because of the special connections which the shipper of the natural juice had at the Ministry, he succeeded in obtaining the rate of exchange of nearly 75 per cent higher than that of the shippers of juice concentrate, and in this way forced several factories to work short time because they could not stand the competition from the specially favoured firms.

Foreign trade missions, especially the British Trade Mission in Spain, have on many occasions tried to convince the Spanish authorities of the necessity for stabilising the position, but so far without result. Negotiations are always protracted and difficult, especially where the syndicates of the various trade organisations are involved. There are also the so-called Committees of Study, who try to investigate every problem, but who are often afraid to make a decision lest it may adversely affect anybody more influential than themselves. No agreement is made on a long-term basis because the "contacts" prefer short-term agreements and frequent changes which make their position stronger and more influential. It is hardly to be wondered at, therefore, that trade in Spain is restricted; the opportunities for expansion while the present situation prevails are very small indeed.



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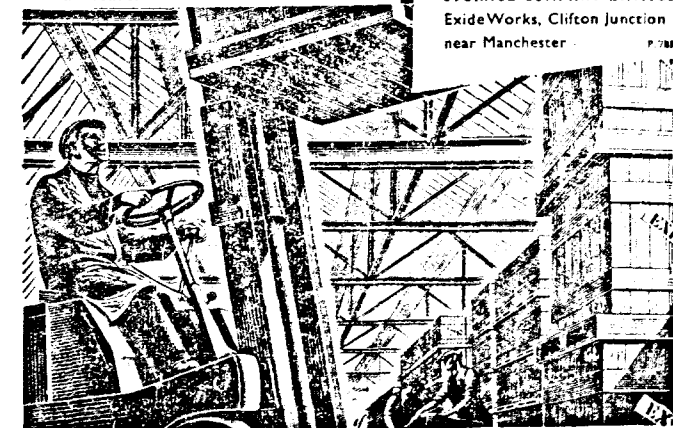
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THE BUSINESS WORLD

Saving on Dollar Oil

SIMULTANEOUSLY with the resumption of the Anglo-American oil talks in Washington, the Government has announced its decision to "require" importers of oil into Britain to "absorb the surpluses of the sterling oil companies" before they draw supplies from dollar sources. The importers concerned are the American-owned companies which developed their British market as an outlet for the products of their parent undertakings—and which at present still deal almost entirely in dollar oil. They are companies which have served the British economy well.

The decision takes effect next month; and while, for a matter of months or weeks, technical difficulties may hold up its full application, there is little reason to doubt that the import licensing system is able ultimately to enforce it. Its effect will be greatest in fuel oil, the commodity of which the British companies (and Anglo-Iranian in particular) happen to have the largest surplus. Half the British inland requirement of fuel oil is at present supplied from dollar sources, and the whole of this share is to be replaced by "sterling" fuel. But fuel oil for ships' bunkers may not be affected at all—and at first sight this seems a possible loophole.

It would be naïve to expect the Government's decision to be met with dumb acquiescence. The American oil companies, themselves embarrassed by a surplus of fuel oil (which can arise at Abadan, Ras Tanura or the US Gulf from not dissimilar causes), will not take much comfort from the prospect of keeping their selling organisations busy with supplies bought from their competitors under virtual compulsion. But there is no doubt that they will also see a wider significance in the new departure. For some time past the spokesman of American oil interests have been expressing alarm at the rate at which British oil development was catching up with the customary British markets. They observed that, if oilfield and refinery development went according to plan, "sterling" oil supplies would be more than able to meet—outside the United States itself—an expansion in demand of 6 or 7 per cent a year for the next few years. They drew the inference that their customary markets would be threatened by oil which could be paid for in a more plentiful currency than theirs.

The statement issued by the Ministry of Fuel and Power on Tuesday would seem to indicate that this has begun to happen:

As a result of increased production and the maintenance of restrictions on consumption, British oil companies expect to have available in 1950 some surplus of oil over and above what they will need to supply their established markets.

Oddly enough, it was not in the sterling area but in other regions that the Americans seem to have expected the pressure to arise first: in Europe, for instance, and South America. British policy, whether commercial or official or both, has so far avoided upsetting the habitual division of the markets in any really serious way.

Perhaps now, by taking a slice out of the American oil trade in Britain, the British Government has deferred the threat which the Americans see to their interests elsewhere. It is hoped to take the same slice out of their trade with the rest of the sterling area, if the Commonwealth governments agree; to get the co-operation of Mr Menzies, who has taken office committed to some vicarious generosity with petrol, will be no mere formality. This would absorb a fairly substantial surplus of sterling oil. If it gives the American companies a reprieve in Sweden or Madagascar, they will not be much consoled. They are by no means willing to lose trade in Britain or the Commonwealth, or indeed anywhere at all.

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The figures published this week do not give the whole story, but they are worth quoting. The net dollar cost to the sterling area "arising from oil transactions" is estimated at \$625 million for 1950, on the basis of current prices. This is the largest item in dollar expenditure. The sales of American companies in the sterling area account for \$350 million of it; the remaining \$275 million arises from the world-wide operations of British oil companies (in which term the Royal Dutch-Shell group is included). It is necessary to note that this \$275 million also is a net figure—it represents the dollar cost of sterling oil less whatever comes in from the sale of sterling oil for dollars. Curiosity as to the actual dollar cost of a barrel of "sterling" oil remains unsatisfied. But it is estimated that the sterling companies produce and distribute about 80 million tons of oil a year; more than half of this is sold outside the sterling area.

By comparison, the sales of the American companies to the sterling area are modest—about 13 million tons a year. But it is from this American trade that the Government hopes to save between 5 and 10 per cent of the \$625 million in 1950. Assuming that the whole sterling area is brought in, and the full saving of 10 per cent is actually achieved, this means \$62½ million—or nearly a fifth of the expected trade of the American companies with the area. If it is remembered that the loss is to be distributed, as between different oil products, in a manner designed to fit the sterling surpluses rather than the convenience of the American companies, it is obvious that the blow is severe.

The oil talks in Washington have now been proceeding, off and on, since the summer. If they had been more productive, arbitrary short-term measures of this sort might have been avoided. As it is, the British Government is doing its best to explain to the American interests concerned that it is merely trying to save dollars, that it has no hostile designs against American trade as such, and that it hopes to see more permanent arrangements made which will enable the British and

American surpluses to find markets without hardship to either side. The rest of the world, which relies for its supplies on the one source or the other, can reasonably insist that this should be done; many countries will find the talk of "surpluses" difficult to understand.

The British protestations are sincere, and it is to be hoped that the Americans will accept them as such. Clearly a point must come at which the Americans will sell less oil—unless the United States can bring itself to buy more foreign goods in return. But it needs also to be realised that the present cuts are being made in the way which is, of all ways, most repugnant to American feelings. This manner of making economies

Money for Nothing

THE creation of capital out of thin air is an art confined almost exclusively to governments and rogues. It has had an enthusiastic, though necessarily secret, body of supporters ever since the early days of the eighteenth century when such incidents as the South Sea Bubble and Mr Law's banking activities in Paris showed what a little imagination and a great deal of confidence could do. Indeed, fraud ranks as probably the most skilled of all crimes. The ingenuity of the artist in fraud is always certain to elicit grudging admiration from the public.

Because of the unknown number of undetected frauds, it is impossible to draw any hard and fast conclusions about the relation between the volume of fraud and general economic conditions. In general, the number and size of frauds seems to increase, as one might expect, as inflation develops and to decrease as disinflation sets in. During each boom in the past 250 years, there has been a crop of large-scale frauds, and during the inflation of the postwar years, fraud has undoubtedly increased. When money is easily obtainable by the honest citizen, there is the greater temptation on the part of the fraudulent to get hold of some of it illegally and the opportunity for doing so is sometimes almost childishly easy. There is one other important factor. During a boom, critical standards tend to become relaxed and even normally cautious people do not examine commercial propositions with the same care as they would during a recession or slump. Because the value of pigs is rising, there is a marked increase in the tendency to buy pigs in pokes.

The variety of tricks which the skilled practitioner

allows no shadow or suggestion of competition in the ordinary commercial sense. It treats consumption restrictively—can nothing really be done to find "outlets" for the stocks of fuel oil that are piling up? It ignores in principle (though minor alleviations may be found in practice) the operating economics of the companies concerned. Innocent though the intention is, the device adopted can only sharpen fears that the trade of the world is in course of being divided into tight compartments. The oil trade, which is not a national trade—for hardly any of this "sterling" oil is produced in British territory—lends itself ill to such treatment.

of fraud has at his disposal is large, but they can all be loosely classified into seven main categories: confidence tricks; obtaining credit by false pretences; false or misleading advertisements; long firm frauds; the type of financial swindle known as "kite flying"; share pushing; and the fraudulent use of trust funds. Most frauds

NUMBER OF CASES OF FRAUD KNOWN TO THE POLICE *

Offence	1945	1946	1947	1948
Embezzlement	885	799	1,056	1,741
False pretences	11,319	12,045	14,376	14,941
Fraud by agents	644	713	1,404	2,164
Falsifying accounts	179	174	250	218
Other frauds	746	1,128	2,326	1,892
Offences in bankruptcy	34	29	103	71
TOTALS	14,007	14,879	19,615	21,067

* Criminal Statistics for England and Wales, Cmd. 7733, 2s. 6d.

fall into one or other of these categories; a few combine two or more of them and all largely depend on successfully cultivating the victim's confidence.

The simpler forms of the confidence trick are seldom encountered today. They are usually only one remove from straightforward begging, and it does not need much insight to recognise them for what they are. There are the few elementary preparations; then the victim is encouraged to believe that the swindler is, say, a wealthy merchant on a visit from another town who, unfortunately, has not yet completed his arrangements to transfer his bank account. The victim is at length asked to cash a cheque—and, in these days, he usually refuses. In the more complicated form of confidence trick of the "gold brick" type, the victim is led to believe that he is the one who is being trusted. He is given a large

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sum of money or special facilities for making money easily and quickly; thereafter, he is induced gradually to part with his own money until the gang—usually two or three men are involved in this type of fraud—decide that they have got all they can out of him. Even this type of confidence trick is on the wane, for its pattern is familiar, and no creative artist, even if he is a swindler, wastes hard work on perpetrating something well known to the public. The era of the “con men” is passing, for whatever may be said about this modern age, it is not unaffectedly gullible.

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Much the largest number of frauds comes under the heading of obtaining credit by false pretences. There are many ways of obtaining credit, and the criminal who practises this kind of fraud spends most of his time working out new methods. Self-confidence and a prosperous appearance form the necessary stock in trade. A case last year provides a good illustration of modern technique. Three men conspired together to defraud a large firm of wholesale dealers in wines and spirits. They stole some printed stationery from a London club and a cheque book which had been issued by a branch of a leading bank. One of the men then wrote to the West End office of the wholesalers, saying that he wished to purchase large quantities of sherry and whisky. An appointment was arranged, and a second member of the gang called at the wine merchant's office. This man said that he had just bought a hotel which he intended to open that week-end and that he would like the wholesaler to quote a price for the immediate delivery of a large quantity of wines and spirits. After agreeing on the price, he said that he would have to get his partner's signature as well as his own on the cheque, which he promised to deliver later that morning. Meanwhile, he asked that the warehouse where the liquor was stored should be warned so that he could arrange for its collection that evening. During lunch, when he knew that only the typist would be in the office, he telephoned to say that he would not be able to see his partner until 3 o'clock that afternoon—after the banks had shut—but that he would send the cheque with the driver of the lorry which was to collect the liquor. The lorry duly arrived and the driver gave the warehouseman the cheque and a note scribbled on the club's stationery. Unfortunately for the gang, they could only load half the consignment on the lorry, so they had to make arrangements to collect the rest of it the following day. After they had left, the warehouseman noticed a slight mistake in the cheque and informed the West End office. The fraud was exposed the next morning when the bank was asked to verify the cheque. The signatures were fictitious. One member of the gang was arrested when he called to collect the rest of the consignment; the other two were caught within a few days.

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A fraud of this kind calls for a good deal of ingenuity, confidence and showmanship. Frauds by false or misleading advertisements are at the other extreme. The criminal usually sets up a spurious mail order business, taking in the public's money but failing to deliver the goods. The police today keep a strict watch on such advertisements, and it is difficult for the criminal to get many replies before being caught. This is the lowest order of commercial fraud. Long firm frauds, on the

other hand, tend to be complicated by deliberate ramifications which, if they are skilfully carried out, make detection of the full extent of the fraud difficult. The basic pattern of a long firm fraud can be summarised thus. A, B and C, with the help of false references, rent three sets of business offices in different parts of a certain town. Each has his own stationery printed and they all do what they can to give the appearance of carrying on a genuine business. Once they are settled in, A places an order for a large quantity of goods with a manufacturer X, in another part of the country, giving B and C as references and asking for three months' credit. B and C do the same with two other manufacturers, Y and Z. All three men, A, B and C, give each other glowing references and then wait for the goods to arrive. They sell them quickly, usually at cut-rate prices, shut their premises, and move on to another part of the country. If their plans are carefully laid, it may be some weeks before the fraud is exposed, and even then it is often difficult to link all three men together as conspirators. Occasionally, one or other of them will stand his ground and will try to avoid a criminal charge by pleading bankruptcy. Fortunately, it requires a fair amount of capital to launch a long firm fraud which is consequently somewhat rare.

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“Kite flying” is the process of building up a fictitious appearance of a great volume of trade by the use of “accommodation” or “cross-firing” cheques. The object is to persuade the victim, normally a bank, to advance a large sum of money on little or no real security. The criminal induces four or five people of modest means to allow him to operate bank accounts at different banks in their names. He then pays into his own bank cheques for large amounts which they have signed, but before those cheques are due to be met, he pays back into their accounts the same amounts of money as have been withdrawn. After a few months, his own account will show an exceptionally large turnover—in one case in 1947-48, the turnover at the end of twelve months was more than £1,000,000—and he then uses this turnover and a number of other confidence tricks to convince the bank that he is engaged in major business transactions. The next stage is to persuade the bank to allow him to run up a large overdraft for some transaction for which he needs ready money. In the case referred to, the perpetrator succeeded in obtaining £76,000 from his bank and in bankrupting five innocent people, including his cook and his chauffeur.

Perhaps the most remarkable thing about fraud is the amount of sheer hard work which is required to make it pay. The odds are heavily weighted against success. Since 1946, the Home Office, the Treasury, the Board of Trade and Scotland Yard have taken special steps to combat the growing volume of fraud. The City of London and the Metropolitan Police forces have joined together to form a fraud squad, which is manned by specially trained police officers, who not only investigate allegations of fraud but also try to prevent frauds in their initial stages. There are also a number of commercial protection associations and the inspectors of the banks themselves on the lookout for potential frauds. The defences against the criminal who practises fraud are much stronger than they were twenty years ago. The best advice to those who think it is still easy is to be found in a current radio tag: “Learn a trade.”

Business Notes

Dividend Limitation—Stage III

It is difficult to quarrel with the joint recommendation of the Association of British Chambers of Commerce, the Federation of British Industries, and the National Union of Manufacturers, that

no change should at present be made in the practice of restraint in dividend limitation and that unless circumstances change or new economic factors arise, it would be wise that when Boards of Directors of industrial companies come to consider their recommendations to shareholders in the ensuing year, this policy should be continued.

The conclusion is reached after a careful analysis of the economic and financial factors, in which—to the credit of the three bodies—there is not even an indirect reference to the Chancellor's grudging references to industry's co-operation in the past or to his veiled threats of statutory enforcement.

It proceeds from four basic points. The nation is living beyond its means; inflation is still present and devaluation has intensified it; industry has difficulty in finding enough finance even to maintain its efficiency; and costs of many products are high and competition is growing keener. The remedies are emphasised. There should be a drastic reduction in capital expenditure to permit an appreciable reduction in taxation. Incentives must be available for harder work, greater skill and the undertaking of risks. There must be relief of taxation on sums put aside to reserves. And since the full benefit of improved productivity cannot be realised at once, industry must make its contribution towards curbing inflation.

The memorandum points out that the General Council of the TUC have worked towards restraint in wage claims, and that although there is no direct parallel between the stabilisation of basic wages or salaries and a standstill in the distribution of profits, many people associate the two things psychologically. Obviously, as the statement claims, there would be no likelihood in existing circumstances of any general increase in dividends if voluntary restraints were removed. But undoubtedly to suggest a departure from that policy would tend to increase inflationary pressure and—more important—would be liable to serious misinterpretation. The employers' bodies are to be congratulated on a careful statement and a statesmanlike decision.

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Who Speaks for the “House”?

Dr Dalton's latest attack on the Stock Exchange is of no importance whatsoever in itself. The ex-Chancellor, whose boast it was that the City would one day erect a statue in his memory, knows too much about rigging the market to suppose that his diatribes will carry much conviction. They were couched in terms of the “narrow interest of moneylenders of London; very disgraceful goings-on on the Stock Exchange; deliberate attempts to talk down the national credit; making money out of rumours derogatory to the credit of this country.” All this is hysterical rhodomontade, and Dr Dalton knows it. But it is always a safe rule to hit at “moneylenders”; they have been the object of scorn and hostility over the centuries; the “machinations of international finance” and the “monopoly capitalism of the Wall Street bankers” are two recent totalitarian examples which Dr Dalton may like to add to his collection of abuse.

So the ex-Chancellor, speaking presumably for himself but in the now fashionable mood of pre-election conditional, says that it “may be necessary to take further measures” to ensure that “small unpatriotic cliques in the

City of London are prevented from doing damage to the welfare of the country as a whole.” The notion that the Stock Exchange is a place where values are recorded and not manufactured ought to be familiar to Dr Dalton from his past exploits in the gilt-edged market. He could have been under no illusion then that it was his policy which was driving prices ever higher—albeit at grave inflationary cost. Presumably Dr Dalton would include among the “unpatriotic cliques” holders of gas stock, and also of the eponymous “Daltons,” for which they paid 100 only three years ago, and have lost 30 points of capital. Unpatriotism takes many forms, but surely not self immolation on such a scale.

Attacks of this kind may be irresponsible, but they have an effect on the public mind. So does the kind of argument advanced last week by the Churches Committee on Gambling before the Royal Commission which, associating the Stock Exchange with greyhound racing, football pools and fruit machines, submitted that “the gambling transactions of the Stock Exchange should be restricted and, if possible, eliminated” by immediate legislation. No market is perfect, and at present the Stock Exchange is hampered by the effect of high taxation from functioning as freely as it should. But it is still an indispensable part of the machinery for collecting savings and investing them, within the framework of a free democratic society. If Dr Dalton wants to alter that, let him say so without veiling his threats. And if the Stock Exchange has any regard for the value of informed public opinion in a democracy, it will lose no time in asserting its claim to be regarded as a useful and progressive institution.

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Bonus Issues as Incentives

The Chancellor of the Exchequer recently expressed some opposition to the demand for incentives. Now he appears to be offering an incentive in a most improbable and irrelevant form. He has issued new instructions to the Capital Issues Committee which, although they add nothing new to the principles which he laid down in April this year, call for strict interpretation of the existing instructions. Sir Stafford Cripps's letter to Lord Kennet, the chairman of the CIC, declares:

I am sure that we can rely on the CIC, in combination with departments, to continue to provide, in the field of investment in the private sector, the maximum reinforcement of the Government's current policy, and to ensure that, in their recommendations, all applications for permission to make new issues of capital are realistically judged by reference to the criteria of the national interest which are indicated in the memorandum of April 14th last.

Thus the investment cuts, about whose adequacy there is considerable room for doubt, are to be reinforced by a more critical examination of private investment projects.

There is, of course, no incentive in this part of the Chancellor's letter. That comes later, when the Chancellor declares that he is now prepared to remove the absolute suspension on bonus issues (which was imposed in October in order to prevent “misunderstanding”) on certain specific conditions. The CIC is asked not to permit (in official form, “not to make any recommendations to the Treasury to permit”) any bonus issue unless it is satisfied that

each bonus issue in question is necessary to enable the company to continue, or to expand its production or to increase the volume of its exports.

There are certain cases where a rearrangement of capital involving a bonus issue may be desirable or even necessary to enable a company to continue in business (perhaps Cable and Wireless is one) or to obtain new finance to increase its

production and, consequently, its export potential. But the Chancellor's letter then proceeds:

I should consider that, in the case of a company which was exporting a considerable percentage of its production to hard currency markets, the onus of proving such necessity would be very much lighter, and that consequently your Committee could make a favourable recommendation more freely.

There seems to be no more rational basis for this indulgent treatment of hard currency exporters than for the previous suspension or for Dr Dalton's earlier tax on bonus issues. It takes a preoccupation with the dollar problem verging on the morbid to suppose that easier conditions for hard currency exporters to obtain sanctions for bonus issues will act as an incentive. A rearrangement of capital which has no real content—which is as good a definition of a bonus issue as any other—has nothing whatever to do with export trade.

* * *

Record Exports Under Scrutiny

Exports last month rose by £4.4 million to a record value of £160.4 million. The volume of exports in November has been provisionally estimated at 162 per cent of the 1938 level, a rate 14 per cent above the third quarter average and also 4 per cent above the average of the first three months of the year. Analysis of the detailed figures for November does, however, take a little of the bloom off the record totals. Proportionally the largest increase in value of exports during the month was in raw materials, exports of which rose from £7,700,000 in October to £9,900,000 in November. Coal and raw wool were the main items. Coal exports increased by almost £1,000,000 to £6,000,000; Denmark, France and Italy took much larger quantities, Argentina somewhat more than in October, while shipments to Canada fell. Exports of domestic grown wool increased to virtually all markets. The United States took almost a third of the total quantity exported while much heavier shipments went to Italy, Belgium and Germany. The rise in value of wool exports was mainly due to higher prices.

Exports of manufactured goods rose by £1,300,000 to £136.7 million. Exports of vehicles alone increased by £2,700,000 to a record figure of £31.6 million. Motor car exports reached a new peak with a notable expansion in shipments to Canada, Belgium and the United States. Here the result of devaluation is immediately apparent. These three hard-currency customers were only excelled by Australia. More commercial vehicles were also shipped abroad, again with the emphasis on hard currency markets. Agricultural tractors more than maintained their recent level, but exports of motor cycles and bicycles declined. Of the other items in the vehicle group, ships showed a very large increase, but exports of ships tend to be erratic from month to month.

November's achievements by the vehicle group was outstanding, but unfortunately exports of other manufactured goods tell a less encouraging story. Machinery in particular increased by only £500,000. Shipments to South Africa, India, Russia and most western European countries increased but, in the main, exports to hard currency markets were lower, though shipments to the United States provided an exception. Less steel was shipped abroad in November, fewer cotton goods and wool goods, smaller quantities of chemicals and less electrical equipment.

Thus, the main success of the export drive last month was flagged by coal, raw wool and vehicles of all kinds, and these items accounted for the month's record values. It seems a narrow basis on which to found any premature optimism about the success of the "shot in the arm." No doubt the stimulus of devaluation has yet to be reflected in increased exports from other industries which, for good technical or commercial reasons, have been slower off the mark.

Industry and Shipping

Expanding Television

The start of regular transmission from the Birmingham station at Sutton Coldfield has confirmed the previous unofficial estimates of the transmitter's range. Very strong, clear reception is almost a certainty within a 30-mile radius. Good, though not totally reliable, reception can be expected within 80 miles. This means that about 10 million people are now within receiving range compared with the original estimate of 6½ million. Good pictures have been reported from 150 miles away, but reception at such distances derives from peculiarities of geography, and some of those regions will get a much better service from the North of England station at Holm Moss when it opens next year. The transmitter has already been delivered; although it is of the same power as Sutton Coldfield, it will probably have a still wider range of reception, since the aerial is on higher ground. The site for a third station in Scotland has been settled and tenders for the transmitter invited. The two new transmitters, like the one at Alexandra Palace, have been built by Marconi and EMI.

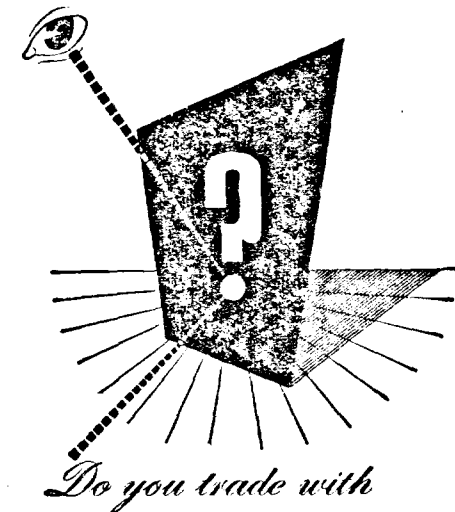
The radio industry is hoping that besides expanding the sales of receivers the transmitter will improve their export prospects, although few countries would at the moment want so powerful, and therefore so expensive, a transmitter. But the chances of a standardised European television system have been in jeopardy ever since the Italians were given, ostensibly on loan, a television transmitter operating on the 525-line negative modulation system used in the United States. They are now adjusting this transmitter to 625 lines while retaining negative modulation. Until this happened there was agreement among the European countries (not obtained without difficulty) to accept positive modulation, on which the British transmission service is based. Italian engineers are being invited to see demonstrations at Sutton Coldfield which, it is hoped, will convince them that there is nothing to be gained by persisting with negative modulation.

Meanwhile Pye Limited, who, with Marconi and E.M.I., produce transmission equipment as well as receivers, have been studying the United States market for transmission equipment. This looks so promising that they are considering arrangements with an American firm to provide the necessary coast-to-coast coverage for sales and servicing. The American market is more attractive than the British, because of its opportunities for spreading development costs over more than one transmitter. The company already has a factory in Canada building receivers for the American market and a few weeks ago took £200,000 of transmitting equipment to the United States for demonstration. All of it, including a small industrial-type transmitter, has been sold. Prices were 15 per cent lower than those quoted by American manufacturers, and delivery dates were three months instead of twelve. American press reports indicate that the demonstrations vindicated the British claim to transmit a better picture.

* * *

Export Orders for Civil Aircraft

The first export order for British civil airliners powered by gas turbines has been signed by Canadian Pacific Airlines for two de Havilland turbo-jet Comets; negotiations for several more are still in hand. The aircraft will be delivered in 1952-53; the date suggests that de Havilland are well ahead with the 14 Comets they are building for BOAC. Although it has been known for some time that operators were taking a serious interest in the aircraft, it was believed that none of them would give firm orders until they had had time to study the performance figures, which have only recently been obtained. The Canadians have been far more receptive to the idea of turbo-jet civil airliners than other



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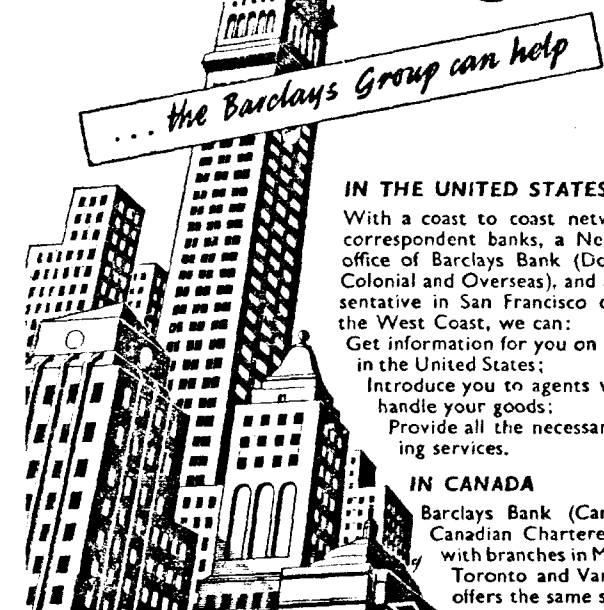
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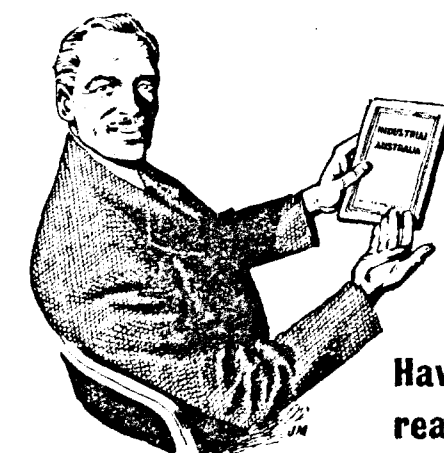
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overseas operators; the only other such airliner flying, the C-102 built by Avro Canada, a subsidiary of the Hawker Siddeley Group, was commissioned by Trans-Canada for internal flights. Canadian Pacific Airlines propose to fly the Comet on the Vancouver-Tokyo route.

In the mixed reception given to the Comet, unstinted praise for the feat of aeronautical engineering which it represents strove with doubts of its commercial feasibility. The Canadian order implies that the grounds for those doubts have been weakened. Responsible critics suggested that with a maximum capacity of 36 passengers for a stage of 2,000 miles, the aircraft would not be economical to operate. It was also feared that turbo-jet aircraft could not be handled at busy airports without radical alterations in ground control techniques. It is now known that the aircraft can carry 48 passengers, and since the 6,000-mile journey will be covered in stages of up to 2,000 miles, the extra passengers are not being accommodated at the expense of fuel-carrying capacity—and therefore the range—of the aircraft. There is not much traffic on this particular route, but Tokyo airport itself is busy.

The British aircraft industry hopes for a big export trade in gas turbine aircraft once the operators' initial reservations about the new power units have been overcome. There are signs that this is happening. Vickers is negotiating with operators from Europe, Australia and America for the sale of its medium-range turbo-prop Viscount. Its hand has been strengthened since the aircraft was granted a Certificate of Airworthiness in the autumn. Armstrong-Whitworth is negotiating in Europe over the turbo-prop Apollo; this aircraft is still undergoing trials, but could probably be delivered abroad earlier than the Viscount. The smaller 20-seater Marathon of Handley-Page, the only aircraft of its class, is going on a demonstration tour of North Africa, Australia and the Far East. This is a piston-engined aircraft designed for conversion to turbo-prop engines if desired; and the second version now being tested is powered by turbo-props. None of the reports of American development suggests any immediate prospect of overtaking the British lead in gas turbines in civil aircraft. Even if licences are granted for the manufacture of British-designed aircraft abroad, a considerable time will be needed to produce them.

* * *

Productivity in Rayon Weaving

The reports of the teams sent out by the Anglo-American Productivity Council are not producing quick prescriptions to bring productivity in Britain into line with productivity in the United States. They are, however, performing a valuable service. They show how complex and how inter-related are the social and industrial factors which govern productivity. They indicate the routes along which the possibilities of improvement may be studied.

The rayon weaving team, which has just reported,* would probably have been wrong to bring back a set of firm models for imitation. In the United States it saw an industry which uses automatic looms almost exclusively and concentrates very largely on a limited number of fabrics produced in long and uninterrupted runs. Clearly these characteristics of the American industry make for high productivity. But how far ought the British industry to follow the same example? On this the team does not pretend to be certain:

The British manufacturer, with his eye on the various export markets which he has to satisfy with widely differing qualities, has to produce in relatively short runs the particular type of fabric demanded by each of his many customers.

This raises questions of commercial policy, and the productivity team, having pointed to them, does not attempt answers.

* Productivity Team Report: Rayon Weaving. Anglo-American Council on Productivity. 1s. 3d.

Granted that these questions are unanswered, others arise concerning the mood and temper in which an industry is conducted. The report makes it clear that the differences of attitude are great. It remarks on the punctilious time-keeping practised in the American mills. It observes "a genuine willingness" on the worker's part "to accept changes in his working conditions which would lead to greater productivity". It mentions the active use which workers and managements in the American factories make of the suggestions box. Full work loads appeared to be the rule. Great attention was evidently paid to the fullest use of skill:

Assistance went to the weaver when required; the weaver did not have to go in search of assistance.

United States taxation, the team observed, did not fall so heavily on the pay packet as does PAYE. Incentives were more commonly in use than in Britain, but (not less important) they were more tangible, and the plenty of consumer goods made them harder to resist. These things help to form an industry's attitude.

* * *

Transport Charges Scheme

Towards the end of last week the Transport Commission issued a pamphlet setting out the principles to be embodied in a charges scheme for merchandise traffic. The Commission has offered it as a basis for discussion with trading bodies which it desires to undertake early next year. The draft principles cover all merchandise traffic conveyed by rail, road or canal, except, for the present, coal and coke.

Since the Commission is charged by statute to regard its undertaking as a single whole and to integrate the various facilities which it provides, its first task has been to determine the principles which should underlie the scales of charges, before attempting to fix the charges themselves. Eventually the completed draft scheme will come before the consideration of the Transport Tribunal which is empowered by the Transport Act to confirm the scheme, with or without alteration.

The Commission proposes that common conditions of carriage and common chargeable distances should apply to all three transport services. In general, traffic will be conveyed at carrier's risk (this would end the present option of the trader to send his goods at lower rate at owner's risk). A maximum limit of liability is proposed, unless higher values are declared and a premium paid to cover them. In the classification of goods, "loading capability" is proposed as the prime factor; loading capability is a new concept on the railways (though not in road haulage) and it involves the comparison of bulk to weight or the quantity capable of loading in the normal operating unit, together with cost of handling and other characteristics. The scales of charges will cover transport from door to door, with appropriate charges for consignments of one ton or more for station and siding traffic.

To avoid the separate calculation of millions of distances, it is proposed to introduce a grouping system, based on the 10-kilometre grid system of the Ordnance Survey. Chargeable distances between groups will be measured by the road mileage (by A or B roads) between selected places near the centre of each 10-kilometre square. Thus the same chargeable distance will apply from any place in one square to any place in the other square. Special consideration will be given to chargeable distances between places separated by rivers or estuaries which are joined by circuitous road routes compared with their rail links. The Severn and Forth are obvious examples of such cases. Basically, the principles seem to have been carefully worked out, though they will have to stand up to detailed examination. Only after that has been done will it be possible to proceed with the far more difficult task of deciding on the schedules of rates to be submitted to the Transport Tribunal.

Stage Army in Industry

Labour turnover in British industry is at last receiving some of the attention it deserves. The publication of an analysis of labour turnover (the first of a series) by the British Institute of Management comes as a useful supplement to the figures which the Ministry of Labour has produced each month since last autumn. Neither set of figures is entirely satisfactory, and it is to be hoped that some way will be found of combining the BIM's detailed analysis with the Ministry's wider coverage.

The BIM's analysis, which refers to the first six months of this year, shows that of the 300,000 or so employees of 173 firms covered by the survey, 32 per cent on an average change their jobs in twelve months. The average of the Ministry's figures for the same period is 35 per cent, but this excludes those who leave within a month of joining, and it should probably be revised to about 40 per cent to allow for this. The firms included in the BIM survey were mostly large concerns with highly developed personnel departments, and it is reasonable, therefore, that their labour turnover should be below the national average. The British average, incidentally, compares favourably with the 50 per cent turnover in American manufacturing.

This picture of a restless and ever shifting labour force does not receive much support from the available data. It is true that a turnover of 30 or 40 per cent means that 2½ to 3 million workers in British manufacturing change their jobs each year. The "stage army" which moves from job to job at intervals of a month or less is responsible for only one in seven of all terminations, so that the proportion of the industrial labour force which falls into this category of extreme changeability must be rather small—perhaps 5 per cent. Women, it appears, are no more restless than men; the total turnover of female labour is admittedly higher—42 per cent as against 27 per cent—but the disparity is materially due to domestic and health reasons.

Unfortunately these figures give no indication of the mobility of labour between industries and localities, as distinct from particular employers, beyond the fact that 5 per cent of those leaving were moving from the district. The whole system of classifying terminations by reasons for leaving is full of difficulty, and it seems doubtful whether the complicated method used by the BIM is worth the trouble. However, a simplified breakdown shows that roughly three-quarters of those leaving did so of their own accord, the remainder being discharged or declared redundant. The variation between firms in the rate of discharge and redundancy is the main reason for the wide variation in total turnover, which for males ranges from 8 per cent to 79 per cent. This suggests that there are certain black spots in industry which create their own "stage army."

These studies of labour turnover are projects to which industry should give full support, for a more comprehensive picture of the movement of labour and, in particular, a better estimate of cost of turnover is still required.

* * *

BOAC versus Charter Services

Friction between the state air corporations and private air charter companies, never far below the surface, exploded in Parliament last week when the award to British Overseas Airways of a contract to fly Overseas Food Corporation personnel between this country and Africa was debated. In 1948-49 the work was performed by Hunting Air Services, Ltd., under charter contract with the Overseas Food Corporation. Hunting Air Services is one of the largest private air companies, and its fleet of Viking aircraft was largely engaged on weekly flights between London and Dar-es-Salaam. According to statements in the House, it was alleged that BOAC were assured by the OFC that the 1949-1950 charter contract would be theirs if the BOAC tender came

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| 6. Production | 13. Plant & Maintenance |
| 7. Factory Manager | 14. Textiles |

within 10 per cent of the Hunting tender. It was further alleged that in the negotiations BOAC gained an unfair advantage over the private company by virtue of earlier contact on the subject between the chairman of OFC and the chairman of BOAC, and subsequent official exchanges of information between the two state corporations. These allegations have been denied by the gentlemen concerned.

The conflicting evidence makes it difficult to disentangle the circumstances under which the new contract was awarded to BOAC. But it is certainly not easy to understand the economies of BOAC's tender. Hunting obtained the 1948-1949 contract on the basis of charging £63 per passenger, given a 100 per cent load factor. In practice, the average load was about 90 per cent and in the end it cost the OFC perhaps £70 to £75 to move each of its several thousand passengers. For the 1949-1950 contract Hunting tendered at £50 18s. per seat on a 100 per cent load factor basis. The BOAC tender is stated to have been accepted on the basis of £72 10s. per seat. But against this apparently higher charge, BOAC run four scheduled flights in each direction and their Solent flying boats do the journey, as far as Nairobi, in 28 hours against three days taken by Hunting's Viking aircraft. A more interesting question is how BOAC can afford to fly OFC passengers at £72 10s. when the price charged to other passengers is £146 per seat. BOAC may contend that since they are in any case running four flights a week (on as little as a 60 per cent load factor), every additional passenger carried helps to reduce the loss sustained on this route, even though they may be carried at a cheap rate. The answer to this line of argument would surely be that BOAC ought in that case to reduce the frequency of their flights until the load factor attains the normally profitable 75-80 per cent. Who asked BOAC to fly four times a week? If BOAC is to carry an increasing number of "charter" passengers at greatly reduced rates (there is some talk that BOAC have already cast an eye on the Sudan leave scheme flights at present carried out by private operators) together with passengers paying normal fares, dual prices will indeed prove double-edged.

* * *

Advances in Shipping Statistics

A paper read by Professor M. G. Kendall (until recently statistician to the Chamber of Shipping) to the Royal Statistical Society last week adds greatly to the amount of up-to-date information about the British shipping industry. An analysis of the composition of the British merchant fleet as at June 30, 1949, was followed by a discussion of the compilation of an index of tramp freight rates on a 1948 base, the weighting of which was described in detail. Professor Kendall then proceeded to a detailed exposition of the results of an inquiry into the "invisible export" earnings of the industry in 1947; these results were outlined in *The Economist* on September 3rd.

On the first of these questions—the composition of the British merchant fleet—the available information has not hitherto been sufficiently selective for the industry's needs, and in 1948 the Chamber of Shipping began to compile records which serve its purposes better. Vessels owned and registered in the United Kingdom and engaged in commercial trading are classified by types (liners, tramps and tankers) and by employment ("foreign-going" and "coasting and home trade"). Each category is shown first according to age and propulsion, and secondly by size and propulsion, of its component ships. The accompanying table summarises the results.

It can be seen that only about one-fifth of the British foreign-going fleet now burns coal, as compared with about half in 1935 and more than 85 per cent in 1914. Motorships comprise 37 per cent of the present total; the remainder are oil-fired steamships. The composition of the fleet by size and age reflects the distortions caused by the war building

programme; in consequence, as ships wear out their replacement in an ordinary way—distributing the shipbuilding load

VESSELS OWNED AND REGISTERED IN THE UK, JUNE 30, 1949.
BY TYPE AND PROPULSION

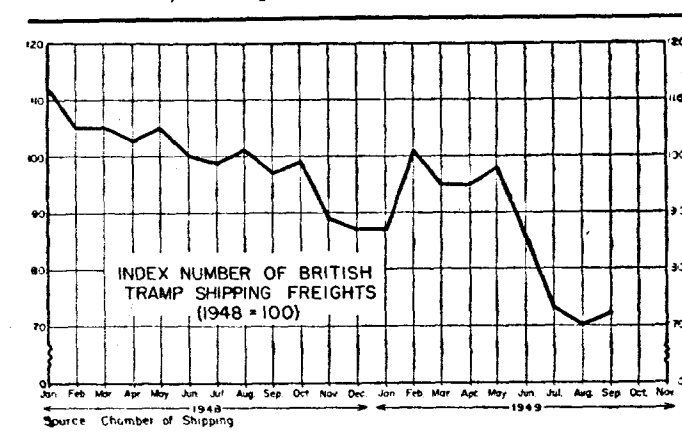
	Coal-Fired Steamers		Oil-Fired Steamers		Diesels		Total	
	Number	Gross Tons ('000)	Number	Gross Tons ('000)	Number	Gross Tons ('000)	Number	Gross Tons ('000)
FOREIGN-GOING:-								
Liners	257	1,309	468	4,091	362	2,749	1,087	8,149
Tramps	321	1,509	159	951	115	678	595	3,138
Tankers	...	...	154	1,105	261	1,892	415	2,993
COASTING & H.T.-								
Liners	163	163	77	160	133	115	373	438
Tramps	491	479	19	12	217	97	727	588
Tankers	4	2	33	26	46	21	83	49
TOTAL	1,236	3,462	910	6,343	1,134	5,552	3,280	15,357

as evenly as possible over a number of years—will not be an easy matter. With the Chamber of Shipping statistics it will at least be possible to get some idea of the possible course of demand for new ships, though other factors will no doubt interfere.

* * *

An Index of Tramp Freights

The task of resuming, after the war, the preparation of an index of tramp freight rates presented many complications to the Chamber of Shipping. Official direction of the employment of ships, together with control of freight rates themselves, persisted for some time after the war, and controls were removed unevenly, by stages; many artificially controlled rates still existed until last December. Professor Kendall indicates that the Chamber of Shipping index which has been constructed with 1948 as the base year can only be considered as temporary. As it turned out, however, the index for some months before and after the final relaxations of freight controls showed a steadiness which supports the good judgment of those responsible for the transition from war to peace operation. The index remained fairly steady until June of this year, when a decline set in which brought the index as low as 70 in August. It recovered to 72 in September, the last month quoted.



The remainder of Professor Kendall's important paper deals with the inquiry into the contribution of shipping to the balance of payments in 1947, which was conducted by the General Council of British Shipping at the request of the Minister of Transport. The year 1947 was chosen not as being representative—he shows that it was not—but because it was the only possible choice if the inquiry was not to be postponed. It was an elaborate inquiry, and Professor Kendall's explanation of the methods adopted is useful; he explains also the differences which distinguish

the results of this inquiry from the figures used in the White Paper on the United Kingdom balance of payments. The latter figures refer not to the performance of British shipping alone, but to total British earnings and outgoings for shipping services. Some idea of the scale and elaboration of an inquiry of the kind which the General Council of British Shipping undertook can be gathered from estimates made of the burdens thrown on the office staffs of companies. One tanker company gave the time taken to complete the returns as 1,500 man-hours, and a big liner company estimated its own contribution at 7,500 man-hours.

Trade and Finance

More Imports Freed

A further stage will be reached next month in the plan to free intra-European trade. In November the Council of OEEC requested member countries to aim at removing restrictions on at least half of their imports from all other participating countries by December 15th. For this purpose imports were divided into three broad categories: food and feeding stuffs; raw materials; and manufactures. The Council specified the items to be included under each head and fixed 1948 as the base year; the 50 per cent relaxation was also to apply to each separate category of trade.

This latter provision has meant that Britain has had to widen the list of goods which will in future be importable under open general licence. In September, the President of the Board of Trade announced an imposing list of goods which could be freely imported from the so-called "soft currency" countries. These relaxations covered 83 per cent of Britain's imports of food and feeding stuffs on private account, as distinct from government account, from the participating countries (excluding, of course, Belgium, the Belgian Congo, Luxembourg, Switzerland and western Germany) 37 per cent of raw materials (excluding oil) and 49.7 per cent of manufactured goods. The new range of goods to be imported under open general licence comprises mainly mineral products and metals (from abrasives to zinc ore and concentrates), chemicals, textiles and machinery; it will come into force on January 5, 1950. There are at present no further relaxations for food and feeding stuffs. Pulp, paper and board, other than newsprint and insulation board, will be added to the list on April 1st when private trade in these products is to be resumed, while oranges and grape fruit (at present imported by the Ministry of Food) will be included next May.

This new list more than meets the OEEC request. As before, 83 per cent of the private imports of food will be under open general licence. This may seem to be a high proportion, but most of Britain's food imports are, of course, undertaken by the Government. In raw materials total relaxations will amount to 68 per cent of the trade with

participating countries and in manufactured goods to rather over 50 per cent. The range of countries to which the open general licences apply remains unaltered. The main exceptions are the United States, Canada, the dollar account countries, Argentina, Uruguay, Russia, countries of Eastern Europe and the four hard currency countries of Western Europe.

Britain has at least given a welcome lead in attempting to liberalise intra-European trade, but there still remains a large area of government trade to be freed. The Board of Trade argued last week that some of the trade on government account was covered by open general licences—"it is conducted in accordance with the principles of the draft Havana charter, a basis equivalent to unrestricted private buying." On this score it was estimated that unrestricted imports by both private traders and the Government represent 71 per cent of total imports from participating countries, or £291 million. Most of the remainder (£121 million) consists of trade with countries with which an adverse balance might involve losses of gold or dollars.

* * *

Trading with Argentina

On paper, Anglo-Argentine trade has been brought into equilibrium, but it is a spurious kind of balance, achieved only by reducing the volume of goods exchanged. Argentina is still shipping meat to Britain—at the originally agreed sterling price—and is receiving in return petroleum and coal. But trade in "non-essential" goods remains at a standstill. Argentina is granting very few import licences, and British exporters are not willing to ship goods—even in those isolated instances where licences are available—until they can be sure about payment. The level of trade between the two countries is thus far more restricted than was contemplated under the trade agreement, and it is more by accident than by regulation that imports and exports happen for the time being to be in balance.

The development of Franco-Argentine trade, however, provides an interesting contrast. France has increased its exports to Argentina quite remarkably in recent months. In the first eight months of this year they amounted to Frs.10,366 million compared with Frs.2,442 million in the corresponding period of 1948. Imports from Argentina, however, have been almost halved, from Frs.13,033 million last year to Frs.7,431 million this year. One important French export has been steel, and another textiles, particularly wool yarn. The pesos acquired have been used by French traders to buy, among other things, wheat, wheat offals and oilcake. France itself has little need for any of these products. But wheat can be traded with Germany against coal, and offals and oilcakes with Denmark and other European countries against sterling. The extension of this re-export trade with other European countries in sterling may be a contributory factor in France's

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ability to balance its sterling payments without the need to use any of its drawing rights on Britain under the Intra-European Payments Scheme. France seems, in fact, to be emerging as a European broker for Argentine produce, a position hitherto filled by Britain.

Until the Andes agreement in 1948, British purchases of Argentine meat and grain covered the requirements of certain European countries. But the Argentine Government objected and decided to sell only on condition that the supplies were consumed in Britain. No such condition is apparently made with French traders. Nor is it likely that France is paying exorbitant prices for imports from Argentina—otherwise it would hardly be able to resell to other countries at a profit. It is an example which the proponents in this country of Government trading and bilateral bargaining might study with advantage.

* * *

Payment Talks with Italy and Switzerland

The Anglo-Italian Economic Committee concluded its review of trade and payments at the end of last week, without putting forward any new proposals to bring Anglo-Italian payments into balance. The two parties agreed to retain the present lire-sterling cross rate until June 30, 1950, thus extending the most important aspect of the payments agreement for a further six months. In agreeing to retain the \$2.80 cross rate, the Italian representatives had to overcome considerable opposition from their own traders, but Britain made it quite clear that no departure from parity could be tolerated. In fact, although Italy's sterling holdings are buoyant, it is hard to believe that Italy will always show a sterling surplus. For instance, Italy has this year been earning sterling from the re-export of dollar goods (for the direct import of which licences were not forthcoming) often at a premium of about 30 per cent in the sterling price, thus giving the Italian trader an exceptional profit, increasing Italy's sterling holdings and bringing dollar goods here at the price not of settlement in hard currency, but in sterling.

The first review of Anglo-Swiss trade since devaluation was recently concluded with evident satisfaction to both sides. The talks centred upon "non-essential" Swiss exports. British imports of these Swiss "non-essential" goods usually form a hard core of contention which has caused Anglo-Swiss negotiations to drag on for months. Britain, to make partial amends for the inevitable exclusion of Switzerland from the open general licence system, has agreed to increase the value of import licences for "non-essentials" to February, 1950, by £400,000. Moreover the list of goods has been revised to substitute goods, for which the demand exceeds the licences granted, to replace certain Swiss "non-essential" exports which have not found a ready market here. This stop-gap arrangement ends a prolonged argument since devaluation whether under last year's Anglo-Swiss trade pact import licences should be granted on the basis of the sterling figures or of the Swiss franc figures which appeared alongside. After devaluation, the Swiss claimed that the sterling figures should be ignored.

* * *

Price Trends in Base Metals

The fillip which the London tin market enjoyed last week was short lived. Until ten days ago the spot price was fairly steady at around £605 a ton. Last week, it rose to £610 a ton but fell back again this week to £604½. The backwardation, however, has narrowed. Three months' delivery had been quoted at £565 a ton and last week it rose to £584. But though the spot price returned to its former level the forward quotation declined to only £573½, bringing the margin to £31 against £40 ten days ago. Since Monday the forward price has tended to harden.

The New York market did not follow last week's rise and the subsequent fall. The price of tin in that centre has been virtually dictated by the Reconstruction Finance Corporation which sells the output from the Texas smelter and last week it reduced its price from 81 cents a lb. (£648 a ton) to 79 cents (£632). Since then the price has dropped further by half a cent. The RFC, however, has announced that in future it would compete with tin importers. This decision has important repercussions for the Ministry of Supply, which recently transferred 3,000 tons of its stock to the United States in order to sell spot in New York. So far, its sales have been very modest because, in an effort to limit the fall in price, it has been content to follow the RFC's lead rather than undercut and dispose of its stock. The limitations of such a negative policy will become all the more obvious now that RFC is to compete with importers (including the Ministry of Supply), some of whom will no doubt have acquired their supplies from Europe with "cheap" sterling.

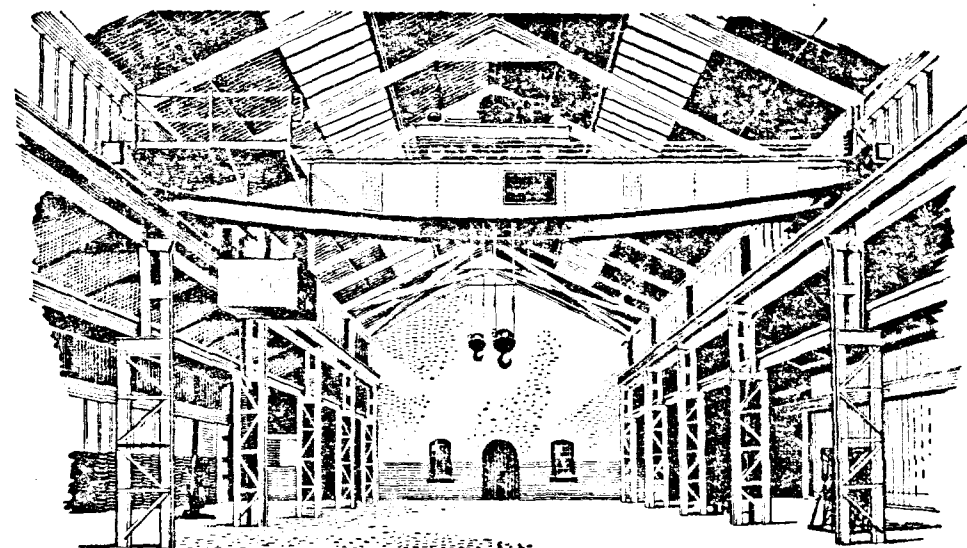
The other base metals have remained firm in recent weeks owing to the recovery in American demand. Consumption of copper in the United States has been maintained at a high level and deliveries from producers and customs smelters during November were the largest since March, 1948. Sales during the present month have, so far, been double those of a year ago. The strength of the market can be gauged by the recent rise in price for copper scrap from 15 cents to 15½ cents a lb. Lead scrap is also slightly dearer while the forward price for zinc has tended to rise. It seems, therefore, that unless inflationary pressure in the United States is curbed, a general rise in non-ferrous metal prices is not out of the question. In Britain, too, scrap prices have hardened in the past week or so and demand for virgin metal has also started to recover. But the outlook for the dollar account is none too cheerful, for the price of tin—one of the sterling area's major dollar earners—is falling, while prices of the other base metals—which to a greater or lesser degree involve a dollar expenditure—are tending to rise.

* * *

Recovery in Rubber

The rubber market has been unusually firm since devaluation, and ten days ago the London spot price reached ¼d. below the postwar peak. During the past week, however, the price has fallen slightly and on Tuesday was quoted at 1s. 2½d. a lb. The general upward trend has continued for the past five months, but the actual rise has been quite modest. From the beginning of August to September 16th the London price rose from 10½d. a lb. to 11½d. When sterling was devalued, rubber jumped to 1s. 1½d. a lb. and in the past three months, after a slight fall, it has risen by 1½d. The American market has followed this general trend, though owing to devaluation the New York price for near delivery dropped from 18½ cents to 17 cents a lb. in the third week in September. In the following week, December delivery was quoted at a little over 16 cents a lb. The price is now over 17½ cents, so that the fall after devaluation has almost been made good.

The recent firmness in the rubber market is attributed mainly to American and Russian buying though other countries, including Britain and France, have also been active. In the first ten months of the year, the United States is thought to have procured some 90,000 tons of rubber for its stockpile, while total Russian purchases amounted to 97,500 tons. There is little doubt that this year Russia will have bought appreciably more than its usual 100,000 tons. World production during the period totalled 1,200,000 tons which was only slightly in excess of consumption, estimated at 1,190,000 tons. American consumption showed a marked increase in October, but synthetic consumption also rose though to a lesser extent. It is still not possible to assess the effect of devaluation on the demand



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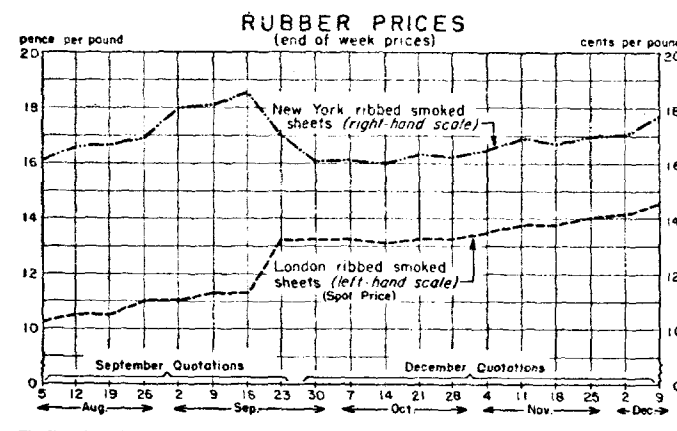
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for natural rubber in the United States, or the effect of the recent relaxation of the restrictions imposed on the use of natural rubber.

The rubber market is largely influenced by Russian buying and American stockpiling. Past experience has shown that funds appropriated for American stockpiling are usually exhausted by January or February, though the sterling counterpart funds may subsequently be used to give limited support to the market. On the other hand, little is known about Russian requirements. It has a synthetic rubber industry



within its own boundaries and in addition has use of the plants in the Soviet Zone of Germany. If the rubber market could rely on an annual demand of 100,000 tons of natural rubber from the Soviet Union with, say, a further 100,000 tons a year for the American stockpile the problem of surplus supplies would not press. But both these supports to the market are not permanent. A further factor is the possibility of increased production of natural rubber from Indonesia now that political stability seems more assured.

The rise in rubber prices has been a contributory cause of higher prices for British tyres, announced at the beginning of last week. The increase varies from 5 to 12½ per cent. All imported raw materials for tyre manufacture have risen since September; rubber by over 20 per cent, cotton by 25 per cent, and carbon black and other materials by over 35 per cent.

* * *

Who Borrows from the Banks?

The latest quarterly classification of bank advances in Great Britain (which embraces all members of the British Bankers' Association) shows that aggregate advances have hoisted themselves over the £1,500 million mark for the first time—the actual figure reached in November being £1,532½ million. This is £35½ million more than the value of advances shown in the August classification and £153 million more than that shown in November last year (when, however, the figure had been very sharply contracted on the eve of classification by a heavy repayment of advances by the British Electricity Authority out of the proceeds of a new issue).

The rise this year is therefore not as startling as might at first appear, while the rise over the last quarter is more than accounted for by increases of just under £21½ million in bank loans to public utilities (whose borrowing now amounts to just under £42½ million) and of just under £15½ million in loans to the food, drink and tobacco section. The increase in lending to Public Utilities may reflect further demands for electricity, and also borrowings by the Gas Council, so that the new credit in this category has probably accrued mainly to the public sector. The increase in lending to the food, drink and tobacco group is partly seasonal and partly, no doubt, a reflection of the higher level of food stocks now held.

The classification also reveals that there has been a moderate increase in loans to the retail trade, but moderate

decreases to the engineering, iron and steel, textile and chemical industries. The "other financial" group shows a further expansion, by £2½ million, to £131 million, presumably reflecting the "stickiness" of the new issue market. Personal and professional advances have actually declined fractionally and have therefore shown a perceptible fall proportionately (to 26.6 per cent of the whole). These results provide a wry commentary on the Chancellor's recent appeal to the banks to go slow in their lending policy. Advances to private manufacturing industry and to private individuals are already apparently on a tight rein. When the public boards or those responsible for handling the people's food come asking for more loans, would the Chancellor really be happy if the banks shut the door in their face?

* * *

Where the Purse Pinched

The fortieth report of the Customs and Excise Commissioners, published last week, covers the twelve months to end-March, 1949. During the last part of this period Crippsian disinflation was beginning to eat into national overspending and some clue is provided in the report to the nature of the not very frightening sacrifices which the British people had to bear. The consumption of whisky and gin dropped 10 per cent below that of the previous financial year and the consumption of light wines in the second six months of 1948 was less than half that in the first half of the year. The tax-exclusive value of trade in goods chargeable to purchase tax also declined, from £710 million in 1947-48 to £680 million in 1948-49 and, in the second half of the fiscal year at any rate, expenditure on entertainment dropped sharply so that receipts from entertainment tax over the year were 5½ per cent down. By the autumn of 1948 the pressure on purses had extended further down the social scale; the consumption of beer in the six months following September, 1948, was 15 per cent lower than in the six months before it. Despite a 5 per cent increase in price, however, home consumption of tobacco remained stationary at 212 million lb.—either the elasticity of demand for this conventional necessity is now really equal to zero or the last financial year saw a trend away from stimulants which fostered gaiety towards narcotics which soothe the people's nerves.

As a pointer for longer-term policy, the report reveals that the Customs and Excise Department collected £1,554.5 million of taxes in 1948-49 (67 per cent of them from gamblers, smokers and drinkers) at an administrative cost of £0.59 per £100 collected. On this evidence the administrative cost of collecting indirect taxes seems to be little more than half the administrative cost of collecting direct taxes—the Inland Revenue's expense ratio was 1.13 per cent in 1947-48. The traditionally low administrative cost incurred by the Customs and Excise Department was therefore maintained in 1948-49 despite an apparent increase in petty offences against the law in consequence of increased controls; the number of convictions secured by the Department in 1948-49 was nearly 10 per cent above those secured in 1947-48, although the aggregate value of fines and the bag of "imprisonments without option" were both down. For the rest, the report is again the source from which the reader may learn such widely differing snippets of information as that 1948-49 was the year in which the dog population of Great Britain (or at least its licensed dog population) climbed back to its prewar level and also the year in which imports of snuff, for some unfathomable reason, were nearly 6½ times above the imports of 1938-39.

* * *

Testing Electrical Equipment for Canada

Representatives of the Canadian Standards Association are opening an office at the British Standards Institution in

January. Most Canadian firms insist that electrical equipment fitted in their factories shall have been approved by the association; in some provinces, the law requires approval to be obtained. The Canadian association was originally concerned with electrical equipment for a special purpose—to test whether the equipment qualified for reduced fire insurance premiums with the big American insurance companies. Its approval has come to have the wider significance of a minimum standard requirement.

There is no doubt that standards formalities have hampered British exports to Canada. The association does not publish its standards; samples and prototypes have to be sent backwards and forwards across the Atlantic for testing, comment and subsequent modification. This wastes time, and requests for approval from Canadian manufacturers and from exporters to Canada have become so numerous that congestion adds to the delays. The difficulties have deterred some otherwise well-qualified British manufacturers from seeking trade in Canada. Others have had to postpone delivery while they waited for approval to come through. All exporters to Canada are in the same position except the Americans; electrical equipment in the United States is already designed to meet the same standards as were originally laid down by the American insurance companies. Some British firms have even been shipping electrically-driven plant without the motors, and fitting Canadian-built electric motors on arrival but the field for such substitution is limited.

A delegation representing the British Standards Institution and the interested trade associations went to Canada recently. The outcome of their visit is an agreement under which the British Standards Institution will carry out in Britain the tests necessary before the Canadian Standards Association can approve equipment. The British electrical industry attaches importance to this, because its members have met strong sales

COMPANY MEETINGS

HARRISONS & CROSFIELD, LIMITED

ANOTHER SATISFACTORY YEAR

The forty-first annual general meeting of Harrisons and Crosfield, Limited, was held on December 20th in London.

Mr H. Eric Miller (the chairman), in the course of his speech, said: "We are able to report another satisfactory year's trading, achieved by sustained hard work on the part of all concerned. After providing for overseas but not U.K. taxation, the available profit for the year amounts to £591,700. Provision for profits tax and income tax in the U.K. absorbs £323,316, leaving a net profit of £268,384 against £235,633 for the previous year."

STRENGTH AND LIQUIDITY

I would like to emphasise the strength and liquidity of the balance sheet which shows current assets more than £3,000,000 in excess of current liabilities.

Finality has not yet been reached in clearing up the many problems arising out of enemy occupation of those Eastern territories where the company operates.

With regard to devaluation, a colossal united national effort is clearly needed if we are to hold our footing and prevent any further slide.

I refrain from measuring in figures the effective aid which the H. & C. Group as a whole is rendering towards the closing of the dollar gap, but you can take it from me that it is an impressive total, especially in shipments of rubber and tea.

TEA AND RUBBER INDUSTRIES

In the course of his review of the Tea and Rubber Industries he said:—

Tea crops in 1948 were abundant, India and Pakistan producing 616 million lbs.—a record for all time—and Ceylon 298½ million lbs., thus equalling her 1947 record. Assuming U.K. consumption in 1949 to have been about the same as in 1948, which was 404 million lbs., there has been some opportunity to build up U.K. stocks which had, we believe, declined to rather a low level.

We are glad to know that the International Tea Market Expansion Board are continuing their campaign to enlarge the demand for tea particularly in the U.S.A. and it will be interesting to see whether the startling rise in the price of coffee aids them in their efforts. We have recently been advised that our government intend continuing bulk buying next year but have not heard, as yet, whether the Indian and Ceylon governments will agree. We think they probably will, in spite of the fact that the former have frequently expressed their desire to have all Northern Indian teas sold in Calcutta.

Looking to 1950, we are not likely to know for some time how much the Eastern governments will allow to be tendered for sale to the Ministry of Food, so the trend of the market cannot be foreseen, with any degree of certainty at this juncture.

It may fairly be said that available stocks, of rubber equal to little more than 2 months' consumption, are definitely on the low side. Hence the recent upswing in market sentiment. After many barren years shareholders in rubber-producing companies are fully entitled to a compensatory spell of reasonable prosperity and no one should begrudge them that. In New York, however, the price of first quality sheet is still below that of synthetic, an anomaly which should soon be corrected, for natural rubber is one of the few important industrial materials available at pre-war prices, and it certainly has lost none of its usefulness.

The report was adopted.

resistance here and there through uncertainty whether their product would meet Canadian standards. This concerns not electrical goods alone but all machine tools and capital equipment which incorporate electric motors.

Shorter Notes

Coal output last week was 4,781,600 tons; the deep-mined output of 4,566,200 tons was the highest for ten years. Total output for the 50 weeks of the year has now reached 208,166,000 tons, of which 196,057,000 tons—5½ million tons more than in the same period of last year—is deep-mined. Absenteeism has fallen steadily in recent weeks; from an August figure of 13.66 per cent., it had delined to 10.15 per cent in the week which ended on December 10th.

*

Reports from Iraq suggest that the prolonged negotiations to obtain £3,000,000 loan from Britain to extend the Iraqi railway system have been concluded. The terms on which the loan has been granted are not as yet known. Iraq has for some time been drawing on the sterling securities held as backing against the Iraqi currency. By obtaining funds in Britain it will prove possible to purchase railway material without further depleting Iraq's exchange reserves. The railway programme is held to be somewhat ambitious and while there are good grounds for building a river bridge, some parts of the railway station programme may be less easy to justify.

MARCO REFRIGERATORS

PROGRESS IN VOLUME OF SALES

The twentieth annual general meeting of this company was held on December 21st in London, Mr A. E. Leach, M.Inst.R. (chairman and managing director), presiding. The following is an extract from his circulated statement:—

The period covered by the accounts has been, as is commonly appreciated, a very difficult time for industry in general, and while your company has continued to progress in regard to volume of sales, the change-over to a buyers' market has involved a lowering of prices and an increase in selling costs. These conditions are reflected in the accounts by a fall in net earnings (before taxation) from £80,573 last year to £66,711 in the trading year under review. The position has been mitigated by economies in cost brought about by the operation of the Byfleet factory and a reduction in outside purchases.

The available surplus for the year (after taxation) is £30,310, and your directors propose, with your approval, to pay a final dividend on the ordinary stock of 17½ per cent. (less tax), making 30 per cent. (less tax), for the year, thus maintaining the dividend at the level held for the two preceding years.

As to the future, one hesitates to attempt to forecast in prevailing conditions, but it can be said that so far as your company is concerned the immediate prospects do not by any means appear discouraging.

The continued development and production of attractive new models and leadership in the application of refrigeration to the needs of the bakery and other trades are factors which encourage the opinion that your company will continue to advance its position in the industry.

The report was unanimously adopted.

ASSOCIATED TALKING PICTURES, LIMITED

EALING STUDIOS' FULL YEAR OF PRODUCTION

DIFFICULTIES OF THE CINEMA INDUSTRY

DIVISION OF BOX OFFICE RECEIPTS: NEED FOR READJUSTMENT

MR STEPHEN L. COURTAULD'S SPEECH

The twentieth annual general meeting of Associated Talking Pictures, Limited, was held on December 15th at Ealing Studios, Ealing Green, London, W.5, Mr Stephen L. Courtauld, M.C. (chairman of the company), presiding.

Mr Leslie F. Baker, A.C.A. (director and secretary), having read the notice convening the meeting and the auditors' report,

The chairman said: Gentlemen,—The report and accounts have been in your hands for some weeks, and with your permission I will take them as read. (Agreed).

I propose, with your approval, to follow the precedent established over the past few years and ask your managing director to address you on the detail of these accounts and to answer any questions which you may have in relation to them, confining my own remarks to matters of a more general nature.

The manufacturing activities have again been carried on solely through your subsidiary company, Ealing Studios, Limited, which has once more had a full year of production.

THE YEAR'S FILM PRODUCTION

Looking at the seven films which were delivered during the year, I think I may safely say that this year has done much to enhance still further the prestige of Ealing. Scott of the Antarctic, as I mentioned to you last year, was selected for the Royal Command Film Performance of 1948, and in addition to this Ealing did the "hat trick" with Passport to Pimlico, Whisky Galore and Kind Hearts and Coronets, all of which were outstandingly well received both by the critics and by the general public.

Another of the seven films delivered during the year was Eureka Stockade, the second film made by Ealing Studios in Australia. Shooting on the third film made in Australia, Bitter Springs, has now been completed and further production is planned for the future in Australia, where Ealing Studios, Limited, has acquired a long lease of the Pagewood Studios, Sydney, to form the base of future operations in the Commonwealth.

It is possible also that films may be planned for production in other parts of the British Commonwealth.

Ealing Studios, meanwhile, has a continuous programme of production for its studios at Ealing for the year 1950.

CONDITIONS IN THE INDUSTRY

You have seen in the national Press so much about the difficulties that the industry as a whole has to face, that there seems to be nothing I can usefully add to the general information in your possession; but I should like to remind you that the production side of the industry has even more problems than the rest.

It is, I think, true to say that, due to the rational policy followed by your directors, Ealing has suffered less than some others; nevertheless, the industry we know is indivisible, and it is impossible for your company to remain unaffected by adverse conditions.

It is hoped, however, following the representations that are being made—particularly in regard to the punitive taxation—and as a result of Government inquiry, that conditions will eventually be created under which stable British film production can exist; but until such conditions are created surely Ealing's record of production proves that under present circumstances profitable British film production is beset by almost insurmountable difficulties.

Two outside factors have reduced box-office receipts—the prolonged spell of fine weather from which we suffered this year, and the general falling off in public spending power, including that available for entertainment. The result has been that even outstandingly successful films such as I have mentioned did not mature to the full the revenues which the films themselves merited.

The situation is likely to be extremely difficult for some time to come. Your directors will continue to make every endeavour to reduce production costs, but their measures to this end, however drastic, can hardly by themselves establish and maintain a proper balance between costs and revenue. We must ask for the essential changes in conditions to which I have already referred; for some reduction or alteration of taxation, and for some readjustment of the division of box-office receipts; the present system is grossly unfair to the primary producer.

HOUSE OF COMMONS DEBATE

Yesterday, after this speech had been drafted and approved by my colleagues, there was further discussion of the film industry in the House of Commons, as, no doubt, you have seen in the papers. The President of the Board of Trade, in the course of his remarks, spoke of the "sinister unanimity" of the industry in protesting against the existing entertainment tax. On being challenged, he explained that this unanimity suggested "private deals."

I am going to risk whatever penalties there may be for criticising a member of the Government and say that I consider the two phrases quoted are absurd. If an industry is in difficulties and subject to terrifically high taxation, no sinister deals are needed to cause it to protest with one voice. (Hear, hear.)

I am reminded by the French natural history book which describes some wild animal: "This animal is very naughty; when one attacks it, it defends itself." Mr Wilson says of the film industry:

"This industry is very sinister; when one squeezes it, it cries out."

I now call on the managing director to address you on the subject of the accounts.

MANAGING DIRECTOR'S REMARKS

Mr Reginald P. Baker, F.C.A. (managing director): Mr Chairman and gentlemen,—I think perhaps I ought to do my best today to explain a number of things which, on the face of the accounts as circulated, do, I think, call for a measure of explanation. It is a matter of difficulty, as shareholders will

appreciate, to present accounts in accordance with the new Companies Act so that everything to which one desires to refer is abundantly clear to shareholders.

Your company, as you know, has a controlling interest in one subsidiary, Ealing Studios, Limited, holding 51 per cent. of the shares in that company, and also has a 50 per cent. interest in a second company, Associated British Film Distributors. That is basically the position—the old parent company, A.T.P., controls 51 per cent. of the new production operating company, and has a 50 per cent. interest in the distribution company, A.B.F.D. It is for that reason, of course, that in accordance with the provisions of the Companies Act details of the company in which you hold 51 per cent. are incorporated in the figures sent out to you in the form of a consolidated balance sheet. I will also refer in due course to the consolidated profit and loss account, which I must confess, even from my point of view, does present a somewhat complicated document for shareholders to comprehend to the full.

I have here the detailed accounts of the two companies to which I have referred—that is, Ealing Studios, Limited, and Associated British Film Distributors, Limited—and perhaps it might be useful to shareholders if I ran through the detailed balance sheet of Ealing Studios, Limited, so that you can perhaps have a fuller appreciation of the situation of that company.

PARENT COMPANY'S BALANCE SHEET

If I may digress for a moment, I think that the position regarding Associated Talking Pictures, Limited, on the balance sheet which has been circulated to you, is reasonably clear, but there is one point to which I would like to refer, and that is this. You see on the credit side of the balance sheet a debit balance on profit and loss account of £133,868. On the other side you will see provision for taxation of £108,400, and in addition there has been paid by your company on account of the notional liability to excess profits tax a sum of approximately £45,000, so that the debit to profit and loss account in respect of taxation, in round figures, is something in excess of £150,000. After providing that sum of money in excess of £150,000, we have a debit balance on profit and loss account of £133,000, approximately, so you can see that—we take no particular credit for it—your company has, in fact, subject to this peculiar incidence of taxation, done a little better than level pegging over a period of some twenty years. I draw attention to that because I think it is significant.

The reason for incidence of taxation at that level is because, as those shareholders who were with us a few years before the war will remember, we did, rightly or wrongly, take a conservative view of the valuation to be placed on the stock of films in hand at the end of each financial year. Subsequent events proved that more revenue was to be derived from those films than we had originally calculated, and when the revenue was derived, it came into the periods which were chargeable to excess profits tax. That situation, however, is under discussion with the revenue and representations are to be made that this is a case—as certain representatives of the Inland Revenue themselves admit—that may call for some special treatment. I do not put it higher than that and I do not want shareholders to anticipate fruitful results to be forthcoming from whatever discussions may ensue.

EALING STUDIOS' ASSETS

On the assets side of your balance sheet you have shares in subsidiary company; that refers, of course, to Ealing Studios. On the

Ealing Studios' balance sheet, we have freehold land, roads, studios and buildings, sound, electrical and general equipment, and all equipment, including motor vehicles, standing at present at the sum of approximately £177,000. The actual capital cost of those assets was not quite £286,000; by that you can see that over the period of operation of Ealing Studios we have written off depreciation of getting on for £110,000.

The next item on the balance sheet is sinking fund policies and life policies which stand at a figure of £100,915, which is the amount of premiums paid to date on those policies. Those policies were taken out in 1932. They were taken out at the time when these studios were first built and we had to arrange for the finance of the building of the studios, which we did at that time on the broad back of your chairman through an insurance company to a degree. One of the things we did was to take out these policies which mature to £150,000 in a period of twenty years. Today they stand in the balance sheet at the figure I have quoted, although the surrender value is £117,000, and the cash value at auction in the open market is, of course, higher, because when these policies were taken out the computation was on the basis of 3½ per cent. compound interest, which, of course, is a thing entirely unknown today.

FILM PRODUCTIONS AND RIGHTS

Then we have an asset which is really the focal point or the turning point of the operations of the company, and that is film productions and rights, which come under three headings. Preliminary production expenses on films which will probably be made in the future total some £36,000; films in production, at cost, after deducting contributions which are made by our distributors to that cost, total approximately £157. When I say "contributions by our distributors" I do not mean our own distributors, A.B.F.D.; I mean the distribution company which is part of the Rank organisation, which takes our films for distribution and makes a definite contribution towards their negative cost.

Then we have another item which is much heavier—that is, completed films, which amounts to just over £393,000. That item is made up of expenditure on the films, less contributions made by those distributors to whom I referred just now, and also after deducting the revenues we have received from those films and after deducting the amounts that we consider should be provided against future shortfall of revenue.

BASIS OF VALUATION OF FILMS

In relation to that item, I think perhaps I should tell you the basis on which we value films. At the end of each year we receive from the distributors a schedule showing the expectation of revenue, not only from this country but from all territories of the world in respect of each of the individual films. Based upon that, and perhaps what we know ourselves in addition, we carry forward the value of our stock-in-trade. It would, perhaps, not be wrong for me to say at this point that the overseas market does present certain difficulties. In many countries, of course, where our films go for exploitation, you have very material currency restrictions. You have frozen currency in many territories which you cannot touch. Shareholders may be interested to know that in respect of our small company—I use the word advisedly because in relation to other film companies we are quite small, although we have a longer record—at the end of June last we had upwards of £110,000 overseas in frozen currency, which we would not touch at all. We take no account of that in arriving at the value of our films, except where anything may have been received between the end of the year in respect of which the accounts are

being drawn up and the date when we, in fact, draw up the accounts, so you can see there is something there which we hope one day will come in and will show, perhaps, a somewhat larger measure of revenue than we are envisaging in the preparation of these accounts.

The next item in the balance sheet is debtors and prepayments; the total, including repayment of income tax to which we are entitled, is £66,000. Cash at bank and in hand is £5,600. We then have the final item, which is debit to profit and loss account, of £172,000, which includes the adverse balance in respect of the past year to June 30th last of just over £54,000.

On the liability side, we have share capital, which is quite small, £5,000, of which your company holds £2,550, and in the main the balance is made up of bank and other loans and the liability to Associated Talking Pictures, the parent company, of £24,000, which, of course, has been repaid since the date of this balance sheet. You can see, obviously, that with that amount of assets and a share capital of £5,000, the only basis on which it can be operated is by bank borrowing or borrowing from other sources, practically the whole of which is borne on the shoulders of your chairman, plus certain personal guarantees from Sir Michael Balcon and myself. I have referred to those assets in detail because it seems to me that the information might be welcomed by shareholders, and it may well amplify the information which is given in the consolidated balance sheet.

VALUE OF FIXED ASSETS

Additionally, I think shareholders will have noticed that the fixed assets of the company—that is, Ealing Studios—freehold land, buildings, equipment and so on, figure in the balance sheet at £177,000, and I did advise shareholders two years ago that in order to see where we were getting to, we asked some professional valuers to come through this place, go through it in detail, and see what value should reasonably be attached to these fixed assets, and I did tell you at that time that it came to a very considerable sum. It was, I think, in those days, half a million pounds. We do not take any credit for that. I think we ought, perhaps, to congratulate ourselves that during the war, when we were in a very vulnerable area, we had the good fortune to suffer nothing more than fire bombs on our roof, which we managed to put out. We also managed to get the place repaired and managed to find alternative accommodation during the period repairs were being effected. It has not been our policy to take any notice of that valuation, other than to bear it in mind and keep it at the back of our heads, but I think it will show you that although we unfortunately have a debit balance on profit and loss account which is quite substantial, if one takes into account the more recent valuation of the fixed assets, the position at least is somewhat better than that disclosed by the detailed balance sheet, to which I have just referred.

CHAIRMAN'S PUBLIC-SPIRITED ACTION

I ought, perhaps, to make one other point. I referred to the fact that the company has been financed entirely by borrowings, and the bank have figured very largely in that. By virtue of the position of A.T.P. in 1941, and the vulnerability of these studios, at that time it was not at all possible to obtain any finance to carry on the operations of A.T.P. In the face of the position that had then arisen, it became necessary to make other arrangements, and I am telling you this so you will know the kind of burden your chairman has borne in a very uncomplaining way, and if I may say so, a very public-spirited way, in the years that have passed since that time. At all events, the bank held the view

that they could not allow the company to borrow any more money. We therefore formed another small company which borrowed money from the bank on the strength of the guarantee of your chairman, reinforced subsequently by such—I am not going to say financial weight—but such moral weight that Sir Michael Balcon and I could bring to bear. That money, when borrowed from the bank, was forthwith lent to your subsidiary company, Ealing Studios, up to the extent of £490,000. That is in addition to the direct borrowing from the bank. I am telling you that for the reasons I have already given you, and also to let you know that adverse as the situation may appear to be on the face of these accounts, the bank have now agreed that all borrowing shall be on behalf of Ealing Studios direct, and accordingly that arrangement has been made since the date of this balance sheet. It shows that bad as the industry may be, and you will know how bad it is because you have been reading about it, at all events the bank feel that Ealing Studios is still reasonably credit-worthy.

RESULT OF THE YEAR'S OPERATIONS

The adverse balance on that company's operations, as I say, is approximately £54,000, of which your company has a 51 per cent. share, so the parent company's share of the loss on Ealing Studios is £27,000 odd. A.T.P., as you see, has a profit for the year of £15,548; that leaves a wrong side up to the extent of the difference between those figures—the difference between some £27,000 and £15,000, which is £12,000.

At this point I ought to refer to Associated British Film Distributors. That company during the year we are referring to made a profit of £36,000; half of that profit attaches to your company, so that against the adverse balance of under £12,000, we have a credit balance on another subsidiary company of £18,000, so that taking it through the year it seems that equilibrium has just been maintained and that is all. We do not hold that out to shareholders as being a satisfactory result, but in the light of the figures that have been published recently in relation to those organisations which may perhaps be more fortunately placed than we are, it does seem that we have, at all events, just held our own.

PRIMARY PRODUCERS AND BOX-OFFICE RECEIPTS

When I went through these figures last year I did say to shareholders—I think you will find it reported in certain financial papers—that I personally, and I know my colleagues shared the view, saw no reason at that time for any optimism. The industry has attained a stature that was the subject of debate in the House yesterday. Various things are blamed for the present situation. One of the things that I personally think is to blame—and it is a song I have been singing for the last twenty years, but nobody takes much notice, I am afraid—is that if you examine the division of the box-office receipts which the public pay to go into a cinema, certain points may be brought to your mind. It is an acknowledged fact that entertainment tax takes a full 36 per cent. of the amount the public pay at the box office. That leaves approximately 64 per cent. Of this 64 per cent., it is acknowledged that the theatres retain roughly 60 per cent. of that figure, leaving 40 per cent. of that figure, which is roughly 25 per cent. of the gross amount available, for the man who makes the picture and the man that sells the picture to the cinema. Out of that approximately 25 per cent. of the gross amount paid by the public the cost of distribution of the film, plus cost of the copies and advertising, takes a full one-fifth. I do not want to overstate it, but it is fully one-fifth, which means

that that 25 per cent. becomes reduced to 20 per cent of the public entrance money.

ENTERTAINMENT TAX NOT THE WHOLE PROBLEM

So far as the primary producer is concerned, this means that under prevailing conditions he is asked to manufacture for a maximum of £20 a commodity for which the public is prepared to pay £100, and it gives one, I think, some food for reflection when you consider that the entertainment tax takes on a good picture twice as much as the primary producer; and on an indifferent picture the comparison is even more favourable towards the Government. I am not suggesting that the entertainment tax is the whole problem we have to face, but it does seem to me—if I am being rather verbose about it, please forgive me—that the division between the various sections of the industry, outside the question of entertainment tax, could do with a measure of revision in favour of the primary producer; because it is a peculiar thing—a given cinema will take, for example, £300 one week and £600 the next week, and the only thing that is changed in the theatre is the primary producer's film which goes through the projector. That is the only difference.

DIRECTORS' EMOLUMENTS

There is one other point I would like to refer to, and that is in relation to the consolidated profit and loss account which appears on the back of the report which has been circulated. Under Ealing Studios, Ltd., arrangement with its distributors—that is, with the company known as General Film Distributors, which is part of the Rank Organisation—they take our films for distribution not only in this country but in all countries of the world. A part of the arrangement we concluded with them was that they should also take an investment in our films. The investment is proportionate to the cost of producing the films, and in relation to the cost of production of those films certain charges have to be established, and among those charges are remuneration to various people who are associated with the manufacture of those films. I say this because there is an item here which in shareholders' eyes must I should think, stand out very vividly. None of your directors has ever either desired or has had a contract of employment prescribing any remuneration whatever in relation to the operations of either your company or either of the two subsidiaries, but the distributors laid down that the negative costs should provide for certain remuneration so far as your actively engaged directors are concerned, and, moreover, they laid down the extent of that remuneration. That is why you see in this profit and loss account: "Emoluments of the directors of Associated Talking Pictures, Limited, from Ealing Studios, Limited, £36,000" odd. You will notice that there is in parenthesis there a statement to the effect that £18,000 of it is undrawn.

If you examine these figures more closely you will see that a little lower down there is a figure of amounts chargeable to and paid by the distributors, £39,889. That is in respect of directors' emoluments and depreciation of equipment. You will see that if the £36,000 I have referred to as directors' remuneration is reduced by the amount of £18,000 undrawn, you have a net figure of some £18,000. If the total figure a little lower down of £48,000 is reduced again by £18,000, you will see that after deducting the amount chargeable to and paid by the distributors, your company is in the unusual position of finding that not only are no emoluments of directors charged against your company or the subsidiary in any shape or form, but in point of fact you make a profit out of your directors out of the proportion paid by your distributors.

I mention that because if anybody

examines this balance sheet, which is drawn up in accordance with the provisions of the Companies Act, it shows a very adverse position, and then examines the profit and loss account which again is drawn up in accordance with the provisions of the new Companies Act, they may feel that the directors are having a high old time at the expense

of shareholders, whereas in point of fact, in view of what I have told you, you will see that the company is, in fact, making a profit out of its directors.

After Mr R. P. Baker had replied to questions, the report and accounts were adopted, *nem. con.*, and the formal business was transacted.

SOUTH DURHAM STEEL AND IRON COMPANY, LIMITED

RECORD LEVEL OF PROFITS

NO REDUCTION IN OUTPUT

FATE OF INDUSTRY RESTS WITH ELECTORATE

MR J. H. B. FORSTER ON THE STEEL ACT

The fifty-first ordinary general meeting of South Durham Steel and Iron Company, Limited, was held on December 21st at Cargo Fleet Ironworks, near Middlesbrough.

Mr J. H. B. Forster, the chairman, who presided, said: You will observe that the estimated amount of capital expenditure outstanding at September 30, 1949, as authorised by your board, amounts to £2,274,819. This sum represents the board's policy of concentration of ingot production for plate manufacture at the West Hartlepool works, together with improvement to the slabbing mill, which will enable plate production to be increased. Included in this sum is the estimated cost of replacing a blast furnace at Cargo Fleet with a modern unit. These projects have been finally approved by the British Iron and Steel Federation.

The amounts which we will ultimately receive for our collieries, coke ovens and other properties which were taken over by the state on January 1, 1947, are still not known, nor can I forecast when these payments are likely to be received. The value to be paid for our coal properties is contained in the district sum for the County of Durham, and individual compensation is a matter to be decided by the District Valuation Board, as is also the price to be paid for our ancillary assets such as coke ovens and other properties which were acquired at the same time, and for which we are to be compensated outside of the global sum awarded for coal interest values.

THE STEEL ACT

Since I addressed you 12 months ago, the Bill to transfer the iron and steel industry to the state has now become an Act of Parliament and has received the Royal Assent. There is no need for me to repeat the remarks I made to you on your board's views of this measure, except to remind you that the evident intent of the sponsors of this Act is to obtain further powers for their own ends. As matters stand at the present time, the fate of your industry, with which the future of this country as an industrial nation is irretrievably bound up, rests with the decision of the electorate within the course of the next few months.

In your capacity as proprietors of this company, I consider it is your duty not only to defend your own position against the virtual confiscation of your properties, but also in the forthcoming struggle to play an active part against the attempt to submerge private enterprise and so abolish individual incentive.

BOARD'S PROPOSALS REJECTED

The Act, as it exists at present, goes much further than the manufacture of steel products, since it embraces the steel fabricating departments of a diverse and complicated nature of the principal steel producing firms. Your directors presented a case to the

Minister of Supply to endeavour to segregate the non-steel-making activities of your companies from their steel manufacturing activities, but I regret to inform you our proposals, along with others of a similar nature, have not been accepted.

Thus, in the event of control passing to the government, the state will be engaged in competition with free enterprise in this country and in world markets, not only in the production of steel materials, but also in the sale of engineering products comprising, as far as your companies are concerned, pipelines for hydro-electric and supply purposes, steel tanks for storage purposes, steel-frame buildings, and many general engineering products. It is our hope that the nation will be wise enough to prevent this chaotic state of affairs from coming into existence.

POLICY OF IMPROVEMENT

I referred at an earlier stage to the capital expenditure which your directors have authorised to improve the all-round efficiency of both the West Hartlepool and Cargo Fleet works. Irrespective of the ultimate destiny of the industry, it has been the policy of your directors to proceed with these schemes as soon as the requisite sanction from the Ministry of Supply has been obtained, as it is our view that national interests must take priority. Arrangements have been made to cover the estimated capital expenditure involved in these developments, and which may be in excess of the profits which will be retained. It is anticipated this expenditure will be spread over the next 3-4 years.

Though our achievements in increased production during the last twelve months have come up to your board's expectations, the object of these further developments is to enable increased outputs to be obtained at a lower cost of production. The principal items involved and which comprise the capital expenditure referred to on the balance sheet, consist of:—

West Hartlepool—(i) Improvements to the blast furnace plant; (ii) Two additional steel furnaces and improved scrap charging facilities; (iii) Improvements to the slabbing mill to enable 15-ton ingots to be manipulated; (iv) Additional heating capacity at the heavy and light plate mills.

Cargo Fleet—A new blast furnace of 20-feet hearth diameter which will enable pig-iron output to be increased by 50 per cent. Since the end of our financial year the British Iron and Steel Federation have recommended to the Ministry of Supply that an additional steel furnace should be installed at Cargo Fleet. This will secure an increased output of ingots for the rolling mills which have been modernised in recent years. In view of the possibility of curtailment of supplies of imported scrap, which have been largely derived from Germany over recent years, it is our intention to endeavour to get the new blast furnace in production

within the shortest possible time, in order that there may be a minimum of disruption of supply of materials for the manufacture of steel products.

STEADY GROWTH OF OUTPUT

During the last two years the outputs of the steel industry have continued to show a steady increase, and in each year previous records of production have been surpassed. Comparing the present calendar year with 1948, it appears that the national ingot production will approximate 15½ million tons, equivalent to an increase over 1948 of 4 per cent. Taking as a basis of comparison the last two financial years of your companies ending on September 30th in each year, their increased production of ingots and finished steel is:—

	Ingot	Finished steel
South Durham, for year ended September 30, 1949	9.7%	17.5%
Cargo Fleet, for year ended September 30, 1949	10.3%	12.25%

Since the end of our financial year there has been no reduction in the level of our outputs, and accordingly for the calendar year, 1949, the percentage increase in production at both West Hartlepool and Cargo Fleet will exceed the national percentage increase by a considerable margin, for which full tribute to management and workmen should be accorded. At the West Hartlepool plant, production of steel plates for this financial year constitutes a record, and we are now producing from our two mills the greatest tonnage of sheared plates on the north-east coast.

ALLOCATION OF PROFITS

You will have observed from the group profit and loss account that the profits of South Durham and its subsidiary companies amount during the year to £1,361,785. This figure represents a record level of profit in the history of the company and its subsidiaries, and is an indication of the foresight of your board over a long number of years in retaining in the business a large proportion of earned profits in order to maintain a high level of efficiency. From the profits arising from the year under review, allocations are:—

	£	%
Interest on debenture stocks (net)	42,000	3
Sinking funds for Four per Cent. Mortgage debenture stocks	25,000	2
Dividends (net)	42,000	3
Provision for taxation	454,000	33
Depreciation and reserves for future development and other purposes	761,000	56
Directors' and debenture trustees' fees, auditors' remuneration and staff pensions and life assurance schemes	38,000	3
	1,362,000	100

You will see from this statement that a sum amounting to 56 per cent. of the year's profits and exceeding three-quarters of a million pounds has been retained within your company.

During the last two years, and ignoring a figure exceeding half a million pounds provided for depreciation, a sum amounting to £850,000 has now been set aside from profits to finance the projects to which I have already referred.

DIVIDENDS

You will further observe that dividends paid on all classes of preference and ordinary shares are equivalent to only 3 per cent. of our total profits. No justification can exist

for statements which have been made from time to time to the effect that shareholders are receiving an undue proportion of the earned profits and that insufficient provision is being set aside for future developments. Both in achievements of increased outputs and ability to maintain costs of production at an economic level, the iron and steel industries have clearly proved their case to continue as industries devoid from State management which is already causing grave concern in the increased level of costs in these sections of national production and services where State ownership is being applied.

The proposal to increase rail traffic rates on both raw materials and finished products must bring with it grave consequences, both in this industry and throughout industry in general in this country. The addition of these increased costs will entail a further rise in the cost of production which will have serious effects on our ability to maintain the existing level of exports.

The provision for taxation is a large amount, and though initial relief is received on capital expenditure, the present high level in force constitutes a crippling burden on industry. In this respect, the Government must bear in mind that, should a contraction in trade occur, industry may not have sufficient profits available to set aside for development unless taxation is substantially reduced.

THE FUTURE

It is a difficult problem to forecast the future level of production for our industry. As far as steel plate production is concerned, the tonnage on our books and orders coming in show at present no appreciable reduction. The fact, however, must not be overlooked that shipbuilders are finding it increasingly difficult to book orders. There is no doubt that the present high level of cost of construction is a deterrent for the placing of new contracts for ships of all types. A high level of production of steel plates is closely bound up with shipbuilding, and I hope that it will be possible to avoid any further increases in costs, failing which there will come a deterioration in the demand for steel. We have now completed our range of production of broad flange beams, and in our heavy mill at Cargo Fleet we possess the only mill not only in the United Kingdom, but in the British Commonwealth, which can produce these beams.

Our steel pipe department at Stockton, where important hydro-electric pipe lines for export are being manufactured, has sufficient work to ensure a high level of production for the next 12 months, and our order books are satisfactory at the steel tank and welded fabrication departments.

NATION MUST TAKE STOCK

I consider the time has come when the nation must take stock of its position and appreciate that the conditions enjoyed over the last few years are not likely to continue indefinitely. If the steel industry is allowed to retain the incentive and initiative arising from individual enterprise, then we will survive as an industrial nation. Should the alternative method of bureaucratic control by the State be imposed on this industry, the whole structure of our national economy will inevitably collapse, since the value of our "direct" and "indirect" exports of steel are by a long way the largest single item in our world trade.

I wish to close my remarks with congratulations to our managers, our officials, our clerical and other staffs, and to our workpeople for the excellent results you have before you to-day, and finally I want on behalf of his colleagues on the board to thank Mr. Talbot for his invaluable assistance and foresight in his capacity as managing director.

The report and accounts were adopted.

ANSELLS BREWERY, LIMITED

SATISFACTORY TRADING

The forty-ninth ordinary general meeting (being the forty-eighth annual meeting of stockholders) of Ansell's Brewery, Limited, was held on December 19th at Birmingham, Mr A. E. Wiley (chairman and managing director) presiding.

The chairman, in the course of his speech, said: The past year has been one full of difficulties, some of which have been caused by legislation, and have involved the company in considerable expense over which your directors have very little control. In spite of these extra charges, we feel that the stockholders have every reason to be satisfied with the year's trading.

FACTOR AFFECTING PROFITS

The trading profits of the group for the year under review amount to £1,497,554, which is a decrease over last year of £374,012. In November, 1948, the Catering Wages Act became operative, and this Act has involved the company in a very considerable increase in the wages paid to managers and staff in the company's licensed houses. The Chancellor of the Exchequer, in his Budget of April, 1949, reduced the selling price of our main article by 1d. per pint to the public, but he altered the rate of duty so that an extra charge of 3s. per barrel was levied on the brewer. This, of course, is a considerable charge on your company, and the accounts under review have had to bear six months of this extra burden. In addition, repairs to licensed houses have increased very much during the year under review, owing to the easing of controls. This expenditure was necessary, due to long delay caused by the last war and controls on the building industry. The net profit, after charging all items of expense, income tax and profits tax, as detailed in the consolidated profit and loss account, amounts to £490,672, giving a decrease of £123,897 over that of last year. Adding to the net profit the balance from last year of £311,201 gives a disposable balance of £801,873.

THE TIED HOUSE SYSTEM

The past year has seen a Private Member's Bill introduced by Mr Bing, seeking to abolish the tied house, and, when that failed to get a second reading, a motion was put on the Order Paper for an inquiry into the tied house system. It is quite clear that this campaign is not based on any practical knowledge of the system under which the industry works, nor has any satisfactory alternative system been put forward. At the same time, it is alarming to find that the tied house system, as it has come to be called, is so little understood not only by the public but by many Members of Parliament.

Mr Walter Scott (deputy chairman and joint managing director), in the course of his speech, said: Intricate licensing laws regulate the supply of our products, and the tied house system, the principle of which has been endorsed by the Royal Commission on Licensing and which has been evolved and administered by brewers, provides the most truly democratic and friendly meeting place for all and sundry. The so-called "tied house" is by no means unique, as many manufacturers in other trades own a series of establishments for the exclusive sale of their own products.

In Ansell's public houses, when the type of licence permits, national bottled beers and stouts, wines and spirits, cider, lager, mineral waters, cigarettes, etc., and food, as well as our own beers and stouts, are sold. Ansell's are still able to produce a comparatively good beer because the present restrictions are based proportionately on the strength they brewed at before the war.

The report was adopted.

HORROCKSES, CREWDSON AND COMPANY, LIMITED

SATISFACTORY RESULTS

BURDEN OF TAXATION

The annual general meeting of Horrockses, Crewdson and Company, Limited, was held on December 21st, at the registered office, Yard Works, Stanley Street, Preston.

Lieut.-Colonel T. M. Brooks (chairman) presided.

The following is the directors' report, which was circulated to shareholders with the report and accounts:—

Before dealing with the accounts, the directors wish to record with deep regret the death of their colleague, Mr L. W. Brown, who was mainly responsible for the early progress of the subsidiary Horrockses Fashions, Limited. By his untimely death the board has lost not only a colleague of great experience and charm, but a friend.

Your directors submit the audited accounts for the year ended August 31, 1949, which, as on previous occasions, include the comparative figures for the previous year.

PROFIT AND DIVIDEND

The combined net profit for the year of the company and its subsidiaries, after deducting all working expenses, but before taking account of taxation, amounts to £605,911, compared with £525,608 for the previous year.

Profits tax and income tax on the profit of the year require £295,417, against £273,042. After setting aside this amount, there remains a combined net profit of £310,494, as compared with £252,566 last year. All the subsidiaries made profits which are retained in their accounts and the net profit taken up by the parent company for the year is £246,342, as compared with £189,416 for the previous year.

Your directors recommend a dividend of 10 per cent. and a bonus of 5 per cent., requiring £41,030 after deduction of tax. Of the remaining balance they have transferred £14,236 to the debenture stock redemption account, £100,000 to the re-equipment reserve, and £75,000 to general reserve, leaving £16,076 to be added to the balance brought in, thereby increasing the amount to be carried forward to £150,794.

RE-EQUIPMENT RESERVE

As in previous years the charge for depreciation has been calculated on the sums at which the fixed assets are carried in the books. The annual amount required to be set aside in order to replace these assets at present prices is, as stated in the Report last year, approximately £150,000. In order to bring the provision for depreciation into reasonable relation with this amount, the directors have transferred out of the profits of the year a sum of £100,000 to re-equipment reserve.

A trade investment has been disposed of during the year. The amount received to date, less the sum hitherto appearing in the books, has been taken to a reserve, to which

will be added a further amount which we expect to receive during the current year.

NORTHERN IRELAND FACTORY

Last year we expressed the hope that the installation of machinery in the factory in Northern Ireland would commence in the spring of this year. It is a source of much disappointment that restrictions in the supply of building materials, etc., added to other difficulties over which we had no control, have retarded progress so much that it seems unlikely that production can commence before the summer of 1950. The time lost would have been invaluable in the training of workers, and the frustration which we, in common with other progressive firms, have to meet in starting new ventures is illustrated by the delays with which we have been confronted.

With regard to our mills in Lancashire, progress in the direction of increased production has been negligible, and with the exception of the intake of juveniles at school-leaving age, the increase in the number of our operatives shows little improvement.

COTTON MANUFACTURING COMMISSION REPORT

It is to be hoped that the principles of redeployment, as outlined in the report recently issued by the Cotton Manufacturing Commission, under the chairmanship of Mr R. Moelwyn Hughes, K.C., will be accepted by the industry and that a serious effort will be made by all concerned to implement, wherever practicable, the recommendations contained therein. Your directors have on more than one occasion in previous years referred, in their reports, to the advantages to be gained in certain instances by both the company and its employees from the adoption of methods devised to give greater production per man-hour at work-loads scientifically determined to be well within the capacity of the operator.

INCREASED PRODUCTIVITY AND RELIEF FROM BURDEN OF TAXATION ESSENTIAL

Quite apart from the vital need for facilities to purchase our raw material at competitive world prices, two requirements must be met in order to make our industry capable of holding its own in the buyers' market of the future and, at the same time, build up sufficient reserves to re-equip itself with modern machinery as and when that becomes necessary. These are, first, an increase in productivity per man-hour; and second, some real relief from the burden of taxation. If an increase in productivity cannot be attained with the available labour force, the inevitable alternative lies in longer hours of work. If, as seems likely at present under the weight of Government expenditure, no reduction in taxation is possible, although such a step would be an important factor in making our prices more competitive overseas, then it may at least be hoped that steps will be taken to bring about a more equitable distribution of the burden.

In this connection your directors are glad to note the appointment of the Tucker Committee on the taxation of trading profits and trust that its report may be the means of bringing profits subjected to taxation into closer relation with the true profits of trading concerns.

Under present conditions initiative and the will to work are slowly being stifled, and

we are convinced that a reduction in taxation, a real incentive to increased production at lower cost, would not only give a needed stimulus to all sections of the Lancashire cotton industry, but would re-establish confidence abroad in its stability.

FOSTERING EXPORT TRADE

During the year visits by directors have been made to a number of overseas markets, including U.S.A., Canada, Australia, New Zealand and South Africa. Every effort is being made by our overseas representatives to maintain and develop the company's trade in the markets which they serve, in spite of the many serious difficulties under which export trade has to be conducted in these days.

Progress continues to be made by the subsidiary, Horrockses Fashions, Limited, and the policy of manufacturing garments overseas from piece-goods made in Horrockses' mills in Lancashire has been extended during the year.

TRIBUTE TO STAFF

The directors wish to thank the management and employees for their co-operation during the year. Throughout the organisation there exists an excellent spirit, which we feel sure will carry the company through any difficulties which it may have to face in the future.

The directors retiring (in accordance with Article 100) Lieut.-Colonel T. M. Brooks and Mr W. M. Murdoch were re-elected.

Messrs Price, Waterhouse & Company informed the company of their willingness to continue in office as auditors. A resolution was adopted at the meeting in respect of their remuneration.

S. SMITH AND SONS (ENGLAND) LIMITED

FURTHER PROGRESS

The annual general meeting of S. Smith and Sons (England) Limited was held on December 21st in London, Sir Allan Gordon-Smith, K.B.E., D.L. (the chairman), presiding.

The chairman drew attention to the consolidated profit and loss account which showed before taxation £860,143 (£857,844 last year) and the net figure £346,718 (£251,844 last year).

The Kelvin and Hughes accounts indicated satisfactory progress by this important subsidiary company. New and important products have been developed.

Smiths Motor Accessories Limited had improved their position. The demand for car heaters and all equipment had been so great that a large factory had been acquired at Witney.

Smiths English Clocks Limited, when its manufacturing facilities were fully developed, would become the largest combined clock and watch manufacturing concern in the world. The factories were turning out clocks and watches at the rate of approximately five million per year.

Smiths Aircraft Instruments Limited had made further progress. The heavy demands both on productive capacity and research and development departments had necessitated considerable additions to laboratories and factory at Cheltenham.

Smiths Industrial Instruments Limited had made satisfactory although slow progress and the demand for their industrial instruments was steadily increasing.

The chairman then referred to "the power behind the product" and said that a team of experts in each factory engaged in improving machines and methods had enabled

recent increases in material and labour costs to be absorbed and little or no increase in their selling prices had been necessary.

Considerable progress had been made towards making the divisions self-contained units which with headquarter services and specialists were linked up as one integrated body under the Smiths Group Managing Director, Mr Ralph Gordon-Smith.

Dealing next with export, the chairman said that this had been at a high level. He had recently returned from a world trip of some 27,500 miles in U.S.A., Canada and New Zealand and Australia. He had been greatly impressed with the possibilities there.

He considered it his duty as chairman to express his views that rationalisation of any industry was undesirable and if it became general it would mean the end of this country as a great industrial nation because it would stultify enterprise and initiative.

The report was adopted

THE ROVER COMPANY, LIMITED

RECORD PRODUCTION

The fifty-fourth annual general meeting of the Rover Company, Limited, was held on December 16th at Birmingham, Mr E. Ransom Harrison, F.S.A.A., the chairman, presiding.

The following is an extract from his circulated statement:—

Last year I made particular reference to the Land-Rover, which had only then been introduced to the public, and since that time this vehicle has become firmly established, both at home and overseas. It has a large market for military purposes, as well as for agriculture and industry.

The total number of vehicles produced during the year was over 13,000, which is a record total for this company. Of this total, approximately 68 per cent., or nearly 9,000 vehicles, were sent abroad.

THE NEW "75"

I feel that you would like me to say something to you about the new "75" model car which we announced and exhibited at this year's Motor Show. In making such a radical change in design our sole object has been to produce a better motor car. I would lay stress on the fact, as I have always done in past years, that the quality of our product has still been maintained. We are very pleased with the reception it has been given and we are quite confident it will live up to the Rover reputation for dependability.

Once more I have to express regret that we are unable to satisfy our numerous customers in the home market. This is brought about by the present economic situation, and we shall be just as happy as you will be when we can resume delivery to our very patient customers. Although we have changed our model, there will be no lack of spares available for previous models.

The profit on trading at £611,996 shows an increase as compared with last year, when it was £565,110, and after taking into account the various items of income and expenditure the net profit amounts to £158,098, as compared with £132,199 last year. To this profit is added the balance brought forward from July 31, 1948, of £73,203, making a total available balance of £231,301. Against this is shown the interim dividend of 10 per cent. less tax, already paid, amounting to £35,132, the proposed appropriation to general reserve of £60,000, and the proposed final dividend of 5 per cent. and bonus of 5 per cent., both less income tax amounting to £47,127, leaving the balance to be carried forward £89,042.

The report was adopted

CROMPTON PARKINSON, LIMITED

DEMAND AT HIGH LEVEL

MR ALBERT PARKINSON'S REVIEW

The thirty-sixth annual general meeting of this company was held in London on December 16, 1949, the chairman, Mr Albert Parkinson, M.B.E. presiding.

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

The manufacturing and trading operations of your company have been carried out during the period under review in conditions which have not differed to any great extent from those of the previous year. The continuing inflationary effect of the national economy has been reflected in higher costs, which we have been able to offset in part by improvements of manufacturing and administrative technique. Some selling prices have been increased and some have been reduced. Despite fluctuations in both volume and selling prices of individual categories of products, the demand for the company's products as a whole has remained at a high level throughout the period and the results of the combined operations of the group are reflected in the consolidated profit and loss account which is now presented to you.

MANUFACTURING AND TRADE RESULTS

The financial periods of your company and of all its subsidiaries now end on June 30th. The accounts include the results of the parent company and of The British Transformer Company, Limited, and of one other home subsidiary company for a period of nine months only. On the other hand they also include the results of two important subsidiary companies in this country and two overseas companies for twelve months, four overseas companies for fourteen months and three other subsidiary companies at home and one overseas for fifteen months.

The consolidated balance sheet shows that the group has a total capital of £6,888,439 which is £383,325 more than at September 30, 1948. Nearly £300,000 of this sum has gone into fixed assets in addition to the amount of £195,664 provided for depreciation and reinvested in such assets. The total net current assets have increased by more than £80,000 and the main reason lies in the figure of stock-in-trade and work in progress which has increased by £433,853.

A year ago I ventured to foresee a reduction in our investment in stock-in-trade and work in progress based on a more ready availability of raw materials and parts. These have, in fact, been more readily available, but the resultant reduction in the volume of stock has been largely countered by a continuance of the rise in costs. The import and currency controls in overseas territories now necessitate the retention of a greater volume of finished goods for longer periods and have thereby increased our investment. This item is under constant close review as we fully realise the need to minimise our investment in stocks, etc., without interfering with the efficiency of production.

OVERSEAS POSITION

Any consideration of the overseas position of your company is strongly influenced by the devaluation of the £ sterling. Its most obvious effect was an almost immediate considerable increase in the price of certain government controlled non-ferrous metals which form an important item of cost of

many of our products. It became necessary to increase some of our selling prices but in spite of this devaluation has increased our ability to compete in some overseas markets against the local manufacturer and in many overseas markets against some foreign competitors.

Except in regard to Canada our dollar earning capacity is not great, but we are looking forward to an early expansion of business with our Canadian friends and in South American countries in due course.

In other countries, government protection of local manufacture will, to some extent, prevent the exploitation of our advantage, but, in general, I would expect to see an increase of business.

We have improved and consolidated our overseas connections and are well placed to secure a share of the available business from most markets of the world.

The development of our manufacturing plants and business interests in the British Commonwealth has continued with favourable results.

DIVIDENDS AND NEW ISSUE

Your directors again recommend a final dividend of 7½ per cent. and a cash bonus of 7½ per cent. on the ordinary and "A" ordinary stocks of the company. Not only does this recommendation conform to the moral responsibility inherent in the undertaking which your board has again given at the request of the government, but also to the policy of conservation of the resources of the company which has been followed for many years and which is in the best interests of the company and its stockholders. You are asked to sanction the recommended final dividend and cash bonus for payment on December 31, 1949.

A further sum of £5,000 has been allocated to the central benevolent fund.

An extraordinary general meeting has been convened to increase the authorised capital of your company and to authorise the free issue of "A" ordinary stock to holders of ordinary and "A" ordinary stock in the ratio of one new unit of "A" ordinary stock for each unit held. This free issue is to be made on December 31, 1949, in the form of renounceable allotment letters. The sanction of the Treasury has been obtained to this issue.

This issue of free shares does not imply any change of your board's profits distribution policy. The total amount of money stockholders will receive in dividends will not be increased beyond that which they would have received if this issue had not been made.

THE FUTURE

The events of the past months have underlined the wisdom of avoiding prophecy as to the long-term future of the company. Short-term forecasting is a matter of day-to-day judgment and is a necessary part of the function of your directors and the other senior executives. The progress of your company indicates the degree of success of such judgments.

It is your board's policy to plan with reasoned optimism and, as a result, I consider your company is well equipped to maintain its position in the world of industry.

The report and accounts were adopted.

BIRMID INDUSTRIES

ANOTHER SUCCESSFUL YEAR

The annual general meeting of Birmid Industries Limited was held on December 16th at Birmingham, Mr Cyril C. Maudslay (chairman of the company) presiding.

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

Your directors are pleased to report yet another year's successful trading.

The capital and revenue reserves amount to no less than £3,140,589, or almost 330 per cent. of the capital subscribed, and that the total capital employed is over £4,000,000.

The consolidated profit and loss account shows a net profit for the year of £282,933, after charging £373,840 in respect of taxation. The charge for income and profits taxes represents some 38 per cent. of the total profits.

A GOOD MEASURE OF SUCCESS

Production has generally been well maintained in the face of increasingly severe competition and the ending of the sellers' market. Your managements are fully alive to the increasing need for higher efficiency and productivity, and spare no effort to keep the group factories in the forefront of their several specialised activities.

Import embargoes in various foreign countries have retarded the progress of some of our customers.

Substantial increases in output were achieved by all the iron foundries in the group and the Midland Motor Cylinder Co., Ltd., in particular, reached an all-time record.

Production from the aluminium and electron magnesium foundries has continued on a healthy basis. Our foundry equipment business, Pneulec, Limited, is well employed.

Costs have gone against us in the case of a number of basic materials, particularly aluminium. Virgin aluminium advanced by £10 per ton. The resultant increase in selling prices makes competition with other materials more difficult.

Since July last the devaluation of the pound sterling has caused a price increase of a further £22 per ton. Despite this, the strong and medium aluminium alloys, particularly the corrosion-resisting Birmabright series, have so established their technical and economic value that I am confident in our ability to go forward. Magnesium electron shows a pleasanter picture. There was no increase in cost during the year. Zinc actually fell during the year by £22 per ton, though devaluation has since cancelled out this fall.

The iron foundries suffered cost increases during the year of 9 per cent. on coke and 12 per cent. on pig-iron.

INDIRECT EXPORTS

Export is hardly possible in respect of your foundries, in the direct form. As important components of cars, commercial vehicles, agricultural tractors, etc., it may be assumed that some 75 per cent. of our castings output is ultimately exported.

Birmetals have maintained through the past year a direct export ratio of 20 per cent. approximately of their total output. I still feel that our people have not been told convincingly enough of the present and increasing danger of an economic disaster which would bring distress and suffering on everyone. We cannot be saved by Acts of Parliament. We can save ourselves by national unity and tolerance, by hard work and, where needed, by a longer working week.

All whose words and actions tend to division and animosity, or to the belief that we can have anything for nothing, render a great disservice to the nation.

The report and accounts were adopted.

KOLOK MANUFACTURING COMPANY, LIMITED

MR E. S. DUMONT'S REVIEW

The forty-first annual general meeting of the Kolok Manufacturing Company, Limited, was held on December 16th at the company's offices at Tottenham, Mr E. S. Dumont (chairman and managing director) presiding.

The chairman, in the course of his speech, said: The net profit of the company amounts to £75,812, as compared with £84,012 for the preceding year, and although reduced by £8,200 is the second best figure of profit in the history of the company. The turnover was slightly in excess of last year's record figure, but the upward trend of costs continued, and it was not possible fully to recover these in our selling prices.

The cost of certain raw materials has again advanced as a result of the devaluation of sterling, and import restrictions in overseas markets are, if anything, worse than they were last year. South Africa, for example, is practically closed to us at present, but we are hopeful that the effect of devaluation in this case will be to improve conditions there and will enable some importations to be permitted in the near future.

As against these adverse factors, however, I am glad to say that the volume of business in hand remains satisfactory, and assuming a resumption of trade in some of our export markets and the benefit we may derive from devaluation by additional sales to countries outside the sterling area, the results for the current year should compare favourably with those for the year under review.

During the year negotiations were satisfactorily concluded for the purchase by your company of the whole of the share capital of an old-established carbon paper and inked ribbon manufacturing business for the sum of £26,050. The purchase consideration is wholly represented by realisable assets, no amount has been paid for goodwill, and in the opinion of your directors the business is conservatively valued. The additional manufacturing resources provided will prove to be of considerable assistance, and your directors are confident that the investment will show a proper return in due course.

FINANCIAL POSITION MAINTAINED

The financial strength of the group has been well maintained, as shown in the consolidated balance sheet, in which current assets, less current liabilities, stand at £210,106 as compared with £210,602 for the preceding year. The accounts submitted are generally self-explanatory, but I call attention to the further reserve of £10,000 for superannuation which your directors consider it desirable to make under present circumstances. The pension scheme mentioned in my remarks last year is approaching completion and, if accepted by our employees, should operate from January 1st next. Your directors feel there should be no change in the rates of dividend declared for the preceding year and, therefore, recommend a final dividend of 110 per cent. (less tax) on the Deferred Ordinary shares, making a total of 150 per cent. for the year, and a final dividend of 6½ per cent. (less tax) on the Preferred Ordinary shares, making a total of 30 per cent. for the year. These dividends will absorb £8,801 and leave a balance of £44,978 to carry forward, as compared with £35,774 last year.

Finally, may I, as last year, take the opportunity of expressing my thanks and appreciation to all our executives, staff and employees for their loyal and devoted services rendered during a difficult year, and to the members of the board for their continued co-operation?

The report and accounts were adopted.

WRIGHT SADDLE COMPANY

ANOTHER SUCCESSFUL YEAR

The thirteenth annual general meeting of the Wright Saddle Company, Limited, was held on December 20th, at Birmingham, Mr Arthur Colegate (the chairman) presiding.

After he had dealt in detail with the accounts, the chairman said: I am glad to be able to tell you that we have had another successful year in which the turnover once again exceeded that of the previous year. The increase in turnover would have been very much greater than actually it was had there not been interruptions in the supply of raw material. These interruptions are, of course, very costly and it is partly due to them that the profits show a fall over the previous year. The main cause, however, of that fall was the fact that, since January 1, 1948, in spite of increases in costs in all directions, as a matter of policy we did not pass on any of our increased costs to our customers. I think I may say that this action of ours has been greatly appreciated, but the time has now come when, with further increases in costs in prospect, we no longer feel justified in carrying the whole burden ourselves. We are, therefore, with very great regret, increasing our prices, at any rate to a modest extent. Furthermore, I am glad to tell you that, in consequence of certain steps we took we are now getting very much more regular supplies of raw materials, with the result that our production, although still insufficient to meet all our orders, has risen very considerably and, since the end of the financial year, has week after week passed all previous records in the history of the company. But, of course, an increase of this kind, some 300 per cent. over our average prewar production, brings difficulties and problems of its own. Already, the capacity of our new factory, acquired at Selly Oak in 1946, is fully utilised and we may have to consider the problems of further expansion. We are, moreover, continuing to follow our policy of improving, as far as may be possible, the quality of our products. Nothing less than the best will satisfy us and much costly equipment has been installed during the past year, which should help us to attain this objective.

THE OUTLOOK

So far as the future is concerned, I can add little to what I have already said. No one today can foresee all the complications which arise from Government action. In all parts of the world licences to import are given and withheld at short notice. Regulations are made by different Governments, the effects of which are often very different from what is intended by the authors of these irksome restrictions. I cannot help but believe that, if all Governments would try to give as full play as may be possible to natural economic forces and to the working of the price mechanism, there would be a material decrease in costs and, therefore, a very material increase in the real wealth of the world.

However that may be, I am happy to say that there appears to be no falling-off at all in the demand for our products and you can be quite certain that we shall make every effort to meet the requirements of the market, both in quantity and quality. Provided that we continue to get raw materials, we can look forward to the prosperous year to which our efforts and the very large amount of capital which we have ploughed back into the business entitle us.

The report and accounts were adopted.

LIVERPOOL WAREHOUSING COMPANY, LIMITED

SUCCESSFUL YEAR

CHAIRMAN'S SPEECH

The fifty-fourth annual general meeting of the Liverpool Warehousing Company, Limited, took place in Liverpool, on December 20th. The chairman, Mr W. Milligan, presided and, addressing the meeting, said:—

Although the directors report and statements of accounts present a very clear picture of an active and successful year's work—that work has been throughout entirely normal.

Licensing delays have retarded all efforts to speed up our construction programme, and broadly speaking demand continues to exceed availability of storage space. Recently however further licences have permitted work to proceed on some additional sites.

EARNINGS INCREASED

Trading and investment earnings have increased by £76,712 to £413,593. Taxation is £223,488 plus £26,813 profits tax on the capital increment distributed last June. General reserve it is proposed should receive £75,744 making same £885,000. Building reserve to have £41,289 making £130,000. With balance of preference dividend and a final dividend of 17½ per cent. on ordinary stock, the carry over will be slightly higher (£120,664) than last year.

PROPOSED CAPITALISATION OF RESERVES

If the proposals are approved next year the capital of the company may be shown as more closely in accord with the fixed assets, and the reserves with the investments, by consent to increase the nominal capital to £2,000,000. Application has been made to the Capital Issues Committee for permission to issue new shares. Our request is in abeyance, but when the obstacle is removed you will be called upon to agree to transferring £650,000 from general reserve to capital account and to the issuing of 650,000 new ordinary shares of £1 each to members. These new ordinary shares would be at once converted into stock and each stockholder would receive one 4s. unit for each unit now held. 375,000 unissued ordinary shares would remain to be dealt with as and when future circumstances required.

SANDON MOTORS SUBSIDIARY

Our subsidiary has added £10,000 to our year's revenue—their first dividend since 1941. "Sandon" results provide good grounds for satisfaction, having regard to the adverse factors still being encountered by the home motor and engineering industries.

SPLENDID STAFF WORK

Expeditions and efficient service to meet our appreciative customers' demands has frequently proved able to accomplish the seemingly impossible—making room where none exists.

The efforts of management and staff alone make our customers' many compliments possible, and in your name I thank each and everyone of our employees: from the managing director, Mr Cooper, to the most humble worker, for their whole-hearted efforts.

The report and accounts were adopted and the chairman received a cordial vote of thanks.

AGAR, CROSS AND COMPANY, LIMITED

RECORD SALES AGAIN

MIR V. C. FISHER'S STATEMENT

The forty-third annual general meeting of Agar, Cross and Company, Limited, was held on December 20th at Armourers' Hall, 81, Coleman Street, London, E.C., Mr Valentine C. Fisher, C.A., the chairman, presiding.

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

You will have seen from earlier public notices and from the directors' report herewith that Mr Donald Moir resigned the chairmanship of your company on August 8, 1949, but I am glad to say will continue to serve as a director. During his term as chairman your company has grown from strength to strength, and it is now my privilege to report to you on this his last full year of office. I take this opportunity of expressing my appreciation of the trust which my colleagues have placed in me by appointing me as Mr Moir's successor.

The accounts for the year to June 30, 1949, submitted herewith again show the results of record sales.

BALANCE SHEET ITEMS

The balance sheet has been prepared on the same lines as last year, and, when read with the comparative figures, calls for amplification in few instances. In accordance with our usual practice, we have recommended substantial transfers to revenue reserves, and the balances for "Contingencies" and "Additional bad debts" have been increased to £311,675 and £289,448 respectively.

Except where stated otherwise, the balance sheet has been prepared at the exchange rates of 17.00 Argentine paper pesos per £1 sterling, the approximate official standard rate for imports, and 4.02 American dollars per £1 sterling. The "free" remittance rate at June 30, 1949, was 19.37 pesos to £1, and the provision for exchange loss on Argentine current assets has been increased by £145,864 to £442,733 to give effect to the further exchange loss arising through the year's operations.

The outstanding features of the balance sheet are the large increases in the balances of "Sundry creditors," "Provision for U.K. taxation" and "Cash at bankers." These increases are caused through the restrictions on the remittances of profits and financial services to the United Kingdom, also the continuance of the stoppage placed by the Argentine authorities in May, 1948, on dollar transfers to the U.S.A. covering merchandise received, or to be received under dollar prior import permits already granted. In other words, these balances would be much smaller had we been permitted to transfer funds freely.

PROFIT AND LOSS ACCOUNT

In spite of the general increase in costs, also the restrictions on imports, the record turnover has resulted in a record trading profit of £1,666,170. This in its turn has meant an increase in the provision for taxation—both Argentine and U.K.—of £57,399, bringing that figure to £916,294.

Thus after all charges, provisions for taxation and provision for the additional estimated loss on exchange at June 30, 1949, there remains a balance of £576,086, which it is proposed be allocated in accordance with the recommendations contained in the directors' report.

It will be appreciated that the balance sheet submitted herewith is at June 30, 1949, and that effect has been given to the exchange rates ruling at that date. Since then we have had sterling devaluation and a reduction of the Argentine "free" rate from 19.37 to

25.26 pesos to £1. As the company's working capital and reserves are invested in Argentina, this means that a further and very substantial loss on exchange has now been incurred, and your directors have recommended an appropriation of £250,000 out of the profits for the year to June 30, 1949, as a contribution towards this loss.

DOLLAR TRANSFERS

Again I would like to extend to our friends in U.S.A. our appreciation of their understanding of your company's difficulties. Every effort has been made to ensure that your company's indebtedness to them will be liquidated when the Argentine authorities are able to allow dollar transfers.

What the prospects are for the current year it is impossible to tell at this date. While every effort is being made to maintain turnover by the distribution of local manufactures, the continuance of the almost complete ban on importations from U.S.A. and the severe restrictions on importations from other sources are resulting in a contraction of sales. Costs are still rising, and Argentine income tax has been increased from October 1, 1949, by a 20 per cent. surcharge on existing rates. Further, there is the substantial exchange loss to be contended with. Benefits were expected from the Anglo-Argentine Trade Agreement, 1949, but it is now too late in the current year to hope for much assistance from this source even should permits be soon forthcoming. We have left the record-breaking years behind, and we are now beset with new problems which require careful investigation if we are to solve them successfully.

I tender the thanks of the board to the managers and staffs of your company in London, Argentina and New York.

The report and accounts were unanimously adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

The sixteenth ordinary general meeting of this company was held, on December 14th, in Dublin.

The chairman's remarks in moving the adoption of the report and accounts included the following:—

The balance sheet now before you deals with a total of £1,384,045.

During 1949 there has developed a change—possibly only temporary—in conditions in the Dublin capital market as compared with, for example, 1947 and 1948. Whereas in those years some of the issues which we sponsored were oversubscribed to an embarrassing extent, two issues which we handled in the present year were not fully subscribed.

The yield position in the matter of long-dated fixed-interest securities is reflected in prices of industrial equities, but one can look forward to the possibility that even during 1950 conditions in the Dublin capital market may revert to such as obtained before the devaluation crisis.

The gross profit for the year is £109,943. Salaries, wages, directors' fees and office and general expenses are £16,459, showing an increase over the previous year of £4,360. Of this £330 was due to increases under the head of salaries, wages and directors' fees. Taxation absorbs £31,170. Deducting expenses and taxation and adding in the amount brought forward from last year, which is £19,708, the amount available for disposal at the meeting is £82,022. Your directors propose to repeat the dividend of 4 per cent., which, if you agree, will absorb £21,599 (after deduction of tax) and to add £40,000 to investment and other reserves, being the same amount as last year. These allocations would leave undivided profits amounting to £20,423.

The report and accounts were adopted.

Investment Statistics

Company Notes

Lancashire Cotton Corporation.—Profits have attained a new record level with a rise in trading profit of £58,506. Taxation provisions have risen from £823,000 to £1,100,000. Net profit is struck at £1,435,992 against £1,195,186. The ordinary dividend is maintained at 10 per cent.

Park Royal Vehicles.—Subject to final audit, consolidated trading profit for the year ended September 30th is given as £512,349 against £346,113. Taxation requires £306,596 against £201,028. The ordinary dividend again takes £28,500. Carry forward is up from £71,703 to £182,655. The company is now controlled by Associated Commercial Vehicles.

Levy and Franks.—The ordinary dividend for the year ended September 29th is cut to 200 per cent against 225 per cent paid in the previous twelve months.

Amalgamated Cotton Mills Trust.—The full accounts for the year to August 29th show a rise in combined profits to £1,188,037 compared with an (adjusted) profits figure of £940,918. Net profit has risen from £297,757 to £414,709. The ordinary dividend of 25 per cent tax free is repeated.

Fresnillo.—Consolidated gross revenue from metals and ores less operating and general expenses, in the year ended June 30th was \$4,191,248 compared with \$3,272,336. Net profit rose from \$2,037,007 to \$2,588,480. Dividend distribution is raised from \$1.31 per share to \$1.41.

Associated Engineering Holdings.—The preliminary figures for the year to September 30th show a decline in consolidated profits from £744,653 to £674,731. Net profit is up from £208,133 to £241,261. Normal depreciation takes £141,723 against £125,819, while additional depreciation is down from £79,910 to £7,000. Taxation requires £284,747 (£330,791). General reserve of subsidiaries, £100,000 (nil). Carry forward £93,540 (£93,821). The ordinary dividend is maintained at 15 per cent.

British Benzol and Coal Distillation.—Trading profit for the year ended October 31st has declined from £125,851 to £116,630. After deducting depreciation, taxation, directors' fees, auditors, net profit is £50,477 (£60,789). Ordinary dividend, 17½ per cent (same).

Apex (Trinidad) Oilfields.—The preliminary statement discloses a rise in profits, after taxation taking £710,000 (£530,000), provisions for development and contingencies, from £330,299 to £469,113. The higher profit includes £133,456 (after tax) earned from sales made in 1947-48. General reserve is allocated £300,000 (£130,000). The ordinary dividend of 30 per cent (tax free) is repeated.

Yorkshire Copper Works.—Total profit for the year ended July 31st has declined from £911,636 to £771,719. The ordinary dividend is 10 per cent on the trebled ordinary capital compared with 20 per cent paid in the previous year.

Capital Issues

Tilley Lamps.—Application has been made for permission to deal on the London Stock Exchange in the issued preference capital of £150,000 in 6 per cent cumulative redeemable £1 preference shares. The ordinary capital consists of £14,317 in 1s. ordinary shares.

Newcastle and Gateshead Water Company.—Tenders are invited for £500,000 4 per cent redeemable preference stock, 1969. Minimum price is £100 per £100 stock.

Textorial Holdings.—Application has been made for permission to deal on the Manchester Stock Exchange in the issued capital of £175,000 in £75,000 5½ per cent cumulative redeemable £1 preference shares and £100,000 in 5s. ordinary shares. Combined profits subject to directors' remuneration and income tax for years ending in March: 1939, £5,986; 1948, £92,864; 1949, £211,043.

Dividend Announcements

Rates are actual, unless stated per annum or shown in cash per share. Rates for previous year refer to total dividend, unless marked with asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Previous Year
Apex Mines	25½	45	Feb. 17	40
Apex (Trinidad) Oilfields	30a	30a	Feb. 7	30a
Associated Biscuit	2	15	Dec. 30	7
Bank Bridge Rubber	15	15	...	10
Batu Lintang Rubber	15	15	...	10
Cape Asbestos	5*	...	Jan. 16	25
Distillers Co.	5*	...	Feb. 17	27½
East Champ d'Or	15½	27½	Feb. 17	27½
Johal (Assam) Tea	4*	...	Jan. 20	15
Landley (C.) & Co.	20½	25	...	25
Lupatards Vlei Estate	50*	...	Feb. 17	62½
Malayan Tin	10*	...	Jan. 31	50
Marston Thompson and	5½	8½	Feb. 17	11½
New State Areas	5*	...	Feb. 23	8
North Kalgurli	3*	...	...	30
Standeven & Co.	10*	...	...	Nil
Stoneware	10*	...	...	13
Tollmachers Breweries	10*	...	Jan. 19	12
Trustees Corporation	5*	...	...	...

(a) Free of Income Tax. (b) Paid on £7,512,923 less capital.

New Issue Prices

Issue	Issue Price (a)	Price, Dec. 23, 1949
Booker Bros.	22/0	26 10½-27 4½
Brady & Co.	33/6	5 6-6 0½
Burgess & Laidlaw, 10½	21/3	20 9-21/3
Do. Pref.	22/3	21 9-22/3
Cassell (Holdings), 5	9/9	10 0-10 6
Coltman (Holdings) Ord.	26/8	27 5-27 9
Do. Pref.	22/0	21 3-21 9
Ever Ready (S.A.), 5	22/0	16 0-16 5
Fremfins, Deb. (25 paid)	100	21-3pm
Do. Ord.	28/0	31 0-33 0
Perry (Holdings)	30/0	30 0-31 0
P.L.A., 66-68 (29 paid)	20/0	18 8-19 0
Do. Pref.	20/0	20 6-20 9
Serk Radiators	20/0	58 0-59 5
South Africa, 65-67 (30 paid)	99	3-4 dis
Tier Oats	30/0	1 9-2 6pm
Whessoe	30/0	38 0-39 0
Willows Francis, 2/6	3 4½	3 3-3 5
Do. 6½ Pref.	22/0*	21 5-22 0

* Placing

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Apex (Trinidad) Oilfields; Lancashire Cotton Corporation; Turner and Newall.

Prices, Year 1949				Prices, Year 1949				Prices, Year 1949				Prices, Year 1949			
Jan. 1- Dec. 20				Jan. 1- Dec. 20				Jan. 1- Dec. 20				Jan. 1- Dec. 20			
High	Low	Name of Security	Price, Dec. 14, 1949	Price, Dec. 20, 1949	Yield, Dec. 20, 1949	Yield, Dec. 20, 1949	Yield, Dec. 20, 1949	High	Low	Name of Security	Price, Dec. 14, 1949	Price, Dec. 20, 1949	Yield, Dec. 20, 1949	Yield, Dec. 20, 1949	Yield, Dec. 20, 1949
British Funds															
101½	100½	War Bonds 2½, Aug. 1, 1949-51	101½	101½	0 5 7	1 13 3	106½	93	100	Other Securities	99½	99½	0 8 d.	0 8 d.	0 8 d.
100½	99½	Exch. Bonds 1½, Feb. 15, 1950	100½	100½	...	...	103½	91	100	Australia 3½, 1955-59	99½	99½	3 5 9½	3 5 9½	3 5 9½
102½	99½	War Bonds 2½, Mar. 1, 1951-53	101½	101½	0 15 5	1 19 11	103½	91	100	Birmingham 2½, 1955-57	99½	99½	2 16 0	2 16 0	2 16 0
103½	99½	War Bonds 2½, Mar. 1, 1952-54	101½	101½	0 19 9	2 3 9½	103½	91	100	Anglo-American Corp., 10½	7½	7½	3 4 6	3 4 6	3 4 6
100½	100½	Exchequer Bonds 1½, Astl.	100½	100½	1 3 0	2 4 2	80½	68½	25 b	Anglo-Iranian Oil, 1½	6½	7	4 5 9	4 5 9	4 5 9
103½	99½	War Bonds 2½, Aug. 15, 1954-56	101½	101½	1 4 6	2 8 2	82½	69½	10 b	Assoc. Electrical, Ord. 1½	70½	70½	4 5 9	4 5 9	4 5 9
104½	99½	Funding 2½, June 15, 1952-57	101½	101½	1 5 9	2 10 4	83½	70½	22½	Assoc. Port. Corp. Ord. Stk. 1½	76½	77½	5 15 0	5 15 0	5 15 0
105½	99½	Nat. Def. 3½, July 15, 1954-58	102½	102½	1 6 7	2 12 11	81½	65½	7 a	Austin Motor, Ord. 5½	26 10½	19 10½	7 0 0	7 0 0	7 0 0
106½	99½	War Loan 3½, Oct. 15, 1955-59	103½	103½	1 6 4	2 13 5	141½	126½	15 a	Barclays Bank, Ord. B' 1½	69½	69½	4 0 7	4 0 7	4 0 7
104½	99½	Sav. Bonds 3½, Aug. 15, 1955-59	99½	99½	1 15 4	3 3 4	104½	89½	10 b	Bass Ratcliff, Ord. 1½	126 10½	133 10½	3 10 9½	3 10 9½	3 10 9½
102½	99½	Funding 2½, April 15, 1956-61	99½	99½	1 10 2	2 13 5	38½	52½	5 b	British Oxygen, Ord. 1½	90½	90½	4 8 5	4 8 5	4 8 5
104½	99½	Funding 3½, April 15, 1956-59	97½	97½	1 17 1	3 5 0	20½	15½	20 b	Courtaulds, Ord. 1½	34½	35½	4 5 9	4 5 9	4 5 9
115½	101½	Govt. 4½, May 1, 1960-90	107	107	1 10 9	3 6 1	34½	27½	8 c	Distillers Co. Ord. 4½	18½	18½	4 1 6	4 1 6	4 1 6
103½	99½	Sav. Bonds 3½, Sept. 1, 1960-70	96½	96½	1 17 8	3 5 11½	77½	58½	15 c	Dorman Long, Ord. 1½	61½	62½	4 16 0	4 16 0	4 16 0
99½	88½	Sav. Bonds 2½, May 1, 1964-67	92½	92½	1 17 7	3 4 4	49½	44½	4 b	Dunlop Rubber, Ord. 1½	42½	43½	4 12 3	4 12 3	4 12 3
116½	104½	Vict. Bonds 4½, Sept. 1, 1920-76	109½	109½	1 12 0	3 7 0	125½	92½	15 a	Emp. Chem. Ind. Ord. Stk. 1½	95½	97½	6 11 3	6 11 3	6 11 3
103½	99½	Sav. Bonds 3½, Aug. 15, 1965-75	94½	94½	1 19 2	3 7 10½	47½	27½	10 c	Imperial Tobacco, 1½	31 10½	34½	5 16 4	5 16 4	5 16 4
110½	99½	Consols 4½ (after Feb. 1, 1957)	103½	103½	2 3 1	3 18 10½	51½	39½	10 c	Lever & Unilever, Ord. 1½	42½	42½	4 14 1	4 14 1	4 14 1
107½	99½	Govt. 3½ (after Apr. 1, 1958)	94½	94½	2 1 4	3 16 11½	61½	57½	10 b	London Brick, Ord. Stk. 1½	58½	58½	4 5 1	4 5 1	4 5 1
61½	64½	Treas. Stk. 2½ (after Apr. 1, 1958)	69½	69½	2 0 0	3 13 1½	53½	37½	17½	Prin. J. & Son, Ord. Stk. 10½	35½	35½	7 2 10	7 2 10	7 2 10
100½	76½	Treas. Stk. 3½ (after Apr. 1, 1956)	83½	83½	1 19 10	3 12 9½	52½	41½	4 b	P. & O. Del. Stk. 1½	43½	43½	5 10 4	5 10 4	5 10 4
102½	82½	Redemp. Stk. 3½, Oct. 1, 1956-59	90½	90½	1 19 10	3 9 3½	54½	27½	17½	Prudential 'A' 1½	29	29	2 13 3	2 13 3	2 13 3
104½	87½	War Loan 3½ (after Dec. 1, 1952)	92½	92½	2 1 9	3 15 11½	57½	51½	12½	Stewarts & Lloyd, Del. Stk. 1½	52½	53½	4 13 5	4 13 5	4 13 5
81½	85½	Consols 2½	70½	70½	1 19 3	3 11 4½	78½	57½	12½	'Shell' Transp. Ord. Stk. 1½	67½	68½	2 4 1	2 4 1	2 4 1
103½	89½	Brit. El. 3½ Gd. Apr. 1, 1958-73	95½	95½	1 18 8	3 16 11½	61½	57½	12½	Tube Invest., Ord. Stk. 1½	51½	51½	4 5 0	4 5 0	4 5 0
103½	88½	Brit. El. 3½ Gd. Mar. 15, 1974-77	94½	94½	1 19 0	3 7 7	67½	59½	12½	Turner & Newall, Ord. Stk. 1½	75½	75½	4 0 0	4 0 0	4 0 0
102½	84½	Brit. Tpt. 3½ Gd. July 1, 1978-82	90½	90½	2 0 8	3 9 8½	45½	38½	15 b	Woolworth (F.W.), Ord. 5½	43½	44½	3 19 7	3 19 7	3 19 7
103½	89½	Brit. Tpt. 3½ Gd. Apr. 1, 1968-73	95½	95½	1 18 11	3 7 3	57½	...	...	...	...	...	...	...	...
101½	82½	Brit. Gas Gd. 3½, May 1, 1990-95	89½	89½	2 0 8	3 10 3	...	...	...	...	...	...	...	...	...

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'f'. Net yields are calculated after allowing for tax at 3s. in £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim (b) Final (c) Whole year (d) Int. paid half-yearly (e) Assumed dividend 18½% after capital bonus (f) To latest redemption date † Free of tax (m) Yield basis 35% after capital bonus (n) Yield basis 26½% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 17, 1949, total ordinary revenue was £68,217,000, against ordinary expenditure of £101,202,000 and issues of sinking funds nil. Thus, including sinking fund allocations of £12,087,000 the deficit incurred since April 1st is £76,665,000 compared with a surplus of £235,167,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand)			
		April 1 to Dec. 18, 1948	April 1 to Dec. 17, 1949	Week ended Dec. 17, 1949	Week ended Dec. 17, 1948
Ordinary Revenue	149,000	509,288	511,900	14,514	14,005
Income Tax	105,000	34,150	45,600	1,200	1,500
State, etc., Duties	176,000	128,150	137,200	3,430	3,500
Stamps	48,500	40,513	36,900	1,200	1,100
Postage Tax	240,000	133,340	128,200	4,900	5,200
Other Inland Revenue	1,000	115	80	10	400
Other Contributions	25,000	29,400	16,700	1,900	400
Total Inland Rev.	208,500	344,211	371,140	27,619	26,105
Customs	829,650	609,115	585,124	17,448	14,992
Excise	663,600	524,000	502,200	5,600	4,900
Total Customs & Excise	1493,250	1124,115	1087,324	23,048	19,892
Other Revenue	44,000	12,354	12,735	...	122
War Stores Receipts	44,000	76,922	65,899	254	340
From Trading	18,000	4,826	35,945	...	20,000
From Net Receipts	12,000	6,505	7,190	...	...
From Land	1,000	600	480	...	...
Sundry Loans	20,000	11,344	12,351	287	46
Other Receipts	50,000	111,234	61,149	1,254	1,712
Total Ord. Rev.	377,775	229,210	225,412	52,502	68,217
Self-Balancing	159,630	108,000	114,200	2,600	2,900
Income Tax on E.P.T. Refunds	5,700	6,307	9,072	220	349
Total	394,305	240,617	237,744	55,322	71,466

Issues out of the Exchequer to meet payments (£ thousand)

Expenditure	Estimate, 1949-50	(£ thousand)			
		April 1 to Dec. 18, 1948	April 1 to Dec. 17, 1949	Week ended Dec. 18, 1948	Week ended Dec. 17, 1949
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	343,263	345,496	873	5,000
Payments to N. Ireland	30,000	15,978	24,228	...	...
Other Cons. Fund	12,000	3,945	6,479	...	...
Total	527,000	363,186	376,204	873	5
Supply Services	202,007	168,206	179,587	59,800	935
Total Ord. Expd.	332,979	204,925	235,702	69,700	10
Sinking Funds	...	11,693	12,087	110	...
Total Genl. Self- Bal. Fund, ...	332,979	205,694	233,087	70,783	10
SELF-BALANCING					
Post Office	159,630	108,000	114,200	2,600	2
Electricity and E.P.S. Refunds	5,700	6,387	9,072	220	...
Total	165,330	117,250	124,510	33,635	10
Increasing Exchequer balances by £41,110, the other operations for the week increasing National Debt by £33,854,634 to £25,729 million.					

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Further particulars and forms of applications are obtainable from the Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, to whom inquiries should be made in writing.

OXFORD UNIVERSITY Tutorial Classes Committee, in co-operation with the North Staffs Committee for Adult Education (including representatives of the Stoke-on-Trent, Staffordshire and Burton-on-Trent Education Authorities and the North Staffs District of the W.E.A.) invite applications for the post of Warden of the Wedgwood Memorial College, near Stoke-on-Trent. Candidates should have had wide experience of adult education and must have a good Honours degree in one or more of the following subjects: Economics, Politics, History, Philosophy, Literature. Salary, £900 per annum, with free accommodation. Superannuation under F.S.S.U. Particulars and application form from the Organising Secretary, Oxford University Tutorial Classes Committee, Rewley House, Wellington Square, Oxford. Closing date, January 23, 1950.

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Established 1843

December 31, 1949

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LEADING ARTICLES

Farewell to the Forties - - - 1449

Interim Victory in Greece - - - 1450

The Social Aspect - - - 1452

Reserves for the Kremlin? - - - 1454

NOTES OF THE WEEK - - - 1456

Questions for Colombo; Indonesia Independent; Yugoslav Trade Pact; TUC's Sense and Nonsense; Difficulties for the Miners; Mr Attlee Takes to Groundnuts; OEEC Marks Time; Continued Deflation in Italy?; Businessmen in China; The Jamaican Elections; Orange of Discord; Medical Certificates; Egypt's General Election; Red Cross—New Style; Commercial Education.

LETTERS TO THE EDITOR - - - 1463

BOOKS AND PUBLICATIONS 1464

AMERICAN SURVEY

Paper, Paper Everywhere - - - 1466

A Creed for the Free - - - 1467

A Prosperous New Year; Republicans Look Right; Cultivating Latin America; Re-wiring the CIO; Farmers on the Line; America's Sweet Tooth.

THE WORLD OVERSEAS

Democracy and the Vatican - - - 1472

The Jute Quarrel; The Franco-Polish Dispute; Latin America's Dictators; Nazi Revival in Bavaria and Austria; Titoists in Norway.

THE BUSINESS WORLD

New Weapons Against Pests - - - 1479

Brewery Share Outlook - - - 1481

BUSINESS NOTES - - - 1484

Spending and Saving; Bevan Plays King Canute; Changes in "Counterpart" Funds; Power Programme Makes Slow Progress; The Oil Refineries; Reorganising the Northern Coalfields; Still Larger Tankers; Outlook for Car Production Costs; Safety in Industry; Aircraft Operating Costs; Non-Transferable Sterling; Undeclared Dollar Holdings; Agreement with Yugoslavia; Sterling Rationed in Brazil; Intra-European Payments for November; Currency Inflation in West Africa; National Income Estimates; Shorter Note.

COMPANY MEETINGS - - - 1493

STATISTICAL SUMMARY - - - 1496

Farewell to the Forties

IT is astonishing how many people have fallen into the elementary chronological trap of supposing that the first half of the twentieth century comes to an end at midnight on Saturday. In America, the heresy seems to be almost universal. But in that competitive society something must doubtless be allowed for the dread of being left behind; it is surprising only that the really enterprising did not begin celebrating the half-century twelve months ago. Here in Britain we shall be able, next December, to console ourselves for being a year behind others by the knowledge that we are not a minute ahead of the calendar.

What does, however, beyond any question, come to an end this week is the decade of the forties, and certainly no one will be sorry to see them go. The forties began in that strange winter of the phoney war, when war was still exciting and almost romantic, when no one (except the Poles and the Finns) had yet been hurt or suffered anything more serious than the blackout and the evacuation, when Chamberlain could still think that Hitler had missed the bus and the British public was busy rolling out the barrel and hanging out its washing on the Siegfried Line.

It was well for that very merry Christmas that it did not know the hell where youth and laughter were to go before 1940 was half-way run. An article in *The Economist* of January 6, 1940, could find it possible to hope that the forties would be an improvement on the thirties, for which it could hardly find a good word.

It was more than a year of disaster that died on Sunday night; it was a whole decade of frustration. . . . The ten years enclose a tragedy of classical form and completeness. . . . The thirties have ended in disaster; we can only now, among the ruins of our hopes, attempt to draw the lessons. . . . Sometime in the forties, if we are lucky, we shall have a chance to apply these lessons.

Have we been lucky? At least we can say, with Siéyès, *J'ai vécu*, and considering what the forties have turned out to be, anyone who is still alive, fed, clothed, active, free and sane has plenty to be thankful for. The ten years have not, of course, been all of a kind. There is, to begin with, the distinction between war and peace. And each half likewise divides itself into two: 1940, 1941 and 1942 were years of grim hanging on; 1943, 1944 and 1945 were years of victory. In the non-fighting years, there is the reverse distinction between the period when hopes of peace and prosperity were still high and the period—set by the quarrel with Russia over the Marshall Plan in July, 1947, in the one case, and by the fuel crisis in February, 1947, in the other—when hopes of building something better had to be modified into a mere determination to hang on to what there was.

But, take it for all in all, it has been a beastly decade. We barely yet comprehend the horrors that it has seen. It has been dominated by war—from beginning to end, for the shadow is with us yet. It has brought back into ordinary men's lives a general fear of the future such as has not been known for many centuries. In slaughter, in

Vol. CLVII No. 5549
THE ECONOMIST, 22, Ryder Street, St. James's,
London, S.W.1. Telephone: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3.
Registered as a Newspaper. Entered as Second Class Mail
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destruction, in unreasoning cruelty, this last decade would be hard to equal and impossible to exceed. If the 1840s were the Hungry Forties the 1940s deserve to be the Bloody Forties.

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And yet what really matters is not what the forties have seen and done, but where they have arrived. Where do we stand today? Looking not back but forward, what can we hope for? The only thing that is reasonably certain is that the fifties will be different—different from the forties and different from what we expect them to be. Nobody can tell what the normality of the fifties will be. It may be that there is a sharp change of weather ahead such as ushered in the twenties and the thirties and the forties. It might even be reasonable to expect such a change, since we are still so obviously in a period of postwar transition, of which the wonder is only that it has already lasted so long.

But whatever the new conditions will be, it is they, and not our present state, that will put the stamp on the next era. There is some historical evidence for the view that the centuries always begin in the middle—that there is a periodicity of about a hundred years in human affairs, but that the milestones are to be found in the forties and fifties of the calendar centuries, not at their numerical beginnings. The pattern can be traced: a new order of ideas then firmly establishes itself; within a few decades it begins to breed its own corruptions and contradictions; the established ideas are challenged; the conflicts mount up to a great clash of arms and ideas, out of which a new century is born. So it was (to go no further back) with the Renaissance in the middle of the fifteenth century, which produced the great challenge of the Reformation and the blood-letting of the religious wars, from which, in the middle of the sixteenth century, the absolutist national kingdom

Interim Victory in Greece

NO people in Europe deserve greater sympathy and understanding than the Greeks at the present time. It is five long years since the first Communist attempt to seize power in Greece was frustrated by British troops, since Mr Churchill and Mr Eden conferred in Athens on Christmas Eve with government leaders and initiated that policy of assistance in the cold war which was carried on first by Mr Bevin and then by Mr Truman. Now the Greeks stand at that most difficult point in any struggle, when the immediate task of fighting seems to be over and a long slow road of painful reconstruction still lies ahead. The military victory over the Communist-led rebels achieved at the end of last summer has thrown back, for the moment at least, the threat to Greece's existence as part of the political community of free Europe. But otherwise it has done little more than clear the way for the country to begin where the rest of war-weary Europe began four years ago. It is to the task of catching up on this road to recovery that the whole Greek nation must now apply itself.

The temptation is of course to relax and lean back on allies. The Greeks feel that they have been in the front line of a war in which we are all engaged; and to a considerable degree they are right. Their bloody struggle

emerged. That too was challenged and plunged into civil wars in most of western Europe, from which, in the 1650s or 1660s, new established orders emerged. The revolution of the 1750s was economic and technical as well as philosophical; the potion it brewed led very quickly to the gigantic explosion of the seething decades from the 1790s to the 1830s. The liberal era was settling down to its long reign just a hundred years ago; and we know in our persons all the consequences of the challenges and counter-challenges in which it met its end.

This may be no more than a pretty historical conceit, unworthy even to be regarded as a theory. But the fact remains that the second half of each of the last five centuries (one might almost say the third quarter) has been more settled and more serene—without being reactionary or unprogressive—than the earlier decades. And if settlement and serenity seem very far removed at the moment, it is also a comforting reflection that each of the recent decades has turned out to be very different indeed from what the watchers at its birth expected.

What the fifties need, as the forties did, is a clear sight of the goal and a confident determination to achieve it. They need Assurance of Victory, to quote the title of an official pamphlet of just ten years ago—which proved in the end to be right, and for the right basic reasons too. Now, as then, the human and material resources exist in plenty. The free society has no reason to despair; it has immense reserves and commands deep and fierce loyalties. Now, as then, what is needed to fuse these resources into weapons of achievement is the moral magic of leadership, offering courage and calling for devotion and confidence. Now, as then, it is true—not as a New Year apostrophe but as a sober statement of fact—that free societies (and they alone) can accomplish anything to which they really set their mind and hand. Now, as then, among all the perils there is nothing to fear as much as fear itself.

has been the prototype of just the sort of unofficial, localised *maquis* campaigning that might take place anywhere across the face of Europe—and probably Asia too—if the present cold war warmed up. It has been neither an old-fashioned civil conflict nor a regular international campaign in the normal meaning of the terms. With foreign powers lending active support on both sides for political reasons, the struggle these last three years has none the less been waged between individuals, between families and between different areas of the same country, often with no well-defined front. Yet the Greeks can claim with justification that their unhappy land has been used as a testing-ground of methods and forces for a far wider struggle—rather as Spain was used before Hitler's war.

For all these reasons, they deserve not only sympathy but a continuation of the positive and active aid which they have already been receiving, first from the British and, since the declaration of the Truman doctrine in 1947, from the Americans. If that aid had not been given, Greece would certainly now lie behind the Iron Curtain, Russian naval and land forces would be on the Mediterranean, and the West would have received a setback at least as serious as would have been the failure of the Berlin air-lift. And if it were suddenly to cease,

there would be little chance of turning the present military victory in Greece into economic and political recovery.

But, that having been said, the fact remains that the Greek situation can only be put right by the Greeks themselves. It is for this reason that the most remarkable and gratifying feature of the present scene is the degree to which all sections of Greek public opinion have lately come to see the Communist rebellion for what it is—a cynical attempt to destroy the Greek state. There has been mounting popular revulsion against Communist aims and methods. Indeed, the country is now probably more united than it has been for several years, and in a better position to carry that purpose into effect. It is more than ever up to the political leaders in Athens to make good use of this hard-won breathing space and the current mood.

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It is all too easy—and immensely irritating to the people of Greece—for the west to sit back at a distance and say what ought to be done. Few people have received more academic and presumptuous foreign advice than they have since the war. But the American and British advisers, now so very close to the government in Athens, have the opportunity and the duty to put frankly and simply their analysis of the facts and their suggestions for action. And the Greek leaders should be prepared to come at least half way to meet these friendly advisers.

The problem is tremendous, though it would be wrong to think that no appreciable headway has yet been made in the tasks of physical reconstruction. Nine years of warfare have wrought crippling damage: 1,500 towns and villages have at one time or another been virtually destroyed; nearly all roads, harbours and public service facilities have been more or less seriously damaged. At the worst period only 840 out of 2,679 kilometres of railway track remained usable; bridges, tunnels, viaducts and rolling stock were wrecked on a large scale; 750,000 people, or one person in every ten, have been driven from their homes. Today, thanks very largely to American help, much of the transport has been restored to use; only a week or two ago the railway from Athens to Salonika was reopened. And the refugees have been pouring back into the villages for the last three months, creating new problems as they arrive.

Greece is faced with other burdens at least as serious. There is the huge army to maintain, if not intact, at least somewhere near its present strength of almost 200,000

men; if it were seriously reduced, the guerillas across the borders would certainly try again—they may in any event. There are many armed men in the country not in uniform, members of village home guards, who might yet be tempted to try their hand at politics, the natural occupation of every true Greek. The politically unreliable detainees have to be converted, released or retained in island camps. There are former sympathisers with the rebels to absorb into a new life. And, not least, there is the whole atmosphere of peace and security to be recreated, martial law to be gradually relaxed all over the country—it has just been abolished in Athens and the Peloponnese—and the traditional economic activities of the country to be restored.

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Even this is not all. Many years of stress and uncertainty have raised special psychological obstacles to recovery and accentuated many of Greece's traditional temperamental difficulties. In spite of the unifying wave of disgust with the Communists, the country is still split into extremes, inspired by the spirit of "he who is not with us is against us." In political terms, just as the Populists came in on a programme of king and anti-Communism in 1946, so there is once again a danger that, in the proposed general election next April, moderates will be forced by the nearness of recent events to vote for extremes. Disillusionment is widespread and there is no enthusiasm for any of the political leaders. There is talk in Athens of abstaining from voting in the elections, of a third force to replace the well-worn Populists and Liberals—though no party appears to have a feasible programme—or even of a possible dictatorship under Field-Marshal Papagos, the successful and able war hero who put new heart into this year's victorious campaign. Lastly, there are the permanent Greek characteristics to reckon with: an inherent and rampant individualism, each man's profound belief in his own superiority, and a strong tendency to mistake temporary benefits for permanent achievements.

All these factors combine to present a solid wall of difficulties which have to be overcome before any policy can succeed. The guiding features of policy must be moderation with determination behind it, and a zeal for reform tempered by understanding of what is practicable. Most important at the moment is the fact that military victory has provided the opportunity for a display of moderation by those in power. Yet there can be no question of allowing the Communists and their fellow-

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travellers back into any position from which they could launch another attempt to seize power; the specious plea, put out in the autumn by the rebel radio, for the re-admission of the Communist party into a coalition government must be rejected out of hand. At their strongest the Communists represented the views of no more than a fifth of the Greek electorate, and now they certainly represent much less. Democracy must be given a chance to fire, if necessary, on five cylinders instead of six; but it is better that it should do that than fail to run at all.

It is in the economic sphere that the need for reform is most urgent. The circumstances of the past few years have brought a great levelling down between rich and poor, and truly excessive wealth is now exceptional. Yet there are still too many who evade the law for their own profit, and Greece would be a very different place if the laws could be enforced. Step by step with the development of a simpler, less centralised and more efficient administration, the law should be made to fit the facts; and of these the most important is that public opinion will support the government's writ only if it either

The Co-operatives—III

The Social Aspect

TWO previous articles have suggested that when co-operative societies are judged by the simple test of asking what an ordinary business would do in the same circumstances, they appear to be missing their opportunities in many directions. Co-operators would say, however, that to judge them by ordinary business standards, without regard to their ideals, is completely meaningless. This article therefore deals with their social rather than their business aspect.

"What distinguishes Co-operation from all other movements is that it is at once a strong, calm and wise business, and a strong and fervent and proselytising faith." This was Alfred Marshall, in the year before he published the *Principles*. "It will educate the working classes in the moral strength of united public action for public purposes." Even here, traces of two distinct aims can be seen; first the promotion of the co-operative ideal of voluntary democratic action, and, second, the social education of the poor. It can be fairly said that both aims have been kept equally firmly in view, right up to the present time, and each made to help the other. The best propaganda for co-operative principles has always been to beat profit-making business at its own game, and this is not possible so long as consumers are cowed by the myth that business is a rare skill peculiar to the upper classes.

The sceptical are inclined to doubt the reality of democratic control by consumers in the co-operative movement. They see it as a vast machine dominated by a self-perpetuating small clique, in the interests either of their own jobs or their own self-importance with the mass of members taking no part whatever. Apathy is of course a common failing in any democratic organisation, for which no simple remedy exists, but all the machinery of democratic control is provided within the movement for those who wish to avail themselves of it, and the surprising thing is that so many do so. The people who "run" the co-operative societies provide in themselves ample justification of the movement's claim to provide

respects or fears it. In spite of much abuse that has been hurled at Athens since 1944, the Greek Government is not that of a police state. Its power to instil fear is therefore no greater, and should be no greater, than in any democratic country; but it must earn respect if it is to succeed.

That the Greek people are willing to respect and follow the leadership of those they have cause to believe in, has been demonstrated by the extraordinary regard and affection which have lately been extended to Queen Frederika. The energy and determination of her work for the children and the refugees have set a new standard in modern Greece, which politicians should emulate. For, unless someone does emerge from the April elections with the power and will to build a new Greece, even American aid cannot in the long run save the country from relapsing again into the chaos from which it is now beginning to emerge. Neither political nor economic security can ultimately be guaranteed at all, if Greece does not achieve reasonably soon a position in which it can function without foreign aid.

an outlet for talent, common-sense and public spirit among working men and women. Lack of education may debar a man from political activity. Her occupation may keep a woman out of trade unionism. But many thousands of people with no advantages beyond those of ordinary wit and judgment have found in the local "Co-op" a chance to develop their powers, to direct a business that concerns themselves, and to further the cause of the under-privileged in a practical way. Even if these motives be doubted—even if both idealism and self-help be rejected as incentives—it is still necessary to explain why, over so large a section of the consumer-trades, the profit-earner has been ousted by people willing to perform his function as a voluntary occupation.

In retail societies the rule is "one member, one vote"; managing committees are dissolved and re-elected periodically, and are responsible to the quarterly members' meeting. The typical business at these meetings is not very exciting; reports of the business are followed by trivial customers' complaints interspersed with irrelevant resolutions such as a call upon the Government to seek better relations with Russia (which are invariably passed and promptly forgotten). The degree of proprietary interest and intelligent control by members varies, of course, with the size of the unit. In the sprawling societies of the south, which serve more than one town or borough, the formal machinery is reinforced by members' councils or local committees. The optimum sized business unit is never the same for all lines, and is rarely the best for democratic control by consumers. In many societies active participation by members is only bought at the cost of overriding the expert opinions of employees by amateur interference. The balance between democracy and business efficiency is a delicate one to hold at all levels and in all societies, but it would be a mistake to assume that efficiency always wins the day.

The direction of affairs of national importance lies, in the business sphere, mainly with the wholesale societies.

The CWS board is generally held to have more real control over its permanent officials than its counterparts in retail societies. It is elected by delegates from the societies which are its shareholders, and it is responsible to them. This indirect election by people who themselves hold responsible positions and have had practical experience in the movement removes the chances of the ambitious demagogue being elected by a mass vote, but weighs also against the chances of the innovator, the risk-taker, the man with any strongly independent line. The same procedure also applies to the election of the National Executive of the Co-operative Union, the body which provides a focus for all the independent societies.

Leaders on the national level include men who started as shop-boys or working miners. Civil honours are more plentiful than university degrees; and life long service to the movement is the rule. These are the fruits of genuine self-government. No other modern business of comparable size would deny itself the right to attract leaders of academic training, to recruit men with wide experience in other businesses, or to promote them from above by merit rather than elect them from beneath by vote. The movement's deliberate sacrifice of business efficiency on this count alone is one measure of the extent to which its social purpose predominates.

The non-trading activities of the movement all combine education, entertainment and propaganda for co-operative ideals. Besides *Reynolds News* with a circulation of about three-quarters of a million, the Co-operative Press publishes a host of lesser journals, leaflets, and bulletins which only circulate among the members. Men's and women's guilds exist to stimulate interest and provide social contacts among members. Under the heading of education, grants of over £370,000 a year are made. Although a good deal of this expenditure is spent on propaganda or entertainment, the work actually done in trade-schools, in cultural societies or in the one-year residential courses at the Co-operative College form a substantial supplement to the state-provided primary education. There are critics who feel that too few academic results can be seen for such a large expenditure. On the other hand, although it is hard to measure, there must be a considerable influence exerted upon the many people who grow up "in the movement" by the constant reiteration of ideas of self-help, voluntary action, and democratic participation.

An even more important aspect of co-operative education is that it must often give point and definition to political ideas which would otherwise remain vaguely in the background. Co-operation embodies an essentially liberal philosophy—the presumption that all voluntary combinations of individuals for their own ends are in the social interest, until they are proved the reverse. It is men, not theories, however, who make a movement, and the majority of the more active members have been Labour supporters for a long time. Co-operative propaganda and education therefore have inevitably reflected ideas more favourable to the Labour than the Liberal Party. Even the movement's official attitude to politics is probably less important, in total effect, than this tacit understanding, among the movement's active element, about where working-class interests lie.

The Co-operative Party is not a party in the ordinary sense of representing individual voters. Its membership consisted in 1948 of 671 "affiliated" societies, which,

since they included all the bigger ones, represented 87 per cent of the Co-op's total membership, and whose affiliation fees were £18,000. It performs two distinct functions. Locally, societies form party branches, "affiliate" with local Labour parties, occasionally finance their own candidates when these are adopted by the local Labour Party, and generally promote the Labour interest in the constituencies with, so to speak, a co-operative postscript to their remarks. Nationally, the Co-operative Party has a voice in Labour Party policy and uses it on all matters affecting co-operative interests. How powerful it is can only be guessed from the results. The movement has always declared its support for nationalisation of all natural monopolies, like transport, gas and electricity, and certain heavy industries like iron and steel, shipbuilding and chemicals, where consumer-control was not a workable possibility. For all trades where consumer choice was desirable and consumer control practicable, however, co-operation has been their obvious answer. They define economic democracy as the maximum possible degree of participation by all concerned in economic decisions. Nationalisation, even where it is accepted, is by ideal standards a second-best, since it tends to create a nation of mere spectators of the economic game. Hitherto this doctrine has marched in step with Labour Party policy in all essentials, but Labour's attitude to the distributive trades has never been defined. Mr Attlee's book *The Labour Party in Perspective* suggests that the boundaries of national, municipal and co-operative trading are "not a matter of principle, but one of convenience." But beyond that the rest is silence.

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Other parties, sounding the alarm of "universal nationalisation ahead" have besought the movement to flee from the wrath to come by joining them. This line of propaganda supposes three things. It assumes first of all that retail distribution will become a major political issue in the near future, which is by no means certain. Secondly, it asks the mass of members to reverse their views on general political issues as if these were unimportant compared with co-operative ideals, whereas the backbone of both Labour Party and Co-operative Movement consists by and large of the self same people who pursue the general idea of working-class emancipation by both methods at once, and are not likely to abandon either of them in a hurry. In the third place, it neglects the possibility of the Labour Party itself being influenced from within by co-operative ideas. The recent change of party policy from nationalisation to consumer control in the case of industrial assurance can no doubt be attributed to several causes, only one of which was the desire to please the co-operative movement; nevertheless, if the Labour Party can adopt "co-operation" in such an unsuitable field, there is no reason why it should not gradually adopt it elsewhere. The Co-operative Party sees its political mission in terms of leavening the socialist lump; of reserving a useful and effective role for the private individual in a socialised economy, and of converting non-Socialists, bit by bit, by the force of practical example. "In the long run Labour's own success depends not on what it does for the people, but on what it enables and encourages them to do for themselves." Even the men of Rochdale could hardly have improved on this as a restatement of their aims in the terminology of a more politically minded age. It is socialism with a difference, but it is still socialism.

Reserves for the Kremlin?

THE successes of Communism since the closing stages of the war have been won by the might of the Soviet army and by the collapse of the German and Japanese military-administrative machines. The Yugoslav, Albanian and Chinese Communists built the foundations of their government in the territories wrested from the invaders by guerilla war; but even they received substantial help from the Soviet troops which liberated Belgrade and Manchuria. In the rest of eastern Europe and in northern Korea, Communists have been placed in power by various forms of Soviet intervention. Both types of revolution, the genuine and the prefabricated, were made possible only by war. Hitler, in fact, has been to an even greater extent the midwife to the new birth of Bolshevism than was Ludendorff to the first.

Yet it would be a dangerous mistake to attribute Communist successes solely to this immediate cause. The roots of Communism go much deeper; they are part of a great historical process still imperfectly understood. For lack of a better phrase it must be described as the impact of the west on the rest of the world. For many generations, but especially in the last fifty years, western economic and cultural influences have spread from their base in north-west Europe and north America, forcing themselves upon more backward countries and peoples. These have been caught up in the world-wide movement of commodities and ideas. The pace of modernisation, both material and intellectual, has been rapid but uneven. In eastern and southern Europe, Asia, Africa and South America the process can be observed today at varying degrees of incompleteness. In different parts of the world, the twentieth century exists side by side with the eighteenth, sixteenth, thirteenth or even with the prehistoric age. The distortions arising from this process have created explosive forces, which are at the bottom of most revolutionary movements of today.

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The principal economic distortion is to be seen in rural overpopulation, a direct result of the public security, improved communications and medical services brought from the west, which have interfered with the traditional—and natural—regulating factors of massacre, famine and disease. First in imperial Russia and Austria-Hungary, then throughout Asia, and today in Africa, the agricultural population has begun to outstrip the rise in agricultural output and the creation of jobs in industry, greatly though these latter have also increased. As Asiatic and African medical services—still very scanty—improve, pressure of mouths on food supplies will further increase. The gloomy words spoken at meetings of the UN Food and Agriculture Organisation on the prospects of such countries as Egypt, India and Java are based on a formidable array of facts.

If the economic distortion of overpopulation is one of the most alarming of the effects of the west's impact to be expected in the future, it is the political and cultural distortions which most quickly produce trouble. They result from the emergence among the backward peoples of a westernised intelligentsia. The outlook and life of the Bucharest or Beirut lawyer have long been nearer to

those of a French lawyer than to those of a Rumanian or Lebanese peasant. Some of the new intellectuals gladly accepted the role of agents of the west in their own countries: their activities would bring them a pleasant life in the short term, and might bring their nations advantage in the long term. Others, however, were appalled by the contrast between the progressive social and political ideas which they had learned in western universities and the squalid oppression in which their peoples lived. They became national and social revolutionaries.

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This class first played an important part in the Russian and Austro-Hungarian empires. Its activities were one of the underlying causes of the clash between the half-conscious, half-blind imperialisms of those two powers which precipitated the First World War. It made its appearance in the Middle East, China and India, and is now appearing in tropical Africa. Everyone has heard of the frustrated revolutionary intelligentsia of Imperial Russia; but there is nothing specifically Russian about the phenomenon. On the contrary, the revolutionary intelligentsia is the typical leading class of all societies in which education and political ideas have advanced more rapidly than economic development—typical, that is, of all nations outside western Europe and north America, typical of four-fifths of the human race. The political ideologies of these revolutionary intellectuals were sometimes advanced, sometimes reactionary. Some were directed against the west as such, some only against western capitalists—examples of the first are the Slavophile movement in Russia, the Rumanian Iron Guard, and some forms of Egyptian and Japanese nationalism. The most striking example of the second is Russian Bolshevism, from which has grown the world Communist movement of today.

It is wrong, therefore, to think of Communism as solely, or even mainly, a movement of industrial workers. It is of course to the workers that the Communists appeal in the west; but their chances of achieving power are poor, even in France and Italy, where the majority of organised workers follow their lead. Of the two methods by which Communists have hitherto attained power, infiltration of the state machine has proved impossible in both these western countries, while destruction of the state from outside can be achieved only by war. In Asia, however, where the state machines are weaker than they have been for more than a hundred years, and where social and cultural conditions have something in common with those of the old Russia, the prospects are better.

The importance to the Kremlin of these backward countries can be explained by a phrase often used in Stalin's speeches and writings. The Russian civil war—which, in the Bolshevik view, was a struggle between the bourgeoisie and the proletariat—was won by Lenin because, by securing peasant support, he converted the peasantry from a "reserve of the bourgeoisie"—to be used against the workers to defend bourgeois interests—into a "reserve of the proletariat" which would swell the ranks of the army which smashed the bourgeoisie. Similarly, on the international plane, the victory of world

Communism can be secured only when the peoples of Asia and Africa can be converted from a "reserve of the imperialists" (that is, colonial armies to be used against the "land of socialism") into a "reserve of the democratic (i.e. Soviet) front" (that is, "national liberation movements" to undermine and then storm the citadel of "capitalism").

Here, as so often, Stalin's turgid phrases express a real and immensely important issue. The outcome of the struggle between the Soviet Union and the west for the leadership of Asia and Africa will decide whether Soviet Communism can consolidate its gains and become an irresistible force. If Moscow wins the leadership, the west is sooner or later doomed. If the west wins it, Moscow will be unable to keep control of eastern Europe and China, whose cannon and factory-fodder are essential to its world-wide plans.

The struggle is thus a matter of life and death, in which military strength, economic effort and political warfare will be equally indispensable. What is more, an attack must be made on the economic and cultural distortions which give Communism its opportunities in the new independent states and backward areas of the world.

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The British and French empires face today many of the problems which beset the rulers of Austria-Hungary and Imperial Russia. Impoverished peasants, revolutionary intellectuals and nationalist movements abound, in various stages of progress towards power. The experts in London and Paris, in Algiers and Singapore, like their predecessors in Vienna and St. Petersburg, in Sarajevo, Warsaw and Tiflis, argue whether this nation is yet fit to govern itself, or that nationalist movement can be disarmed by economic reforms. Yet the melancholy fate of the two earlier empires shows that political and economic reform cannot be separated. The best economic reforms fail if handed out with the contemptuous benevolence of an alien bureaucracy: the most admirable written constitutions are useless if no attack is made on poverty.

The lessons of Tsarist and Austrian experience are relevant today in Asia and Africa. The former Indian civil servant's distrust of the Calcutta "Babu" may have had some justification. But even if the British government had not recognised the justice of India's claim for independence, Britain could not have found the funds or the manpower to run a modern state in India. And the "Babus" of the Congress party had won the support of the Indian masses, which the British administrators, for all their virtues, had lost. The Slovak and Transylvanian politicians of 1913 were coarse and crude in comparison with the elegant Magyar aristocrats who would not share power with them: but when Great Hungary burst asunder they had their brief inglorious term of power. The head waiter at the Café Central in Vienna might well laugh at Mr Bronstein, holding forth daily over his *Kaffee mit Schlag* on how to overthrow the Tsar: yet People's Commissar Trotsky laughed at least a little longer than Nicholas II. If the methods of Dr Malan recall those of the Tsars, the gentlemen of Whitehall are sometimes not unlike the well-meaning and irresolute advisers of Franz Josef.

Yet if complacency is pernicious, defeatism is deadly.

And there is no need to despair. Western Europe and north America possess far greater material resources than had Imperial Russia or Austria. They also possess the immense advantages of a great administrative tradition and a free public opinion. Even in South Africa progressive forces are powerful. On the other hand the Soviet world is far less strong, far less "monolithic," than its champions claim. The threefold struggle—economic, political and cultural—can be won by the west. It is true that in none of these three fields can Utopias be achieved, but enough can be done to frustrate and defeat the Communist bid for world supremacy.

South Asia and Africa will not fall under the Soviet yoke, and the victories of Communism in both China and eastern Europe will prove short-lived, if the west can win the friendship of the independent Asiatic peoples, and can convince the dependent Africans that real efforts are being made for their welfare and progress. It is being increasingly understood that economic success requires an effort from both western Europe and America, through the United Nations and outside it, even at the cost of postponing the improvement of the standard of living of some western nations, including our own. It is realised too that political success requires above all tact and human understanding in the official and unofficial contacts of westerners with Asiatics and Africans.

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What is less generally recognised is the fact that the cultural task is perhaps the most difficult of the three. In the colonies measures to check the growth of frustration among the intelligentsia, and to mitigate the grievances of those who already belong to this unfortunate category, require concerted action by educational, economic and political administrators. In cultural relations with the independent nations of Asia, not only must the western world be presented in a more sincere manner, but the truth about the Soviet world must be explained in intelligible terms. And before much progress can be made in this direction, there must be more co-ordination of knowledge and planning in London, Paris, Washington and other western centres. The isolation, each in their own sealed compartments, of the economic and political specialists, and of the experts on Europe, Asia and Africa, is not only absurd but dangerous. These men can and must help each other with their different types of experience, all of which are related to the central problem of defence against Soviet imperialism. And in Britain at least, the study of Communism, its historical, theoretical and practical aspects, should be given a high priority in the seats of learning and the seats of government.

The Economist — BY AIR

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

NOTES OF THE WEEK

Questions for Colombo

The instinct and sense of duty that drive Mr Bevin, though ailing, to travel all the way to Ceylon to meet his colleagues of the Commonwealth do him the greatest credit. He is needed in Colombo not only as the one statesman who can see Commonwealth and European problems as a whole, but also as a personality whose magisterial and veteran presence may relax, if it cannot remove, some of the tensions which are pulling at the lightly woven unity of the older and younger partners in the Commonwealth. The friendly observer will see much to admire in the fact that governments which are deeply divided on some issues can meet to conjure up that spirit of arbitration and conciliation which has presided at the six Commonwealth conferences held since the war; the hostile observer will see a group of ministers who are confronted in Asia with vast and unpredictable prospects of political and economic struggle but are unable to settle among themselves such relatively limited problems as the future of the sterling balances and the cold war that goes on between India and Pakistan.

The ten-day meeting that begins on January 9th is not part of a regular pattern of conferences, although there are signs that such a pattern is beginning to form, and that the years ahead may see something like a Commonwealth secretariat emerging. It will not settle such matters as the date and manner of recognising the Communist government in China, or the common attitude to be taken to the proposals heard in Washington and elsewhere for reducing or shifting the burden of the sterling balances from the shoulders of the British economy. What may be settled—because everybody wants it settled—is the procedure to be followed in ending the state of war with Japan, for Commonwealth governments reject the Soviet proposal that a peace treaty should be drafted by the Council of Foreign Ministers in which their views would be represented by Mr Bevin alone.

What may also be agreed is a common view of the threat to Asia of Communist campaigns directed from Moscow and Peking. This could then be dovetailed with the reports presented in Bangkok later in the month by American diplomatic representatives to Mr Jessup, the American Ambassador at large, when he has completed his tour of inspection of missions in Asia. Mr Bevin may not find it easy to convince some of his colleagues of the need to co-ordinate quickly a Commonwealth policy towards Communism—if such a thing is possible—with the economic programmes that Washington may have in mind. On the other hand, he should not find it difficult to convince them that his policy of “integration” in western Europe—even in its military aspects—does not in its present phase jeopardise any vital Commonwealth interest.

It will be a pity if the Colombo meeting brings no fresh approach—however informal—to the task of restoring stability in Burma, and to the problem of sharing equitably the cost and responsibility of defence in the Indian Ocean and the eastern approaches to India. And it will be little short of a tragedy if the governments of India and Pakistan go on exchanging punch for punch in economic warfare while Mr Nehru is solemnly discussing world problems at the same table as Sir Mohammed Zafrullah Khan.

Indonesia Independent

On Tuesday, three hundred and forty seven years of Dutch rule in the East Indies came to an end and the new Republic of the United States of Indonesia was officially

born, linked to the Netherlands only by union under the Dutch crown. For the second time in a few months, Mr Mohammad Hatta, the genial, clear-headed Prime Minister of the new state, flew half across the world to Amsterdam—this time to attend the historic ceremony at which Queen Juliana of the Netherlands transferred sovereignty. His previous flight had been to take part last August in the ten-week conference at The Hague, at which the terms of this settlement were finally agreed. Another ceremony also took place on Tuesday in what was until then Batavia and is now called Djakarta; after the Dutch tricolour had been lowered, the red and white flag of the new Indonesia was run up to the tunes of the two national anthems. Nearby, Mr Lovink, the last Dutch High Commissioner, signed a protocol of independence before boarding a plane for Europe. Henceforth another 75 million people in Asia are on their own, their Government already recognised as independent by Britain, the United States, India, Pakistan, Australia, Canada, South Africa and the Philippines.

These events rank in importance with two others that have taken place in Asia since the Japanese surrender: the transfer of power in India and the recent setting up of the Chinese Communist regime in Peking. Unlike these changes, the independence of Indonesia is partly the work of the United Nations. There may, indeed, be a tendency at Lake Success to express too much self-satisfaction about the way things were handled; but the very existence of Uno and the facilities it offered to the Indonesians for presenting their case before world opinion undoubtedly gave them the courage to go through with their plan of resistance to the Dutch. During the last few months, however, credit for detailed work on the present agreement has belonged particularly to the Dutch Premier and Foreign Minister, Dr Drees and Dr Stikker, together with Dr van Royen of the Dutch Foreign Office, to Mr Merle Cochran, the American leader of the United Nations Commission for Indonesia and, as much as anyone, to Mr Hatta himself. The United States, whose public opinion and diplomacy pressed so strongly for settlement, will now find both parties looking to it for aid in overcoming the economic and political difficulties they must meet.

Jugoslav Trade Pact

It has taken ten months to negotiate the five-year trade agreement between Britain and Yugoslavia, signed in Belgrade on Boxing Day. The essence of the pact—which is discussed in more detail on page 1490, is that in the next five years, trade between the two countries will amount to over £100 million each way, and Britain is to provide the Yugoslavs with an £8,000,000 long-term credit. The length of the negotiations has been due to a number of points—for instance, the scale of compensation and the precise size of the long-term credit. But the chief obstacle arose over the Yugoslavs' request that they should be assisted by short-term credits to import British equipment and machinery for which they had not yet earned enough sterling to pay. At first, the British Government appears to have been unwilling to intervene in negotiations between the Yugoslav Government and individual British firms, but British traders had insufficient confidence in Yugoslavia's economic and political powers of survival to risk credits themselves and it seems that the British Government has after all decided to guarantee British firms against losses incurred by extending credits to Yugoslavia.

This fact is certainly surprising when one considers the apparent disproportion in the strength of the two bargainers. It is true that Britain is glad to buy maize and non-ferrous

metals from other than dollar sources. It is also true that the maintenance of a thorn in Stalin's side could be worth a great deal in terms of political warfare. Nevertheless, the Yugoslav position is weak. Marshal Tito's obstinate decision to continue with his five-year plan of industrialisation at a time when the Soviet blockade has cut him off from almost all commercial intercourse with his neighbours has intensified the hardships which his people have to undergo. Even if he could survive a political struggle with the giants of the Kremlin, the economic feasibility of his ambitious plans are open to doubt. He may conclude that the economic plight of Bulgaria and Rumania is so much worse than that of Yugoslavia that any comparisons would be in his favour. Even so, a steel mill may not necessarily be compensation for the risk of starvation. That, in these circumstances, Marshal Tito should have secured an agreement favourable enough to set his immediate anxieties at rest shows that his obstinacy has paid a dividend once again, and that, in western eyes, Yugoslavia is an important political asset.

TUC's Sense and Nonsense

On the Thursday before Christmas the General Council of the TUC approved a statement of its policy towards wages and the economic situation generally which was released for publication early this week. The statement is intended to serve as the basis for a conference of trade union executives to be held in London on January 12th. It is not in any sense a new document, but rather an amplification of the report of its economic committee adopted in November, which recommended that wage scales should be stabilised and sliding scale arrangements suspended unless the index of retail prices rises or falls by six points. But it is one further recognition of the fact that the TUC, although not necessarily all its member unions, has nailed its colours to the mast of wage stabilisation. It could hardly offer a more convincing token of loyalty to the Labour Government; and the Government, to judge by the recent appeal of that rare visitor to domestic politics, Mr Ernest Bevin, to the representatives of employers' federations, is in its turn doing what it can to back the TUC up.

The report is a sober document which makes no attempt to minimise the continuing gravity of Britain's economic position. It does not flinch from telling trade unionists that the upward spiral of prices and incomes could wreck the advantages of devaluation, and that increased incomes unrelated to increases in output would result in severe deflation and unemployment. But the TUC feels that its self-imposed restraint should be matched by equal sacrifices from the rest of the community. It views with distaste recent increases in salaries, industrial, professional and academic—a view which disregards the fact that the salaried classes were making severe sacrifices at a time when organised labour was making none. It is alarmed at the general level of profits, which it regards as the Government's duty to keep down by swingeing taxation, and it is particularly concerned that devaluation may cause certain export industries to earn very high profits indeed (concerned, that is, that devaluation may have exactly the effect that was intended). But further than that it expresses a general belief that, even after being taxed to the hilt, industry is not using its profits to bring prices down.

The members of the TUC are as honest and patriotic a body of men as any in the country, and, furthermore, they have embarked upon a policy which cannot be popular with their member unions and which may well weaken the cohesion of the trade union movement. All this should be ascribed to them for merit. But it must nevertheless be said that their thinking on the economic situation, and especially on the question of profits, is still shot through with fallacies.

In an era of inflation, of over-full employment and of production at any cost, the profits of industry cannot fail to be high. When production cost as a criterion of economic

efficiency is abandoned, when genuine competition between firms is in abeyance, when everything that is produced, however expensive can find a market somewhere, high profits are the inevitable result. Moreover, high profits and high wages march in step. In any one firm and any one year wages and profits may be competitors for a fixed amount of resources; but over the economy as a whole it is the clear evidence of experience that the two march up and down together since they are both products of the same cause.

The TUC will get nowhere by fulminating against profits, even if it manages to persuade the Government to tax them still further. So long as inflation continues, profits will be high and far too easy to earn. For exactly the same reasons, wage increases, if demanded, are easily conceded, and the TUC has difficulty in holding its member unions in line. If the TUC ever got its way and profits were seriously reduced, it would find itself faced with the task of holding wages up, not down. It is crying for the moon to ask for half of each alternative.

Difficulties for the Miners

It is difficult to judge what reception the TUC's report will meet with at the conference in January. The two large general unions will support it, but it is doubtful if the Confederation of Shipbuilding and Engineering Unions will forgo their claim for an all-round increase of £1 a week. In the meantime the TUC has received great support from the decision of the Executive of the National Union of Mine-workers to support its policy, a decision which was ratified by a special delegate conference on Thursday.

The internal affairs of the NUM appear to have become suddenly complicated by a report (which had not been officially confirmed when *The Economist* went to press) that Mr James Bowman, vice-president of the National Union of Mineworkers, had decided to accept the National Coal Board's offer of the chairmanship of its new Northumberland and Cumberland division. If this is true it will leave both his union and the TUC seriously weakened in leadership. Mr Bowman is one of the ablest and most constructive union leaders and has been a bulwark against Communist influence among the miners. However much the Coal Board may gain, he will certainly be missed from the active field of union affairs at this critical stage.

His departure would leave a vacancy on the General Council of the TUC, for which there will be keen competition. It might normally be expected that Mr Arthur Horner, as the union's secretary, would be nominated by the miners' group to fill the position. But Mr Horner was recently defeated for the miners' nomination for next year's General Council, and as he is a Communist there will be strong pressure to keep him off at a time when the TUC is urging the unions to remove all Communists from official posts.

Mr Horner himself is in a difficult position. He was appointed by the union executive to move the resolution supporting the TUC's wage policy at the miners' delegate conference this week. This means abandoning the NUM's own claim for a revision of the cost of living bonus, to benefit the lower paid workers. Mr Horner's personal views on the TUC policy are well known—they are those of the Communist party. But the Communists are not alone in opposing the wages standstill. As was shown by the narrowness of the vote in favour of the policy at the executive and delegate meetings, many other district leaders are prepared to join forces with the Scottish and South Wales Communist leaders on what is an economic, and not a political, issue. The miners' final decision will not, however, be known until a special ballot vote has been taken of all the branches and lodges before the TUC special conference of union executives takes place.

Mr Attlee Takes to Groundnuts

The most significant thing about the latest statement on the East African groundnut scheme, issued shortly before Christmas, was that it should have come from 10 Downing Street. There could hardly be better evidence of the scheme's having become a first-class political issue than that the Prime Minister should have to concern himself with it. His reluctance to intervene until directly appealed to by the Tanganyika staff of the Overseas Food Corporation in indignation at Mr Strachey's remarks in the House of Commons, has been a potent factor in prolonging the trouble.

The statement itself was mainly remarkable for its omissions. It dealt with Mr Strachey's sudden visit to Tanganyika and mentioned that there had "undoubtedly been some internal friction as a result of the recent events and the discussions of the matter in public." (Here again, incidentally, is the infuriating and wholly improper implication that the public must not discuss what happens to its money.) What, however, was missing from the statement was any reference to Sir Leslie Plummer, chairman of the Overseas Food Corporation. The question of confidence in Sir Leslie Plummer on the part of the East African staff was raised by Mr Strachey during his visit—in fact, it is hard to believe that it was not the chief reason for his making it. Why, therefore, did the Prime Minister's statement contain no reassurance on this question of confidence? When Parliament is reopened for the new session, the Opposition should press for a clear and unqualified statement from Mr. Strachey on this point, especially in view of the misleading statement that he made in the House of Commons in November.

Two things seem to stand out clearly from the maze of statements made during and after Mr. Strachey's visit. First, the Government seems to hold the view that to dismiss Sir Leslie Plummer would be wrong since it would imply acceptance of the principle that a chairman of a public board could be liable to dismissal as a result of agitation in the House of Commons. But this attitude has forced the Government into adopting the equally wrong principle that an appointment to a public board must stand no matter how bad it turns out to be. Secondly, the whole matter is now inextricably caught up in the general election. It would hardly be possible for Sir Leslie Plummer to go without Mr. Strachey's resignation taking place at the same time. But the senior members of the Government are apparently obstinately determined to keep Mr Strachey—which may reflect favourably on their sense of personal loyalty, but certainly not on their sense either of the public interest or of their own electoral advantage. One can only hope, in fact, that amid all this political entanglement someone will be able to keep an eye on the technical, but all-important question of whether groundnuts can be profitably grown in Tanganyika by the Overseas Food Corporation.

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OEEC Marks Time

During their brief discussions in Paris last week the eight-man Ministerial group of OEEC (Organisation for European Economic Co-operation) appear to have covered very little ground. Because the participating nations failed to do their homework, the Ministers had to postpone until January such pressing topics as the trade liberalisation programme, which Mr Hoffman was promised by December 15th, and also the plans for regional economic groupings. This delay is especially unfortunate because the time is fast approaching when both the OEEC and the American authorities must complete their progress reports to Congress, so that it can give early consideration to the third instalment of Marshall Aid. As yet, all the superficial flurry of activity of the last two months has produced few tangible signs of that closer co-operation which Congress would regard as "progress."

It was, however, hoped that the Ministers would on this occasion create the illusion of vitality which has always eluded OEEC in the past. The main proposal before the group was that they strengthen the organisation by appointing as its head a European statesman of the calibre of M. Spaak. At the conclusion of their conference an agreement was announced which calls for regular monthly meetings of the Ministers to be attended also by Mr Harriman, American special representative in Europe for the Economic Co-operation Administration (ECA). This compromise is not likely to satisfy for long those who advocate greater powers for OEEC.

Ever since its inception the Americans and a few scattered Europeans have insisted that the Organisation be strengthened by being given more authority and prestige. It was in response to this agitation that the Ministerial group itself was brought into existence last spring. Consisting of seven high-ranking Ministers and presided over by the Chairman of the OEEC Council, it was supposed to provide forceful leadership and to send dramatic directives to the Organisation.

Experience has shown, however, that a body of this kind is, if anything, more cautious than the international civil servants whom it is supposed to galvanise into action. This particular gathering of Ministers can point to very few of their own achievements which equal in courage the forthright "Interim Report" prepared by the OEEC secretariat itself last December. The truth is that this same problem overhangs all international organisations and it is one that will not be solved simply by installing a man of talent and vision—or even a team of men—to supervise its operations.

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Continued Deflation in Italy?

It is not yet certain whether the devaluation of sterling will sharply reduce the sterling balance of some £70 million at present held in Italy. In theory it should, since the Italians all through the summer blamed high British prices for their inability to buy more British goods. The old rate of sterling also encouraged Italian merchants to do a part of their trading in cheap sterling on the free market. But one of the reasons for Italy's tendency to buy less than it sold may well have been its domestic policy of strict deflation—in which case, the devaluation of sterling may not reduce the Italian balance very speedily. It is, not, however, certain that deflationary policies can be maintained indefinitely. The Left wing of the Christian Democrats are perturbed by the plight of over two million men in continuous unemployment. Moreover, the autumn movement of the peasants to occupy land in Sicily, the south and round Rome appears to be working more immediately and irresistibly against continued deflation.

The disturbances seem to have arisen as a result of the dilatoriness of the official bodies responsible for allocating uncultivated land to peasant families and of the attempts of some landlords to take back land which two years ago they were obliged by the Government to place at the peasants' disposal under a two-year agreement. But whatever the origin of the movement, which for the last two months has caused turmoil in the countryside and led to bloodshed and even death, it is certain that it has now exacerbated the problem of Italy's landless men to a point at which the Government must act or risk the loss of the countryside to the Communists who alone at the moment are directing and supporting the peasants in the field and village.

Every group in Italy—save the Extreme Right and the 8,000 landlords chiefly affected by proposals to divide the larger estates—admits that land reform is necessary. In the spring, the Government itself published proposals—the Segni project—designed to redistribute over 4 million acres to 500,000 families. The difficulty lies in the cost of the undertaking. Clearly, to settle peasants on land without capital, equipment, buildings or even roads will not content

them or increase output. It is estimated that the cost of compensating landlords and undertaking even a minimum programme of agricultural reclamation and development will be in the neighbourhood of 800 or 1,000 billion lire. This is the formidable figure which must, if land reform is seriously undertaken, entail a financial policy incompatible with continued deflation.

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Businessmen in China

One of the great uncertainties in the new China is the future of its foreign trade. It was the lure of commerce that originally drove westerners to penetrate the country, and then demand and obtain from nineteenth century Chinese governments special political and economic concessions. Today western business men are fully aware that the conditions then created have gone, almost certainly for ever. They are less clear as yet about what has taken or will take their place. The new regime in Peking is both nationalist and Communist. Does that mean expropriation of foreign factories, and state trading bodies to take the place of all foreign merchants? Or will there at least be an interval before a fully Communist and exclusively Chinese system is instituted?

Up to the present, the Communists have made no coherent move to expropriate foreign holdings. Indeed, they have shown distinct signs of continuing to use foreign business houses—as they must, if they are to benefit from many decades of marketing experience—to conduct overseas trading deals. But conditions for foreign firms are very far indeed from being even rational, let alone acceptable on a long-term basis. The most that can be said is that these businesses have been tolerated as unwelcome, but temporarily necessary, and on an equal footing with Chinese capitalist organisations. In the first days after the Communist arrival in Shanghai, for instance, when many people expected the city and its elaborate metropolitan industries to collapse for want of materials, of support from the authorities and of any reasonable restraint in workers' wage demands, a period of suspended crises was somehow—and surprisingly—resolved without irretrievable breakdown. And now, although workers still come and perch for hours on their managers' desks with impunity, a rough and ready commercial and criminal justice is being established through peoples' courts. It is at least just sufficient to allow economic life to resume.

It is clear that China would lose a great deal if it banned all foreign business on its territory, but it is just as clear that a Communist government would not flinch from making this sacrifice if it seemed desirable for political or ideological motives, such, for instance, as the desire to express resentment at non-recognition. What foreign nations would suffer from such a policy it is difficult to say. Crudely calculated in cash, estimates of British investments in China are in the region of £300 million, while American investments—certainly far smaller—are put at \$100 million. But these can only be the roughest of guides and must depend as much on political circumstances as on the range of business included in the calculation; presumably invested capital would be worth nothing if holders were expropriated tomorrow without compensation. All that can be said is that if the Communists do cut off their nose to spite their face, some western faces will be disfigured also—and nobody would gain from that.

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The Jamaican Elections

Mr Bustamante and the Labour party (which is Labour in nothing but name) have, after all, won the Jamaican general election. The popularity which gave him 23 seats out of 32 in the House of Representatives at the last election in 1944 has diminished in the last few years—partly because he, like everybody else, has failed to find a cure for Jamaica's

chronic unemployment and underemployment. He did, however, make one clever move this year. After the British Labour party had announced the nationalisation of sugar as part of its programme for the next British election, Mr Bustamante denounced the proposal. When it became clear, therefore, just before the Jamaican election, that the West Indian sugar producers were not getting all they had asked for in the sugar negotiations with the British Government, he was able to put himself forward as the sugar champion.

Nevertheless, the results of the voting should be salutary for him. He has won only 17 seats this time, and the (Socialist) People's National Party, led by Mr Norman Manley, who is the island's ablest politician, has won 13 seats. For the first time, therefore, under Jamaica's present constitution, which gave it a considerable measure of responsible government, there is something like a Government party and an Opposition party in the lower House. Under this constitution, however, the party that is given a majority at an election is still without responsibility for government, and one of the first tasks of the new House of Representatives will be to discuss proposals for a new constitution. The three main causes for dissatisfaction with the present one are, first, the composition of the Executive Council, which is exactly divided between officials and nominees, and elected members; secondly, the existence of a bicameral legislature; and thirdly, the committee system of the House of Representatives which allows the members of the committees to discuss the affairs of the Government departments but gives them no means of having their proposals carried into effect. Jamaica's new House of Representatives will have the difficult but responsible task of working out a sensible solution to these problems.

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Orange of Discord

The resignation last week of the Northern Ireland Minister of Education (*writes our Belfast correspondent*) has caused much disappointment to those who had cherished hopes that the frozen political parties were beginning to thaw at the edges. It is now clear that the Minister's resignation is a victory for the northern extremists who objected to his decision to pay employers' national health insurance contributions for teachers employed in denominational schools. The decision—a wise one in this dual community—was opposed by the younger members of the Unionist Party and by the Orange Order, but was at first supported by his Cabinet colleagues. Now it seems that such powerful pressure has been brought to bear on the Prime Minister and his colleagues that not only has the Minister resigned, but the Prime Minister has decided to review the whole educational system with a view to getting "a more popular system."

We regret

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About six hundred Roman Catholic schools and three hundred Protestant were affected by the Minister's decision. The Orange bigot tends to forget the three hundred, while the Roman Catholic thinks solely of the six hundred. Thus the baleful bogey of discrimination is likely to be revived.

The issues are not identical with those raised in Great Britain by the Roman Catholic community's attitude to its schools. The Roman Catholic minority in Northern Ireland is sensitive about its position in the state. The case for not only just but generous treatment is strong, and in the political sphere it might pay surprising dividends. Many of the minority here are lukewarm about inclusion in an All-Ireland republic and critical of the educational system of the Irish Republic with its underpaid, discontented teachers and its compulsory Erse. The detachment with which the Catholic minority—the Belfast minority especially—is beginning to view partition causes antipartitionists much concern.

The record of Northern Ireland Government in education is good, and educational facilities in the North are on the whole superior to those in the Republic. But the avowed aim of a completely secular system has given rise to serious misgivings among the Roman Catholic minority and a substantial number of Protestants. The Prime Minister in his search for a more popular system will have a difficult task—first he must persuade someone to accept the politically dangerous Ministry of Education and then he must avoid even the appearance of playing into the hands of his extreme supporters. Once again it is significant that the Irish apple of discord should prove to be an orange.

Medical Certificates

The growing demand for medical certificates has been a constant complaint of doctors for some time. They have three main grievances. First, they resent the burden of clerical work which the demand for certificates thrusts upon them. Secondly, they resent having to give certificates, as part of the free personal medical services they have undertaken to provide, when the persons demanding them are not being treated for an illness, but want a certificate to satisfy some Government department. Thirdly, they resent unreasonable requests for certificates to support a demand for priority treatment in respect of food, fuel, petrol, corsets, employment or housing.

The report of the inter-departmental committee set up to consider whether medical certificates could be reduced in number and simplified shows that these complaints are justifiable. It performs a much-needed service in summarising, under each department, the documents that are required, and in showing whether they are strictly medical certificates at all or medical reports or mere attestations and notifications. The number of such documents that legislation throughout the years requires to be produced is hardly credible.

The committee has three main recommendations for lightening the burden on doctors. First, it proposes that the Ministry of National Insurance should provide, at the request of insured persons, extracts of certificates of incapacity that could be used for more general purposes than at present. This would relieve doctors of having to give more than one certificate in respect of the same patient and the same illness. Secondly, it recommends that the National Health Service Act should be amended to provide for the free issue only of "such certificates as may be prescribed, being certificates reasonably required under or for the purposes of any enactment." Thirdly, it recommends that Government and local authority officials should be included in the list of persons authorised to sign as an attesting witness. On the doctor's third grievance, however, the committee does not speak so strongly as it might. It points out, rightly, that the demand for certificates for priority purposes has lessened as shortages have ended. But it does not denounce sufficiently the practice of placing upon doctors the responsibility of making a deci-

sion that is essentially an administrative one. Housing authorities, for instance, far too often allow applicants to believe that a medical certificate will enable them to jump the housing queue, and force the doctor to choose between refusing a certificate, and annoying his patient, and giving a certificate and worrying his conscience.

Egypt's General Election

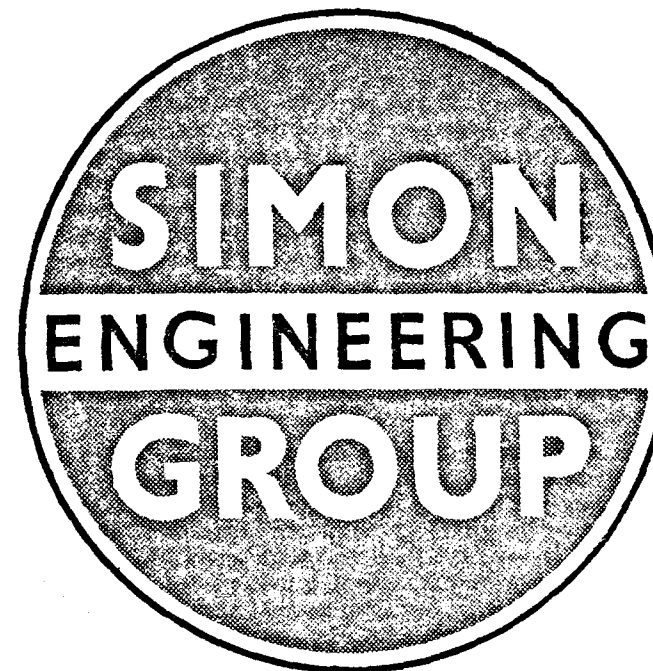
Next week's general election in Egypt will have a familiar pattern. It will be one more sample of the struggle between King and Wafd that has gone on since the inception of the 1923 constitution and the days of King Fuad versus Zaghlul. There was recently a chance that the shape of events might be different. Though the Wafd had been unrepresented in Parliament for nearly five years owing to its boycott of the 1945 election, some of its leaders agreed to return to the government last July. This looked a most patriotic action at the time, for the country was in poor political shape. Neither King nor Government had confessed to the people what a waste of effort the Palestine war had been, and they were governing jointly with the aid of a strict press censorship and martial law. By these means they had curbed the unrest which had caused the murder of two successive prime ministers; but neither the King, who is—to say the least—wayward, nor the ministers, who were little more than his puppets, enjoyed any real popular respect. The Wafd, though in the wilderness, was the only political party with a nationwide organisation.

The question then was whether the coalition cabinet could survive long enough to keep the elections free from "rigging." The chances of success, surveyed in *The Economist* of September 17th, unfortunately fizzled out. For the coalition, composed of Saadists, Liberals, Nationals and Wafdists with an independent Prime Minister, Sirry Pasha, had several delicate election problems to tackle. One was to form the 55 new constituencies made necessary by the growth of Egypt's population. Another was to decide, in the interests of preserving the coalition, whether the parties should share out the constituencies between agreed single candidates or fight one another for each. The Saadists, Liberals and Nationals, with the King behind them, were all for agreement; but the Wafdists argued that to deprive so many electors of the chance of choosing their candidates was contrary to the constitution. At one time agreement seemed possible, and the quarrel raged around 50 constituencies only. But the disagreement over these was sufficient to reveal that it would be impossible to return a balanced coalition without unduly interfering with the electors' choice. The coalition thereupon broke up.

Since November Sirry Pasha has governed with a cabinet of virtually unknown figures, mainly ex-officials. Outside it parties have indulged in a free-for-all, with no holds barred. In such conditions the likelihood is that the Wafd will win, provided that there is no interference at the polls. The only possible goal for the King and his henchmen is to keep its majority small by financing "independent" candidates and other means. If they behave with moderation they will set an example of importance to the other Middle Eastern democracies. If, as so often happens in the Middle East, they misuse the powers that are always enjoyed by the man in the saddle, they will present a disastrous spectacle to the many Arabic speaking electorates that are regular listeners to Cairo radio.

Red Cross—New Style

The attitude of the Russians to international Red Cross conventions is a most regrettable illustration of their ability to execute a complete *volte-face*, when it suits them, and of



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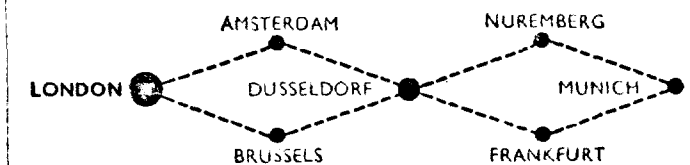
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the difference between the Soviet and western approaches to international problems. Before the last war the Russians refused to adhere to any of the Red Cross conventions then in force. At the lengthy conference in Geneva last summer, when nearly sixty countries negotiated four new Red Cross conventions, the Russians (and several east European governments) were not only represented, but were conspicuous for the way in which they pressed for the most theoretically perfect and comprehensive solutions to the problems involved in the care and protection of wounded and sick combatants, prisoners-of-war and civilians. This desire for the perfect pattern was again obvious in the reservations made early this month when twenty-seven nations met to sign the new conventions. They evidently sprang from a feeling that the conventions, as they stood, did not go nearly far enough. The representatives of western countries, on the other hand, claim to have taken a more practical approach, and have been concerned to secure conventions which are reasonably foolproof and legally enforceable, even if incomplete and imperfect.

Three of the new instruments are designed to strengthen three prewar conventions on the care of sick and wounded combatants and on the treatment of prisoners-of-war. The categories of persons to whom the rights and privileges of prisoners-of-war must be accorded have been enlarged to include members of organised resistance movements wearing a distinctive badge or uniform and carrying arms openly. But the qualifications attached to recognition of these partisans (which would actually have excluded most of those operating in the last war) are a reflection of the fear of fifth columns which events since 1944 have inspired.

A Word to an Angry Contemporary

RESPECT for the gentlemen whom we have reluctantly felt it our duty to oppose in their well meant attempts to improve the condition of the needle women of London by a large scheme of emigration . . . have rendered it impossible, in treating on that subject in a foregoing article, to allude to the coarse vituperation of a morning contemporary, against the remarks which we made last week. A subject so deeply important to the interests of humanity cannot be handled in the spirit and style adopted by our contemporary. The *Economist* is "the Hudson of the press"—because it is notorious for its "garbled statistics"—"doctored estimates," and "cooked tables." Hard words these (though it is difficult to understand what they have to do with the subject under discussion)—but they are not the more true from being hard. . . .

We lay claim to no special exemption from error. We do not mean to say that unimportant errors do not exist in some of the figures which are to be found in the pages of the *Economist* (though we are not conscious of any); for it is not uncommon to find two official returns, purporting to give the same information, differing slightly from each other. But we do challenge our contemporary to point out a single instance, during the whole of the years this journal has existed, in which inaccurate statistics were used for the purpose of propping up any deduction or theory, any inaccuracy, which, if corrected, would in any material degree alter the result. In estimates and statements derived from ordinary commercial advices, we are, like all others, dependent on the judgment and opinions of correspondents; and such figures can only be taken by any one with such latitude. But we challenge our contemporary to point out a single case in which statistics have been applied inaccurately, with a view to any particular result, and which depended on such application.

The Economist

December 29, 1949

The fourth convention is the first ever to be completed on the care and protection of civilians. It is designed to protect both those who are stranded on the battlefield between opposing land and air forces, and those belonging to a country overrun and occupied by the enemy. It attempts to prevent any repetition of the concentration and forced labour camps in which so many millions of civilians suffered in the last war. One of its chief provisions—for the establishment of neutral safety zones—provoked much controversy and showed up the difference between the Soviet and western approaches. The Russians wanted establishment of these zones to be obligatory on all signatories of the convention. The British delegate—true to form—pointed out the practical difficulties involved, especially in small countries. It was decided as a compromise that these zones "may" be set up by mutual agreement between combatants.

It is easy enough to be cynical and realist about these conventions both because of the way they have been violated in the past and because of the impossibility of enforcing them save by an appeal to the human conscience. But the Red Cross idea must be judged by the good which it has achieved and not by the evil which it has failed to prevent. Many countries in the past have loyally fulfilled their obligations under these conventions. Countless soldiers, sailors and airmen remember with gratitude the aid of individuals inspired by the spirit of the Red Cross. It is most important that this tradition of mercy should be maintained at least in the continent that produced it.

* * *

Commercial Education

Those who have doubts whether there is such a thing as commercial education will have them confirmed by the report of a committee on this subject of which Sir Alexander Carr-Saunders was chairman.* The argument which strives to make bedfellows of general education and the acquisition of technical skills in typing, shorthand, book-keeping and other commercial subjects is, it seems, a poor matchmaker.

The report is sensible enough in attempting to eliminate typing and shorthand from the curriculum of the secondary modern schools whose pupils leave at fifteen, and in deprecating any teaching of the techniques of commerce in the universities. What it does not do is to carry conviction that in the various schools and institutions between these lower and upper extremes, the teaching of commercial subjects is anything but the teaching of techniques—techniques essential for a livelihood and for modern society but not in any proper sense educational. It is for this reason that the suggestion that in addition to secondary grammar, technical and modern schools, there should also be secondary commercial schools is to be deplored. Secondary education is already quite sufficiently divided.

The strongest argument in favour of providing commercial education in schools after the age of 15 is that failure to do so will encourage parents to remove their children to some of the less desirable institutions where general education is given no more than lip-service. If a boy or girl can be said to be learning commercial skills in school, then his parents may consent to leave him there and he may thereby continue his education proper. There is some strength in this argument, but it is not altogether honest. Secretarial skills are better learned intensively, and not scattered among normal school subjects.

On the question of commercial education at the universities, the Committee found that the majority of the business men whom they consulted were lukewarm towards the idea of degrees in commerce, and were, by and large, indifferent to subjects which their recruits had studied at the universities.

* Education for Commerce. HMSO. 1s. 6d.

Letters to the Editor

Soviet Statistics

SIR,—Much in Soviet "statistics," especially the indices of industrial production and national income, is simply propaganda. Most other data are inaccurate, incomparable for one or another reason, or otherwise defective. The reviews of the Soviet economy in *The Economist* in the past two years were almost entirely based on those data and are not likely to bring any clarity with reference to the Soviet potential. Space permits to mention only three items.

In the issue of December 25, 1948, it was stated "the record grain crop harvest of 1940 (or of 1948) was only fifty per cent or so above Russia's crops before the revolution." This statement was made with disregard of the fact that before the revolution the grain crops were underestimated, while the 1940 and 1948 crops were determined in the field prior to the harvest and a considerable discount is needed to bring such estimates down to the basis "harvested." Before the revolution Russia exported over 10 million metric tons of grain and had almost twice as many horses than there were in the USSR in 1940, horses being heavy consumers of grain. Together with the difference in estimating procedure, analysis of the utilisation of the grain crops leaves no doubt that in a comparable territory the 1940 grain crop was not larger than that of 1913 and that the 1948 crop was substantially below both of them.

In the same issue it was stated, incorrectly, that "the mass of the food-producing peasantry was undoubtedly consuming more than it had done before." The official data on the total output of meat and milk, as well as on the distribution of foodstuffs by the collective farms to their members and on the own production of the latter show that the 1940 diet of the peasants was greatly inferior to that of the time either before the collectivisation or before the revolution. The peasants had less even of bread. In 1948 the situation was still worse.

The analysis of the Soviet industry in *The Economist* of December 11, 1948, is based on the official indices in money terms, characterised introductorily as no good. On the basis of those data, the 1948 output appears to have been 14 per cent above that of 1940. Official data in physical terms show that the 1948 output exceeded the 1940 level only in the case of a few important industrial products, namely timber (but not lumber), cement, and window glass. The 1948 steel output was slightly below 1940 and this makes it irrelevant that the output of civilian machinery exceeded the 1940 level. The excess in coal output in tons in 1948, if any, was accompanied by a greatly increased proportion of poor coals in the total output. The 1948 output of consumers' goods was substantially below 1940, of the important cotton goods by almost fully 20 per cent. Doubt exists only with reference to the exact percentage by which the total 1948 industrial output was below that of 1940.

It certainly is important to know how much the USSR spends on her armed forces. Basing his statement on the official data, your correspondent wrote in *The Economist* of February 14, 1948: "total national expenditure on schools is still nearly 50 per cent higher than the expenditure on defence. . . . The 'cultural revolution' is still in full swing." A rouble in the Soviet state budget is not equal to another rouble. Producers' goods are relatively the cheapest. Salaries and wages occupy the intermediate position. Consumers' goods are the most expensive items. They are made so by turnover taxes, which amount to 50-80 per cent of the retail prices of the principal such goods. But the armed forces are exempt from turnover taxes. The expenditures on them consist largely of cheap armaments and likewise cheap consumers' goods. Expenses on education on the other hand are made up mainly by wages, which are relatively high, and consumers' goods for which the full price has to be paid. Duly revised, 1948 expenditures on the armed forces were more than 50 per cent above those on

all cultural expenses, which in addition to education include health services, social security, and help to mothers with numerous children.

The data on grain production are taken from my *Socialist Agriculture of the USSR*, Stanford University, 1949, pp. 532-550; on grain utilisation pp. 550-62 and 748-60, and on consumption of animal products pp. 91-96. Data on industrial output and allocation of national income and budget are from my talk delivered in Washington D.C. a short time ago.—Yours faithfully,

NAUM JASNY

Food Research Institute, Stanford University, USA

[The main argument in the criticised article on Russian agriculture was that the development of Soviet farming was highly inadequate in relation to the needs of the Soviet economy. This was shown to be true even in the light of official Soviet statistics. Our argument is strengthened, and not weakened, if our critic's view of Soviet farming is correct. Some discount of Soviet harvest estimates ought probably to be made; but it is highly doubtful whether it should be as large as Mr Jasny suggests. If Soviet grain harvests in 1940 and 1948 had not exceeded the crop of 1913 several questions would have to be explained: how did the Soviets manage to feed, even on a minimum basis, their urban population which grew by about thirty million people within little more than the last prewar decade? Where that section of the peasantry that has been diverted from production of food to the cultivation of technical plants fed from? Last but not least, how did the Soviets manage to lay in their emergency stocks of grain in the thirties, which by all accounts were enormous and which did after all help Russia to survive and fight after the loss of the Ukrainian granary?

Our statement about increased rural consumption of food was based *inter alia* on accounts of agriculturists who, as deportees, worked on Soviet collective farms and who were not inclined to view the collective farms through rosy spectacles. We should be very surprised if official Soviet statistics (which, Mr Jasny says are "simply propaganda") showed the peasants' consumption to be "greatly inferior" to pre-revolutionary standards.

Mr Jasny's attempt to determine the real value of the Soviet expenditure on education and health services is not convincing. Average wages and salaries paid to the Soviet teaching personnel are not higher—they may indeed be lower—than those paid to army officers or civilian officials and workers. Books and school aids are among the cheapest consumer goods in Russia. Soviet education must be criticised and the ground of its one-sided, propagandist character; but in part it is precisely for this reason that it holds a very high, indeed—the highest—priority in governmental expenditure.

Some of the points about the industrial situation raised by our critic were made in the criticised articles; on others Mr Jasny is not convincing. The rise in the output of "civilian machinery" is certainly not irrelevant for an estimate of the value of the total industrial output, even though the output of coal and steel is relatively inadequate, as was repeatedly pointed out in *The Economist's* surveys, including the one criticised by Mr Jasny.

Finally, a few words about the treatment of Soviet statistics. Anybody who takes the trouble to re-read the criticised articles will find out how dishonest and ludicrous is the suggestion that they were based on an uncritical acceptance of Soviet statistics. The student of Russian economics is likely to commit errors of over-estimation or under-estimation, in part because of the fragmentary and deliberately vague character of the information available. In the heyday of the Russian alliance western commentators tended to over-rate Russia's industrial achievement. The prevalent tendency now is to under-rate it, as was strikingly illustrated in the assumptions made until recently about Russia's technological incapacity to solve her atomic problem quickly. *The Economist's* surveys of the Russian economy have been conducted on the principle that economic research should not be affected by political sentiment about Russia.—EDITOR.]

Books and Publications

Fabulous Survival

"Human Action: A Treatise on Economics." By Ludwig von Mises. Hodge. 880 pages. 42s.

PROFESSOR VON MISES holds among economists an almost legendary position; he is the limiting case, the last heir of Bastiat and Senior, the *ne plus ultra* in *laissez faire* theory. Few in Great Britain have actually read his works; few, presumably, will read "Human Action." Nearly 900 pages of relentless Teutonic philosophy offer too repellent a prospect. This is a pity. "Human Action" is a magnificent book; intellectual power roars through it like a great wind; it has the impetus of first-rate polemic and the impeccable coherence of Euclid. Its language is appallingly stiff for anyone untrained in formal logic, its style is heavy, and its manners often downright bad; but the thought thus unbecomingly clothed is crystal clear and the pursuit of its development is an intellectual delight.

Having said this, one can only add that as a guide to policy "Human Action" is irrelevant almost to the point of craziness. Individuals rationally seek to better themselves; in Professor von Mises' words, to "remove uneasiness." Such is the primary datum of praxeology, the "science of human action" which comprises economics. From this datum there follows the impossibility (apart from Government intervention) of trade cycles, general unemployment, exploitation, monopoly (except in unimportant and temporary instances) and war; the folly of collective bargaining, the social services, the Pure Food and Drugs Act, and credit control; the unconditional equivalence of profitability and public interest; and the unqualified imbecility of Lord Keynes, Professor Pigou, Professor Myrdal and indeed practically every major economist of the last half-century. It is not, of course, an intellectual crime to be in a minority of one; but the arrogance with which Professor von Mises dismisses all contemporary economics without ever condescending to meet his adversaries on their own ground is nevertheless remarkable. (He does, indeed, punctuate his exposition some half-dozen times to remark, in effect, "so much for Keynes," but this is not controversy, it is dogmatism. In fact, he never begins to confront the General Theory, let alone refute it.)

His failure, however, is not merely a failure to recognise that there may be something wrong with Say's Law of Markets. It lies far deeper. What his science of human behaviour ignores is that human inconsistency, irrationality, and intellectual immaturity are just as much primary data as are that power of rationally envisaging means of self-betterment which distinguishes man from the beasts or that deficiency in perfect altruism and charity which distinguishes him from the angels. To modify, as for any realistic purposes one must, his primary axiom in this sense is to undermine the whole majestic structure built on that axiom. To assign, in consequence, a possibly positive and useful role to State intervention in the self-betterment process is not, necessarily, as he asserts, to project onto the state one's own autocratic value judgments. It is merely to recognise that in some respects (e.g. in respect of time horizons, of gross discrepancies of economic power, of gross divergences between immediate private and other benefit) reasonably well chosen individuals at the vantage point of central authority may, in spite of their own deficiencies, usefully correct or counter the irrationalities of the other individuals making up the general public. This—not merely the mystical claptrap of the supreme state, not merely the superiority of the all-in economic plan, not merely the wisdom and consistency of existing governments—is what Professor von Mises denies. Thus he discredits the cause which he has most at heart, the cause of freedom, reason, and progress, and fortifies tyranny, unreason and stagnation.

A Main of Gasmen

"The History of the Gas Light and Coke Company, 1812-1949." By Stirling Everard. 383 pages. Benn. 63s.

THE sober title of this inordinately expensive book covers a lively story of the men who started the first gas company in the world and developed it into the largest. The founders of the Chartered Company faced entirely novel problems of organisation and technique, and met them with ingenuity, enterprise, and improvisation. For fifty years the Company had direct competition to meet. This was sometimes sharp, and the accepted rules were fairly wide; they allowed you to connect a new consumer to your competitor's mains, and then try to charge him for your competitor's gas. But it was thought to be going too far when, the Chartered Company having won so notable a consumer as the Duke of Sutherland from a competitor, the losers not only disconnected their own service pipe, but also cut the Chartered main, inserted a large lump of clay, and reconnected it. Lest this should be thought fanciful, the twentieth century can offer parallels: the author quotes a local authority which in the middle 30s filled up the gas pipes in its council houses with concrete, thus at once helping its electricity department and protecting its tenants from freedom of choice. The early Governors appear as enterprising, long-suffering, patriarchal men, willing to experiment, ready to forgive and forget when a sufficiently penitent defaulter came before them. It can only have been after much provocation that they decided to stop selling gas on credit to "Billiard Table Keepers or Gaming Houses when the proprietors are not known."

After 1860, local monopoly took the place of the cut and thrust of direct competition; the Governors lost their faint halo, and became solid personages with whiskers. The Company grew and grew, mostly by absorbing its competitors—why, it is never made quite clear—with signs of growing pains. By 1880 competition from electricity was to be reckoned with, and the Company began to turn increasingly to cooking and heating for its future loads. It never stopped expanding: by 1939, the Gas Light and Coke Company covered more than 500 square miles, supplied 1,500,000 consumers from Southend to Windsor with a sixth of all gas sold in the country, and controlled 30 other gas companies through a holding company.

Hitler's war and the aftermath brought new problems for the company: the loss of street lighting and of evacuated consumers, bombs on gas works, torpedoes in colliers, 6,000 mains broken, 65,000 service pipes connected, 20,000 incidents for its repair gangs, and in May, 1949, socialisation into the North Thames Gas Board. What a pity the successor of *The Gas Light and Coke Company* is not just *The Gas Board*. After all, that title would be at least as accurate as the present one—for no miracle of planning can get the Borough of Richmond or the Nine Elms Gas Works on to the proper side of the river.

This book is not an economic history. It raises for the student more questions than it answers. It is startlingly bare of tables or charts. But it is a first-class, if kindly, story of human endeavour and achievement. It stirs a hope that in the North Thames Gas Board the soul of the Gas Light and Coke Company may go marching on.

Theory and Action

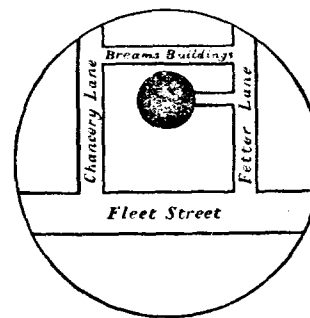
"Economic Thought and Policy." By D. H. MacGregor. Home University Library. 177 pages. 5s.

WITH this volume the Home University Library diverges perceptibly from its usual pattern. To define such a pattern, common to a large range of contributors, may seem rash; but it is possible to discern, as a rule, the guiding principle that matter and presentation may demand of the reader

intelligence, assiduity, a wide vocabulary and an educated habit of thought, but no prior special knowledge of the subject. Professor MacGregor's contribution to this series is sufficiently stimulating, urbane, written, intrinsically interesting and generally civilised, to encourage the reader wholly unversed in economics to persist hopefully long after he has really ceased to follow the argument. But any such reader who succeeded in really profiting by Chapter Two ("The Representation of Supply": perfect and imperfect competition, marginal and average costs, supply curves and Marshallian "particular expenses" curves, etc.) would have some claim to recognition as an intellectual paragon.

In another respect, too, Professor MacGregor diverges from the norm, which is that of a complete monograph with a beginning, a middle and an end, devoted to the development of a single theme. The matter of this book consists of half a dozen related, but only loosely related, essays whose subjects range from the changing content of the Malthusian theorem through the origins, development and dissolution of *laissez faire* theory, the anticipations of Keynes to be found in the classical economists, and the rationals of democratic socialism, to the economic aspects of war. The connecting link is implicit in the title; theory and policy interact and can only be fruitfully considered each in relation to the other's contemporary development. But there are few references back, in succeeding chapters, to the conclusions or arguments of their predecessors.

Not all these essay-chapters are, mercifully, as stiff as that on the Representation of Supply; and all alike display a quality which one associates particularly with Professor MacGregor's master of forty years ago—Alfred Marshall: a certain breadth, a capacity for seeing both wood and trees and displaying them in proper perspective, an equal ease in technical and non-technical exposition, and a total lack of the *odium theologicum*. This is a valuable addition to a valuable series.



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Genes and Defects

"The Biology of Mental Defect." By Lionel S. Penrose. Sidgwick and Jackson. 240 pages. 21s.

LEST the general reader should be deterred by its uninviting title from exploring this book, it should be stated at once that less than one-third of it is devoted to clinical description. The remainder demands only an elementary knowledge of genetic and statistical principles, and will be of wide interest to all those concerned with education, delinquency and crime, eugenics and sociology.

Of the numerous topics discussed, two are of particular and immediate interest. First, it is well known that mild defectives and borderline defectives have a much higher fertility than the more intelligent groups of the population, and it has often been asserted that implicit in this fact is the threat of a decline in the general intelligence of the nation. The author answers this assertion with an ingenious explanation of how different fertility rates in various social groups may yet be consistent with biological equilibrium.

On the subject of eugenic measures Professor Penrose is extremely cautious—in contrast to dogmatic statements which have been made by some radical but ill-informed enthusiasts. From deep knowledge of his subject he casts doubt upon the eugenic efficacy of such measures as the sterilisation of defectives, and even goes so far as to conclude:—

Sub-cultural mentality must inevitably result from normal genetic variation and the genes carried by the fertile but scholastically retarded may be just as valuable to the human race, in the long run, as those carried by people of high intellectual capacity.

This is a point of view seldom expressed; coming from such an authority, and with such a weight of evidence behind it, it must command respect.

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AMERICAN SURVEY

Paper, Paper Everywhere

(From Our American Staff)

THE American daily press is, since the moral collapse of so many of the British penny papers, the best in the world. Unfortunately, it is not nearly as good as its owners and operators believe it to be. And it is not improving. Nor is it likely to improve as long as the present mood of mutual congratulation obscures the need for self-examination. Plenty of stirring speeches are made at banquets, where the freedom of expression in the United States is extolled and compared with its absence behind the iron curtain. But such speeches are unnecessary. Nobody denies that even the Hearst press is preferable to *Pravda* and any comparisons should be drawn with some higher standard.

When the ridiculous charges of Mr Racey Jordan against Mr Harry Hopkins were spread across the front pages, his story, that atomic secrets had been given to the Russians during the war, collapsed as quickly as the press had inflated it. Mr Luce's publications, having been approached some time earlier by Mr Jordan and taken the elementary precaution of checking what he had to say, delivered some well-merited lectures. "For making such a gullible spectacle of itself the US press had only its own bad reporting to blame," said *Time*, while *Life* added that the public had been "misled and insulted by a disgraceful abuse of the news." Although many newspapers that should have known better were guilty in this case, those that value their reputation above their circulation were not. But it is not in these occasional, and sensational, incidents that the American press is failing to maintain the high standard it affects, but in its day-to-day lack of attention to details.

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The newspapers in the United States suffer, above all, from a surfeit of newsprint. To this surfeit nearly all their weaknesses can be traced. It is obviously impossible for any one man to edit a paper of over a hundred pages and, without the firm hand of an editor, even the *New York Times*, the most valuable of them all, becomes a diamond mine when it should be a jeweller's shop. It is the job of an editor to do the mining and present the results to his readers. Too often they are left to do their own. So large a paper must also, if it is to fill its space, employ many men whose talent for their job is doubtful. The best are used as reporters, and sub-editing is often left to the ignorant and illiterate.

Size is also responsible for the divorce of editorial opinion from the news. Since few papers have enough presses to print a whole edition at once, leader pages and, in some cases, whole editorial sections are printed early in the day. The leading articles are, therefore, comments on the news of the day before, and often have no relevance to any news in the same paper. At times stories and comment in the editorial section are made unnecessary or ridiculous by later stories in the news pages.

These are technical problems, and they are technical prob-

lems created by the surfeit of paper. There are also moral problems, of which the pressure of the advertiser, who is impotent when paper is scarce, is the most dangerous. The existence of this pressure is always hotly denied, even in the face of strong circumstantial evidence. The history of the attempts of the Arab Information Office to place advertisements in the *New York Times* and the *New York Herald Tribune* to counteract the flood of Zionist advertisements does not suggest its absence. Nor does a recent incident in Washington. The Great Atlantic and Pacific Tea Company, against which the US government is bringing an anti-trust suit, had been placing without difficulty full-page advertisements attacking the government's case. The National Federation of Independent Business, representing the small business man on whose behalf the government's action was being taken, tried to place an advertisement supporting the government. It was refused by three of the four Washington dailies, the *Washington Post* later explaining that it "rejected the advertisement because it seemed possibly libellous." Nevertheless, the advertisement was printed, with impunity, by one of the papers, whose management admitted airily that they probably would not have accepted it if they, like the other three, normally received any advertising from the "A. & P."

A more regular source of irritation than the effect of advertisers on policy is their effect on the appearance of the paper. To accommodate their needs, stories are cut up and shreds of them printed in different parts of three or four columns. The *Washington Post* (which in many other respects, it should in fairness be added, is one of the best newspapers in the country) some time ago achieved eminence in this sport; it managed to print all but two lines of a story in one column and then divided the balance between two others—one line to each.

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The competition for advertising affects the policies and the appearance of newspapers and distends their bulk to a point where they cannot be properly edited. The competition, equally fierce, for news has largely destroyed all style and literacy in its presentation. The ability to find news is more important than the ability to write it coherently. Reporters are becoming more and more technicians in news-gathering. If an editor were to dismiss one of his staff on the grounds that he could not write, the reason would be felt to be irrelevant. The form of a story has been standardised, and almost anybody can be trained to pour his own into the mould. The whole story must be compressed into the leading paragraph and then its separate parts expanded in later paragraphs. As editions follow each other and new stories appear, with more importance, or at least more novelty, the original story can be shortened by cutting off its tail again and again until only the first paragraph is left. And after each operation the story must still seem complete.

During the war the pressure was relaxed. There was more advertising than paper; the cost of living and, therefore, of producing a newspaper was not rising fast; and the costs of employing war correspondents was largely paid for by a grateful Army and Navy. But since 1946 costs have gone up steadily and staffs have, as a consequence, shrunk. There are few left of the great corps of foreign correspondents who worked in Europe and the east during the nineteen-thirties; one of them is Mr A. T. Steele of the *New York Herald Tribune*, who is still abroad. Mr Drew Middleton of the *New York Times* and Mr Howard K. Smith of the Columbia Broadcasting System, both of whom began work in the last days of the golden period, are the only new names fit to place beside those of the men who awoke the United States to the danger of what was happening to the world before 1939.

To take the place of that brilliant band of individualists, there has been an extension of the use of the columnist and of the new agencies. The good columnists—Mr Walter Lippmann, the Alsop Brothers, Miss Marquis Childs, Doris Fleeson and Mr. Thomas Stokes—though they must be tempted, when they remember the size of their readership, to become pontifical, have great value in a country where distance prevents any newspaper from getting more than a local—or at best a regional—following. For a few dollars a day an editor in a small town can get material he could not afford in any other way. But there are also bad columnists and ignorant ones. Recently, one of them gave a detailed account of very confidential decisions which, he said, had just been made by King George of Greece. Most of the editors who subscribed to his column forgot that King George had been dead two years, and printed the story.

That, in spite of its many weaknesses, the American press should be the best in the world should be a matter of concern instead of congratulation. *Time* and *Life*, having decided that one episode "should give pause to every publisher, news editor and radio executive in the land", might well tackle next the growing slovenliness of newspaper production. By testing Mr Jordan's story and finding it wanting, the Luce papers showed a greater sense of responsibility than many of their daily contemporaries. They also set an example in production, in careful editing and in writing. There are many complaints about *Time's* style—but it has a style. No daily paper, except the *Christian Science Monitor*, which is in a class by itself, can say as much.

A Creed for the Free

[FROM OUR AMERICAN STAFF]

UNTIL very recently, the poverty of political thought in the United States has been conspicuous when contrasted with the wealth of achievement that has taken place within the prevailing governmental system. That system was, of course, thought out in the eighteenth century. Except for rephrasings by Abraham Lincoln during the civil war period of the eighteen-sixties, very little has been done to restate the theory in terms of modern complexities. To an extent that is continually surprising to visitors from across the Atlantic, political orators and writers depend on the phrases of Adams, Jefferson, Hamilton or Jackson to make their points, and even to explain what is happening. In an era of streamlined trains and supersonic air flights, most of the political thinking of the United States is still in the horse and buggy age.

This gulf between the word and the fact has, in the last three decades, rendered the American particularly vulnerable

to attack from nations provided with a more up-to-date political vocabulary. It is, in part, the reason why the criticisms of Karl Marx are accepted as modern. They may be a century old, but at least they were written in sight of factories rather than of fields. The other reason is that his attack, and that of his followers, is directed not so much at the ideological basis of democracy as at its functioning. Marx and the Marxists insist that industrial capitalist democracy will not work and that it is certain to collapse of its own weight; to an American, that is a criticism to be taken far more seriously than any assertion that there is about it something morally or philosophically wrong.

The American understands things that work, he likes things that work well, and he will defend them for the reason that they work well even if in so doing they approach the border of a moral doubt. It is no accident that the most distinguished American contribution to philosophic thinking is William James's formulation of the empirical doctrine. Confidence in, and justification of, the thing that works well is bred in the American bone.

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Until the great depression, democracy worked well enough in the United States, and when it failed to work there was at hand no group of articulate critics to insist, loudly enough to make a permanent impression, that they knew a way which would work better. But the depression of the nineteen-thirties brought about the conversion to Communism of a group of men who were far more persuasive than earlier heretics had been. Moreover, they could point to a great country which was operating under Communist doctrines and at that time, and across a distance of six thousand miles, the manner of that operation, as well as its purpose, was veiled in happy illusion.

Ever since then, and despite the evidence accumulated during the war, a secret doubt has gnawed at the back of the American mind, a fear that perhaps the Communists may be right, that perhaps eighteenth-century doctrines are not adequate to the strains imposed by modern industrialism, perhaps the great depression was in fact the first sign of the coming downfall. The doubt made a few converts to Communism, most of them temporary and many of them frivolous. What was more important, it created a state of shock, which in turn produced fear, denial, and then, in order to ward off fear and to bulwark denial, a neurotic persecution of people who could be suspected of thinking, for as long as a single moment, that the Communist doctrine might work better than does the democratic doctrine on which the United States is founded.

It is only against this background that one can understand the real importance of the reassessment of American democracy which Dr Vannevar Bush has carried out.* His is an affirmation, in the most modern and concrete terms, of those verities which the American must believe or die. It is made with all the vigour of which a highly trained New

* "Modern Arms and Free Men," by Vannevar Bush. Simon and Schuster. New York, 1949. \$3.50.

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

England mind is capable. Not only does he assert that democracy is still a good thing—far better than any competing system yet invented. He also says that it will last longer than others for the very reason that it is more flexible and more adaptable to the changes that come with growth. These are standards of judgment that Americans understand, stated in a form from which they can take renewed confidence. The statements have the added virtue that they come, not from a politician or a professor (Dr Bush's professorial functions are sufficiently outgrown not to prejudice his authority), but from a scientist with an engineering background. It took a war, and four postwar years of probing the performance that lies behind Soviet diatribes, to produce the finest statement yet made of the case for twentieth-century industrial democracy. This book is the fruit of four years of listening to the words of the Molotovs, the Vyshinskys, the Gromykos and the Lysenkos, quite as much as of testing the American performance.

Dr Bush makes his attempt to measure and analyse the strength of the democratic process as part of his discussion of the present role of science in ministering to it. He did his early work at the Massachusetts Institute of Technology and went on to the Carnegie Institution in Washington, which oversees the wide-flung scientific research endowed by the late Andrew Carnegie. In that position he was expected to measure the progress of the most advanced work being done in the various sciences throughout the United States.

It was with that background that Dr Bush was, in 1940, made chairman of the National Defence Research Committee, the nucleus of the larger Office of Scientific Research and Development. That same year the Advisory Committee on Uranium, parent of the Manhattan District Project and the atomic bomb, was placed under his direction.

It is therefore from a position of particular advantage that Dr Bush surveys what has been done and what lies ahead. He disclaims the role or the temperament of a prophet. He states his two chief conclusions at the beginning of his book with the humility of a scientist advancing hypotheses which he intends to prove:—

I believe, first, that the technological future is far less dreadful and frightening than many of us have been led to believe, and that the hopeful aspects of modern applied science outweigh by a heavy margin its threat to our civilisation. I believe, second, that the democratic process is itself an asset with which, if we can find the enthusiasm and the skill to use it and the faith to make it strong, we can build a world in which all men can live in prosperity and peace.

He then challenges his readers to play their part that this may not fail:—

We cannot take refuge in the assertion that these are matters for specialists. . . . We are not a dictatorship, where a single distorted mind names the tune and all the lackeys dance to it. We are a free people, and as we think so will our public servants act.

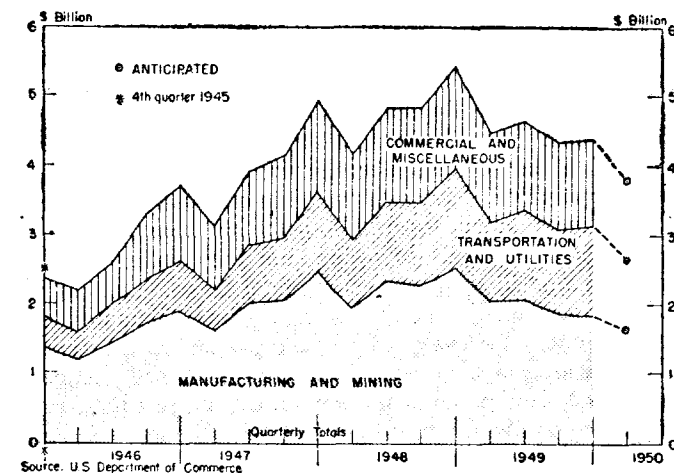
Here, in this book, are the words that bridge the gulf between the founding fathers and atomic power. It is a weapon in the cold war made to America's hand, and if it is used with the same depth of understanding that has gone into its writing the future of the country will have a quality of greatness which has been lacking in high places for much too long. But it is more than that. Dr Bush knows that neither the United States nor its fellow democracies will stand long if they try to stand alone. Here is a chart for the second half of the twentieth century which free men wherever they are will do well to ponder.

American Notes

A Prosperous New Year

The stock market is seeing out the old year from new peaks; the Dow-Jones industrial average, already higher than at any time since 1946, is nearing 200. The automobile industry's Christmas gifts to the country are the smoother, shinier, cheaper new models with which it expects to go on breaking sales records next year. Department store owners were cheered by taking in more money and selling more goods in the last weeks before Christmas than ever in their history, after disappointing business during the autumn and

BUSINESS EXPENDITURE FOR NEW PLANT AND EQUIPMENT



early winter. The Federal Reserve Board's New Year greeting is a prophecy that in 1950 credit will not contract as much as it usually does during the early months of the year.

This buoyant mood is very different from the apprehensions with which 1949 was ushered in, and which now, in the light of the short and mild mid-year recession, seem almost laughable. Last spring business took the dose of deflation that it had been dreading for years, and found it not a poison, but a tonic. It may have to swallow a second and less pleasant dose before the end of 1950, but meanwhile its self-confidence has been sustained by the Secretary of Commerce's forecast of a prosperous New Year, based on the present satisfactory health of the national economy. Mr Sawyer's year-end figures show that gross national production in 1949, at \$259 billion, was only 2 per cent below 1948's record and the same was true of net national income, at \$222 billion; furthermore, the reduction was accounted for by a fall in prices. Employment, however, also fell by 2 per cent, to 58,500,000, and this drop, coupled with the increase in the labour force, brought the average number of unemployed up to 3,500,000.

While total wages and salaries were higher, both in value and purchasing power, than in 1948, earnings of both farmers and corporations declined. The output of crops was the largest since 1932, but plentiful supplies and reduced foreign demand brought agricultural prices down. Industrial prices were also lower, and so was industrial output. It was still, however, 66 per cent above 1939 and at a level at which it might well be stabilised, in the opinion of the National Association of Manufacturers. Consumer goods industries, such as textiles and electrical appliances, which were especially sorry for themselves during the summer, have picked up well. Moreover, their prospects for the next few months are good, since Christmas sales have drained stocks, which had in any case fallen unusually low during the recession; the

depletion of inventories during 1949 is one of the year's most notable differences from 1948. With the exception of automobile manufacturers, the durable goods and metal-working industries are still ailing and their condition has been made temporarily worse by shortages following the recent steel strike.

The rise in steel prices may put a further brake on business plans for new plant and equipment. Construction of this kind has been falling below 1948 levels since last spring. But this decline has been more than offset by increases in public works and in house building; construction in 1949 was valued at \$19 billion, 3 per cent higher than in 1948. After dropping off in the early part of the year, building activity revived surprisingly and contract awards were still breaking records at the end of the year. This unexpected trend is the source of much New Year optimism, since new houses mean new demands for equipment, furniture and fabrics.

Republicans Look Right

Fifteen Republicans selected this week in Chicago by the National Chairman have been entrusted with the task of drawing up their party's New Year resolutions: a formula which at one and the same time will answer the growing doubt of the rank and file as to what the party stands for, and will also guarantee success in the 1950 elections. The strategy committee was in no doubt about what was required; the Republicans must turn their backs upon the temptations of the welfare state, abandon "me-tooism," and strike out in relentless opposition to everything the Fair Deal stands for. The ferocious anti-New Dealers who are included in Mr Gabrielson's policy group will not find it difficult to follow the recipe.

For over a decade, it has been the lament of the conservatives that Republican candidates slavishly danced to the tune called by the Democrats, only stopping to assure the voter that they could play it better, and more cheaply. Mr Dewey was bitterly attacked on this score after both his defeats; and the announcement that he does not propose to try again in 1952 weakens a moderating influence on the extreme right wing. A magnet turning it even further to the right this year is the necessity of persuading the party's rich contributors to replenish a treasury down to a mere \$50,000. A figure of nearly \$2,000,000 has already been approved for the Congressional campaign in 1950; this dollar gap must somehow be bridged.

The party leaders who met in Chicago are convinced that there is a Republican happy hunting ground among the 46 million voters who failed, last November, to go to the polls and that they can be galvanised into activity by an aggressive campaign. But Senator Vandenberg's first action, after his illness, was to come to the defence of the bi-partisan foreign policy which a number of Republicans include in their blanket condemnation of me-tooism, and most of the party's real policy makers in Congress have yet to be heard from.

Senator Lodge and Senator Ives have already submitted their objections to an indiscriminating policy of opposition; they can, if taxed, point out that Mr Dulles lost on such a platform in New York, while the solitary Republican victory went to Governor Driscoll, a liberal. Senator Taft himself, with his nose glued to the Ohio electoral trail, could not either conscientiously or profitably attack welfare measures, some of which bear his own name. Democratic observers, consequently, are keeping their fingers crossed. They believe that a Republican commitment to out-and-out conservatism would guarantee a series of glittering Democratic victories but they fear that, as the election approaches, the Republicans will find their New Year resolutions too costly to keep.

Cultivating Latin America

Mr George Kennan is to precede his two years' sabbatical leave from the State Department's policy planning staff by last assignments in Latin America and Africa. In the next three months Mr Edward Miller, the able Assistant Secretary for Latin America, will also be meeting the diplomats who look after US interests in that area. This intensive cultivation of the Latin American garden is perhaps inspired by a guilty consciousness that, while the United States is spraying weedkiller on Communism in Europe and wondering how to keep it from spreading to Asia, nearly as noxious Fascist growths are shooting up on Washington's doorstep.

Last September the Secretary of State deplored the constant plotting and counter-plotting in the Caribbean area. More recently, he has had to condemn the Dominican dictator's demand for power to declare war on his country's neighbours as "entirely inappropriate" to the peaceful principles on which hemisphere relations are supposed to be firmly based. Even more disquieting has been the surrender of Colombia, a country which last year dealt comparatively democratically with a threatened revolution, to a dictator closely linked with the Spanish Falange. Most disturbing of all is the seizure of power in Panama, the hub of America's strategic communications, by General Arias, who has in the past been strongly suspected of working against US interests there.

The Argentine dictatorship is, of course, an ever-pricking thorn in the State Department's flesh, but there is some hope that the pain may eventually be slightly relieved by a commercial treaty. Negotiations with Brazil are further advanced: discussions on the means of encouraging the flow of US capital into that country have been going on intermittently for some months. A treaty was actually concluded with Uruguay in November, the first comprehensive commercial pact with any American Republic since 1927. It is called a "treaty for economic development" and has additional importance as a sample of what may be expected under the President's Fourth Point plan for under-developed countries. The most noteworthy provisions are those dealing with the rights of US investors (and of Uruguayan investors in the United States) and with means of easing exchange controls.

Treaties of this kind are intended to fertilise the soil so that US private investment abroad may flourish. Such varied cultivation by individuals is, in the opinion of the State Department, a better answer to the difficulties of the western hemisphere than the long-range governmental assistance which Latin Americans want. But the repeated postponement, amounting to virtual abandonment, of the overdue hemisphere economic conference, supposed to be held in Buenos Aires, is explained as much by Latin-American inability to agree on the form such assistance should take as by the State Department's lack of enthusiasm for either assistance or conference.

Rewiring the CIO

The piecemeal purge of Communist-led unions from the Congress of Industrial Organisations has now reached the Office Workers and Public Workers, both of whom have been summoned before a committee of three, authorised to recommend their expulsion to the executive. The prudence of the CIO in tackling its rebellious red-headed offspring one by one is demonstrated by the legal difficulties now facing the new-born International Union of Electrical Workers. The United Electrical Workers, which it is designed to replace, has taken speedy refuge in the courts, and has not disdained to use the hated injunction to prevent the new union from laying hands on the funds and buildings of the

old. Mr James Carey, directing operations against the left wing, has been served with 400 restraining orders and has been provoked, in consequence, into an injudicious attack upon the courts, which he feels should not extend legal protection to those who only recognise the law when it serves their own ends.

The new union, which has just held its organising convention at Philadelphia, claims to have issued 133 local charters and to enjoy the allegiance of 60 per cent of the 500,000 electrical workers. But so far only one of the big employers, the Westinghouse Corporation, has joined with Mr Carey in petitioning for immediate elections to determine which of the rivals has the right to represent its workers. These must be won before the IEW can claim the bargaining rights now held by the old organisation, most of whose contracts do not expire until March. Other large employers, noting the militancy with which Mr Carey and his followers at the convention espoused a fourth round of wage increases and new pension and insurance schemes, have hesitated to jump from the frying-pan into the fire and are content to honour their contracts with the UE until directed not to do so by the Labour Relations Board. On the plant-by-plant basis for elections, which the new union has had reluctantly to accept, the UE may well retain its hold on some sections of the industry.

But the IEW has the explicit blessing of the Administration, delivered in person by Mr Tobin, the Secretary of Labour. And even the abominated Taft-Hartley Act can provide some useful weapons for the CIO in the battle with its former Communists. The NLRB has ruled that a union whose officers have not signed the anti-Communist affidavits cannot claim a legal right to the privileges of collective bargaining. The Electrical Workers, forced into a corner, had already complied, but certain of the affidavits recently filed have been turned over to the Department of Justice for investigation. It has also been made impossible for a union officer with embarrassing affiliations to dodge the requirement by relinquishing his title, while continuing to exercise the functions of an officer.

Farmers on the Line

The American farmer, who is usually associated with combine harvesters and electric milking machines, possesses few of the nation's telephones. Out of the 1949 total of 40 million telephones, only about 3,000,000 serve the rural population, and nearly half of these have been installed since the war. To remedy this situation Congress in October granted the Rural Electrification Administration \$25 million with which to make 35-year loans, at 2 per cent, to existing private companies and co-operatives, and to help to start new ones. But this step, which might have been regarded as a blessing for firms dealing with country areas where houses may be ten miles apart, aroused strong opposition in Congress from the telephone companies.

The opposition was led by the Bell system—that is, the American Telephone and Telegraph Company and its affiliates—which is responsible for 82 per cent of the nation's telephones, and was joined by the United States Independent Telephone Association, representing 2,500 of the 6,000 independent operators. Although some of the independent companies are very small, others, like the General Telephone Corporation, serve over a million subscribers. The present peace in the telephone world has only recently been achieved; the last big city system competing with the American Telephone and Telegraph network—in Philadelphia—was bought up as late as 1944.

These companies fear that the REA, which can choose the company to which it grants a loan, provided there is no fear of duplication of service, will give preference to co-operatives. In the past, the REA, in making grants for the development of rural electrical facilities, has shown a partiality for co-operatives, which have received the vast

majority of grants, to a total of \$1,900 million, while private companies have only obtained \$6,000,000. In the telephone field the 50,000 mutual systems, now often in a state of decay and dilapidation, may thus become rivals to the private companies; there is also a possibility that many new telephone co-operatives will be launched under the new Act.

The postwar boom in telephones has not yet ended, but the Bell system and its competitors are presumably looking forward to a time when the concentrated and easily served market in the cities will be satiated, and when they will need new fields to conquer. They will also jealously watch the rates charged by companies benefiting from REA loans, as most operators wish to raise their present rates. The increased cost of labour since the war has not yet been offset by inventions which will, in time, permit one operator to dial any number direct to any part of the United States, and allow call and time limits to be recorded entirely by machinery. But for the present, at least, the provision of telephone facilities in country districts will be held up by the severe shortage of cabling and wires; these are more difficult to manufacture than the instruments themselves.

America's Sweet Tooth

American sugar producers have received somewhat sourly the estimate of the Secretary of Agriculture that Americans will consume 7,500,000 short tons of sugar in 1950. They had hoped for a lower figure. This paradoxical situation arises from the elaborate quota system of the Sugar Act passed in 1947 and first put into effect in 1948. A quota of 4,300,000 tons of sugar (never wholly filled) is reserved for domestic producers, which includes those in Hawaii, Puerto Rico, and the Virgin Islands, as well as the beet sugar farmers of California and Colorado and the cane men of Louisiana and Texas. Foreign producers share a market equal to the difference between domestic production and the estimate of domestic consumption. Usually they provide about half America's sweetening.

Because the amount of sugar allowed in affects the price—which is down to 5.8 cents a pound raw—the Secretary of Agriculture, as he attempts to predict the size of the nation's sweet tooth, has the domestic producer on one side pointing out the disastrous effects on home sugar interests if the foreign quota is too large, and the large domestic users—manufacturers of sweets and soft drinks and preserves—on the other painting dire pictures of an imminent sugar famine. This year sugar consumers sought an estimate of over 8,000,000 tons; producers hoped the Secretary would set it as low as 7,200,000 tons. His figure is a little less than actual consumption this year, but the disappointed sugar trade fears that the setting of a quota larger than that fixed at the beginning of last year (and later raised) will send prices down further.

The task of estimating consumption—and thus fixing quotas—is an ungrateful one. Consideration must be paid to the welfare of domestic producers, but also to the reasonableness of the resulting price to consumers; to the cost of living and the growth of population. On the last two occasions the estimates have proved wrong—too high in 1948, too low in 1949. America's sweet tooth has not yet recovered from the effect of the war, when it went on short rations. Annual consumption between 1935 and 1939 stood at 97 pounds a head; in 1949 it is estimated to have been about 94 pounds per person.

Correction.—In *The Economist* of December 17th, the article "Texas Transformed" contained inaccurate references to the Monsanto Chemical Company's activities at Texas City. Its plant there makes styrene, not fertiliser, and the ship laden with chemicals, which exploded in 1947, was not at the company's wharf, but a public dock nearby.

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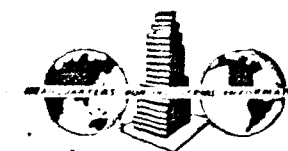
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THE WORLD OVERSEAS

Democracy and the Vatican

(From Our Rome Correspondent)

THE year 1950, like each half century since 1300, save only for two, is a Roman Catholic Holy Year. The two exceptions were 1800, when the French occupied Rome and 1850, when Pius IX, who had been—in present parlance—a Left Wing hero, returned from brief exile to a lately rebellious Rome supported by French bayonets. His fifth successor, the present Pope, also had his moment as the object of Left Wing acclamations, for on June 6, 1944, after the German withdrawal, he blessed from St. Peter's balcony a crowd of Roman citizens carrying mingled red and white flags. It was a moment of brief appeasement born of the common struggle of Christians and Communists against neo-pagan racialism. But by 1948 the Papacy had fully resumed the position in revolutionary demonology which it held after 1848. Holy Year 1950 is the object of bitter scoffs from the Marxists and no great cordiality from the Italian "lay" parties of the Centre and Right—Social Democrats, Republicans, Liberals, Monarchists and "Homesicks" or neo-Fascists.

The opening of the Holy Year has coincided—and there is something in the atmosphere which links the two events—with a secondary but significant and passionately discussed Government crisis. The occasion was given by the latest Socialist split which weakened the most substantial of the three small "lay" parties represented in the present (fifth) De Gasperi Cabinet, bringing about in November the impetuous "provisional" resignation of its leader Vice-Premier Saragat and two colleagues. Signor De Gasperi appointed interim Ministers to the three vacant posts and promised to resolve the crisis in January. Through December the question raged whether Signor De Gasperi, who has now completed four years of impressive premiership, would succeed in building his sixth Government on the same basic lines as the fifth. In the fifth, the three "lay" parties of the Centre, although holding only 57 seats in the Chamber to the Christian Democrats' 306, held 7 out of the 20 Cabinet posts.

Idealists Among the Clericals

Each of the "lay" parties has had its malcontent wing, fretful at being linked to the enormous "clerical" party during times of industrial unemployment and rural upheaval. A common determination to hold the Communists at bay has alone kept the small parties joined with the great. But the fretfulness has been fully echoed in the great party. To the young and the left of the Christian Democrat Party, the presence of "lay" party personalities like Saragat, Sforza and Pacciardi in the Cabinet may be tolerable, but they find it exasperating that the parties behind these men should be giving instructions to fight for particular lines in the Cabinet. The leader of the Christian Democrat Left is an ardent and fascinating speaker, Professor Giuseppe Dossetti, a 36-year old Professor of Ecclesiastical Law, Deputy, and member of the party directorate. His vision of the task of Christian Democracy in Italy is that it should stir the country to its depths towards a programme of social justice inspired by Catholic faith. The slightly older Minister of Labour, Amintore Fanfani, author of numerous treatises on social economics, shares these enthusiasms. It is evident that they worry Signor De Gasperi, who views the

political arena as a place where men and groups who differ in ideas and ideals often meet in their pursuit of practical ends.

Devout churchman that he is, Signor De Gasperi remembers how often in a century the Italian public has swung between extremes of feeling about the role of the Church in politics. He has steadily worked to perpetuate a wider basis for state democracy in Italy than can be afforded by a party whose strongholds are the rural parsonages. At the moment of writing the Prime Minister is engaged in extracting from his own party's organs an authorisation to offer to the "lay" parties sufficient political guarantees and offices to keep them in the new Government. He enjoys the indispensable leader's power of pressure upon these organs. Yet his sixth Government will be born, not like the fifth in 1948 under the sign of a shared victory over Communism, but under that of a pressure, on the Christian Democrat side, to be allowed to cope with industrial reorganisation, agrarian reform, syndical discipline and moral and scholastic education on its own lines of Christian tradition and dynamic; and on the side of the "lay" parties, to have a substantial share in dignities and responsibilities alongside the larger party which, in their view, owes its great parliamentary predominance to the fear of Communism in 1948 rather than to national sympathy with its particular philosophy.

Work of Catholic Action

Holy Year throws into strong relief that side of Christian Democracy which is attached to the clergy, the Hierarchy, and the Holy See. Signor De Gasperi and his Ministers do not, as readers of frivolous Italian publications will suppose, call at the Vatican for instruction and guidance; the swish of silk cassocks is not heard in the corridors of Government offices; nor, indeed, at meetings and congresses of the Christian Democrat Party are the clergy or monastic personages as much in evidence as they were in the heyday of the Popular Party, its pre-Fascist predecessor.

Yet the array of ecclesiastical interests in politics is impressive. True, there is a most definite formal differentiation between the Christian Democrat Party and Catholic Action, the great organisation for "collaboration" of the laity in the apostolate of the Church, which works under a committee of three Cardinals, but whose effective manager is Dr Luigi Gedda, one of the most forceful men in Italian public affairs. Catholic Action controls a nation-wide network of men's, boys', women's and girls' societies, students' and school-teachers' clubs, and has general secretariats for (among other questions) press and theatre. Dr Gedda, incidentally, is said not to belong to the Christian Democrat Party. Yet distinct as are the political party and Catholic Action, the latter has strong political interests which only the expert distinguishes from those of the party. It was Dr Gedda who, at the 1948 elections, formed Civic Committees in all towns for withstanding Communism, and flooded the walls with hard-hitting and expensively produced propaganda. It is from the Labour groups (ACLI) of Catholic Action that the new "white" trade unions have largely grown.

To the anti-clerical zealot, sincere or factious, Christian Democracy, Catholic Action, and Papacy are all one, and

the immense religious processions in Rome which preceded the commencement of Holy Year, the concentration of building power on beautifying ecclesiastical sites, the eager expectancy of the Rome tourist industries and of tradesmen for thousands upon thousands of pilgrims (640,000 journeys have been booked through Church channels alone) combine to give the impression that affairs have turned a full cycle between 1850 and 1950 and that Pius XII is the sovereign, with Togliatti storming against him as Mazzini stormed against Pius IX.

Whoever else believes in that picture, Signor De Gasperi does not. No one is more dutiful towards his spiritual Head than the statesman who was once a junior librarian in the Vatican; but he obviously does not base his political calculations on mistaking a mild and much loved Pontiff for a new Hildebrand.

The Jute Quarrel

[FROM OUR KARACHI CORRESPONDENT]

EVER before the Indian rupee and the Pakistan rupee parted company, jute was a fairly prolific source of inter-Dominion disputes. This was an almost inevitable consequence of a situation in which East Pakistan grew the bulk of the jute, but had no mills of its own, while India's immense jute industry had to depend mainly on East Pakistan for its raw material. Under the Commodities Agreement, the Indian mills were assured of 5,000,000 bales in the 1948-49 season, and 4,000,000 bales in the current season, out of the total East Pakistan crop, which should amount to about 6,500,000 bales in a good year. Prices, however, had risen sharply since partition, and the Indian Jute Mills Association argued that, if the mills were to make any profit at all, the new prices would put jute goods clean out of the world market, and encourage the use of substitutes. Pakistan retorted that the rise in Indian labour costs was largely responsible for this and it was the turn of the East Bengal cultivator to make a decent profit from his main crop.

The devaluation of the Indian rupee naturally brought about a crisis, for it meant that, if the new exchange ratio were recognised, the mills would have to pay 44 per cent more for the raw material if Pakistan's export prices remained unchanged. Both sides tackled the problem energetically but, alas, independently. The Indian authorities fixed a maximum price of Rs.35 (Indian) per maund for all bottom grades delivered at Calcutta, which they claimed was the highest price they could economically pay. At the same time, they increased the export duty on hessian goods from Rs.80 to Rs.350 per ton, which contradicted this claim by providing a clear indication that there was scope for paying more for the higher grades of the raw material. The Pakistan authorities fixed a minimum price of Rs.23 (Pakistani) per maund for bottom grades delivered at the baling centres. This represented a slash in prices of about 25 per cent as compared with the average prices ruling previously, but even so meant that, at the official Pakistan rate of exchange, jute could only be delivered at Calcutta at Rs.10 (Indian) per maund above the official Indian rate.

Suicidal Trade War

With good will on both sides, the gap could be bridged, but good will is totally lacking. The situation is bedevilled by political motives and prestige considerations, a trade war is being fought with no holds barred, and there is real danger that both sides will, before it is finished, have gravely damaged the jute trade, which, for both countries, is the chief producer of foreign exchange, and of dollars in particular.

The heat has been generated by hasty assumptions on both sides. India immediately jumped to the conclusion that Pakistan's decision not to devalue was inspired by political

considerations, while Pakistan was equally quick to assume that the Indian Jute Mills Association, with the support of the Government of India, was deliberately trying to crack the Pakistan rupee and bring East Bengal to its knees, by refusing to purchase jute at prices acceptable to Pakistan. Both assumptions were wrong. The Pakistan non-devaluation decision was taken on purely economic considerations, and the mills, for their part, were quite genuine in their feeling that Pakistan prices were uneconomic. Unfortunately, there is little sign of better feeling developing. It is true that a better appreciation of the Pakistan point of view was recently discernible in Calcutta, but the Pakistan authorities have forfeited much of the sympathy which was coming their way by holding up some 60 flats (barges) containing about 300,000 bales of jute bought by India, mostly loaded before the devaluation date, and duly cleared through the Customs. The pretext for this action is that Pakistan requires proof of payment, but the Jute Board's attitude in regard to this matter appears to be obstructionist and is quite indefensible.

In the early stages of the deadlock, Pakistan mobilised its resources with great energy. A Jute Board was appointed, with headquarters in Narayanganj, the main baling centre, and was given almost dictatorial powers. A National Bank of Pakistan was brought into existence—much earlier than had been contemplated—to finance jute purchase by granting advances to agents appointed by the Board. The function of the agents is to purchase jute from the cultivators or middleman. If they are unable to sell it, they are entitled to sell it to the Board at the fixed minimum prices. The Board is undoubtedly displaying great efficiency and drive, with the result that optimism is growing in East Bengal.

New Customers Overseas

The main problem, of course, is the disposal of the jute crop in the absence of buying support from India, hitherto the recipient of about two-thirds of the crop. Some six weeks ago the outlook was grim, because foreign buying had not commenced, but since then the United Kingdom, France, Italy, the United States, and some other countries have now entered the market. The Jute Board is optimistic and, proceeding on the basis of a crop of 5,000,000 bales, reckons that it will have only 1,500,000 bales to dispose of during the January/June 1950 period. The Board intends to keep 500,000 bales as reserve or buffer stock, while they hope that the remaining 1,000,000 bales will be absorbed into the foreign market during the January/June 1950 period. The trade considers these figures somewhat inflated, and the strength of the foreign demand over-estimated.

Transport and shipment also create serious problems, for the Jute Board has put a stop to transit shipment through Calcutta, thus throwing the whole weight on Chittagong. An expert view is that not more than 1,240,000 bales could be transported to and shipped from Chittagong between December 15, 1949 and June 15, 1950, when the new crop will be beginning to appear. According to this view, Pakistan will be left with 1,260,000 bales on its hands, which will involve an enormous storage problem. Most of this will be unsold, and one cannot eat "the golden fibre" any more than King Midas could eat gold.

Nevertheless, the course of events is more favourable to Pakistan than anyone would have supposed two months ago. Smuggling, which was a serious chink in the armour, has been brought partly under control, and jute is being bought at the baling centres at prices slightly above the minimum. It would not be true to say that Pakistan is winning the jute war, for it is a war in which both sides must lose, but the indications are that India will be the heavier loser. The Indian mills may be able to carry on till the end of March, but there is a probability of their having to close for two or three months before the next jute season begins. The prosperity of Calcutta rests primarily on its jute industry, and closure would be disastrous from several points of view. Meanwhile, some of the mills are undermining the policy of their own

side by purchasing Indian jute at black-market prices, thereby also weakening the claim of the Indian Jute Mills Association that the maximum prices are the highest that can economically be paid.

Negotiations between the two Dominions are urgently needed. Even if this season must be written off, it would be folly to allow the deadlock to be projected into the next season. The Pakistan Government must decide its future policy within the next few weeks. If there is no prospect of India coming forward as a buyer, it intends to aim at a reduced target of no more than 4,000,000 bales. The reduction in the crop will not mean a dead loss, for the resultant switch over to rice production will obviate a drain of foreign exchange and will make East Pakistan self-sufficient in the staple foodgrain of the Province. The loss of revenue will, of course, seriously affect Pakistan's budget, for the reduction in the crop will mean a decrease of about Rs 5 crores in export duty. This would be a heavy sacrifice, having regard to the fact that the whole proceeds of direct taxation of incomes, including company taxation and business profits tax, amount to only Rs 9 crores. India hopes to increase its own crop to 5,000,000 bales within the next two years, but, even if this somewhat ambitious target is reached, it will hardly be enough and the quality will not be up to East Bengal standard. Unfortunately, prices cannot even be discussed until the Government of India recognises the exchange rate. If, in fact, Pakistan has made a mistake by not devaluing, the Pakistan rupee will, in the long run, be subjected to higher pressure and put to a more genuine test under unreal trading conditions than when trade is impossible.

The Franco-Polish Dispute

[FROM OUR PARIS CORRESPONDENT]

AFTER a mirthless pantomime, more inane even than previous exhibitions of Communist "justice," a Polish military court in Wrocław last week sentenced four French citizens and two Polish nationals to lengthy sentences of imprisonment for espionage and sabotage. The condemnation of Mademoiselle Bassaler and her fellow accused marks the end of the first stage in the anti-western campaign undertaken by the Warsaw government, which was opened by the arrest on November 18th of M. André Robineau, a French consulate employee, as he was boarding the plane to Paris. The Wrocław "trial" was conducted in conditions of perfect illegality: false witnesses who had been held *incommunicado* were brought straight from prison into court; counsel for the defence, first presuming the guilt of their clients, added their weight to the prosecution; and the French diplomatic mission to Poland was explicitly mentioned in the terms of the accusation. During the proceedings, the Polish authorities devoted themselves entirely to invective.

The current campaign in Poland—in so far as it is Polish and not part of an overall Soviet measure designed to thicken the Iron Curtain—nevertheless differs from previous Balkan frame-ups by being directed specifically against France. It would doubtless have been possible to trump up charges against members or employees of any of the western missions. It seems that, in this instance, the Polish Communists had two objectives, one domestic and one anti-French. First, they wished to incense Polish opinion against "foreign saboteurs" who were to serve as the whipping boys for the government itself, which had been proved so disastrously incapable of maintaining industrial production. Second—and this may well have been the campaign's principal object—the Polish government wished to sever all bonds between the French mission to Warsaw and the human world outside its embassy and residences, and thus condemn French envoys to that state of suspended animation in which they and their western colleagues subsist in Moscow.

All western missions to Warsaw are, as past fracas have shown, unpalatable. But French influence, emanating in one way and another from the 400 French citizens at present living in Poland, may well be especially "dangerous." French culture having for centuries represented something like an ideal stamp of education and the standard of civilisation, it is understandable that the French Institute in Warsaw (of which the arrested M. Robineau's father was the director) and its branches in Cracow and other towns have, by their mere presence, been a thorn in the flesh of other culturalists from the east. For even a trickle of the acid of French scepticism must prove corrosive to Soviet propaganda material. The subsequent expulsion from Poland of all French teachers, uncharged, has lent colour to this view.

Round-Up of "Spies"

In French circles it is considered improbable that these acts of political provocation will lead to a breach of diplomatic relations by France. The French government naturally shrinks from abandoning entirely the task of protecting those French citizens remaining in Poland. Nor is it obvious that the convenience of removing Polish representation from France would, for the French, balance the disadvantage of losing an observation post in Communist territory. The tendency in the cold war appears to be rather to hang on for "nuisance-value" than to decamp in a huff.

Meanwhile the Polish offensive seems to have offered a useful opportunity to the French Ministry of the Interior. The raids and expulsions since effected by the *Sûreté Nationale* had long been planned for the day when Poland should give suitable provocation. Thus the French authorities by the prompt deportation of 17 Poles and the arrest of Mr Sczerbinski, Polish Vice-Consul in Lille, have been enabled to disperse a Communist spy-ring engaged on "economic and social sabotage of the Republican institutions of France." Those expelled included the editor of the *Gazeta Polska* in Paris and the president and the secretary-general of the National Council of Poles in France. On the premises of the associations of Polish Youth, of Polish Scouts and the union of Polish Women, documents were found which, according to the French authorities implicated these organisations in Communist conspiracies against the French State. The *Sûreté Nationale* has also stated that Polish Communists have interfered in French strikes. (The expelled Poles possessed, it was discovered, cards of the French Communist Party.) The Polish Vice-Consul in Lille, who is awaiting trial for espionage and who is the only Pole still under arrest in France, is to be defended by Maître Nordmann, who appeared for the defendants in the Kravchenko lawsuit in Paris early this year.

Latin America's Dictators

[FROM A CORRESPONDENT]

THE roots of the present drift towards regimes of force in Latin America goes back to the unsuccessful attempt by Mr Spruille Braden, then US Ambassador in Buenos Aires, to influence the Argentine people to vote against Perón in the February, 1946, presidential election. Mr Braden's appeal was unsuccessful, and with the election of Perón to the presidency a blow was struck not only at United States prestige in Latin America, but at democracy in the hemisphere.

Immediately upon his inauguration, Perón began to extend his influence beyond Argentina. "Labour attachés" were sent to each of the Argentine embassies and legations in America. Their purpose has been to carry the good word about the "Perón Revolution" and to line up the trade unions and other labour groups on the side of Perón's own labour organisation. At the same time, the military clique,

of which Perón is the outstanding figure, is widely believed to have more or less close connections with similar "lodges" and secret organisations in other Latin American armies which have been influential in establishing recent dictatorial regimes.

Perón's propaganda has been effective. The labour attachés have built up sympathetic followings in most of the countries of the continent. In Panama the largest labour group is avowedly Peronista, while in Haiti, Cuba, Mexico, El Salvador, Peru, Brazil and other countries there are larger or smaller groups which are in sympathy with the Perón administration and its labour appendage. The relations with—or at least the model of—Perón's military group, however, have been more important in bringing about the recent trend towards dictatorship. The Second World War, with its demonstration of the fate of Europe's most powerful military group, and the democratic feelings which were aroused in its prosecution, acted for a while as a deterrent to over-ambitious military men. But the successful example of Perón in Argentina, where a military group made a bid for, and won, the support of large segments of the population has had a profound effect throughout Latin America. The overthrow of the old dictatorships and the rise of democratic regimes in Peru, Venezuela, Brazil, Cuba and other countries in the last months of the war and the first year thereafter, seriously disturbed the groups which have dominated many of these countries for generations, but they are recovering their footing and they have jumped at the least opportunity to return to "safe" dictatorships.

Mistakes of the United States

Errors by the United States have played their part, too. That country's apparent unwillingness to do anything decisive to put a stop to the dictatorial trend, the insistence of American military staffs on continuing to "rearm" their Latin counterparts, regardless of the role which those armies are playing in their countries' political life are undoubtedly important. It is also probably true that the anti-Communist hysteria in the United States has been a contributing factor. The arrest, prosecution and deportation of Communists make the United States appear to the Latin Americans as less democratic than it sees itself to be, and thus discredits democratic theories. Some Latin American governments have used the American example as an excuse to take similar measures—not only against the Communists but against any group which is opposed to those in power.

Whatever the cause of the dictatorial trend in any individual country, several important nations have succumbed to dictatorship since 1947. The first of these was Peru. In 1945, in the first democratic and free election in a generation, the voters of Peru elected Jose Bustamante as their president. He was successful only because he was supported by the *Aprista* party—a left-wing, non-Communist group which has been the country's majority party for nearly a quarter of a century but has been outlawed during most of its existence. Bustamante was not an *Aprista*; at first he co-operated closely with them, but later he came increasingly under the influence of conservative-minded military men, who made up his cabinet after the resignation of *Aprista* Ministers in January, 1947. Affairs came to a breaking point on October 3, 1948, when a naval mutiny was blamed on the *Apristas*, and President Bustamante outlawed the party. Three weeks later Bustamante, having served the purpose of the reactionaries—by outlawing the *Aprista* party—was himself ousted by a military group headed by General Manuel Odria.

The Odria regime has been rigorous. All leading *Apristas* were either imprisoned, exiled or went into hiding. The trade union movement was hamstrung while the government attempted to oust the *Apristas* from control of it. At the same time President Odria, who has been closely advised by Argentine officials, has sought to gain the support of the

workers by creating various social laws—minimum wages, improvement of social security, and so on.

The Peruvian upset was followed closely by the expulsion of the democratic left-wing government of President Romulo Gallegos in Venezuela. President Gallegos was the first popularly elected chief executive in the country's history; he was the titular leader of a left-wing, non-Communist political party, the Democratic Action, which itself came to power in a *coup d'état* in October, 1945, and he had carried out a broad programme of political, economic and social development.

The Democratic Action regimes aroused the anger of the military cliques by building up popular forces such as political parties, trade unions and peasant movements which might in time be capable of challenging the position of the army, who has always been dominant in Venezuelan politics. This, plus internal rivalries in the army itself, brought the



military coup of November 23, 1948. The resulting regime has followed a policy not unlike that of President Odria in Peru. And in both Peru and Venezuela there is considerable indication of Argentine influence among the dominant military group.

The latest and perhaps most serious event has been the establishment of a virtual dictatorship in Colombia. This country had had a civilian and peaceful Government for over fifty years and it was rated as one of the few real democracies of the continent. So much was this so that even the Minister of Defence was usually a civilian. But after the Conservative party had again elected a president in 1946 (as a result of a split in the ranks of the dominant Liberal party), an extreme element seized control and during the last two years there has been a reign of terror against Liberals—first in isolated urban and country districts, and more recently in the principal cities and towns. Early in November, 1949, the President, Perez, established a state of martial law, dissolved the Liberal-controlled Congress, and imposed a

close censorship. He went forward with presidential elections, from which the Liberal candidate withdrew claiming that a free election was impossible. As a result Laureano Gomez, admirer of the Nazis in the 1930s and now a friend of Franco (he spent over a year in Spain from 1948-49) was elected president on November 27th. He is surrounded by a group which established a Black Shirt organisation in the late 1930s. The members of this group are now provincial governors and cabinet ministers.

Meddling By Perón

Other countries have also suffered from this trend towards dictatorship. The Haitian president, Dumarsais Estimee, proclaimed a state of siege in the middle of November, 1949, and outlawed all opposition parties and half a dozen newspapers in Port-au-Prince in "preparation" for congressional elections in January, 1950. Chile has been constantly plagued by intriguing on the part of reactionary civilian elements and military men influenced by Perón. At one point the Chilean Government forced the withdrawal of the First Secretary of the Argentine Embassy for meddling in Chilean internal affairs. Panama, too, has recently been subjected to a military *coup d'état* by the National Police Force.

Fear is widespread in the remaining democratic countries of Latin America. These governments are on the constant alert for an attempted uprising on the part of the army or of reactionary conservative elements. While making gains in the cold war in Europe, the United States may soon wake up to find it has lost, almost by default, a local cold war with Perón and his militarist and reactionary allies throughout the Americas.

Nazi Revival in Bavaria and Austria

[FROM A CORRESPONDENT]

No study of post-Hitler right wing radicalism can be complete without paying special attention to the situation in Bavaria. It is here, and in the mountain valleys of next-door Austria, that the most concentrated nexus of post-Naziism has grown up. The Alpine Redoubt, which was an Allied nightmare in 1945, shows signs of becoming a postwar political reality.

Denazification in Bavaria has been a farce. A recent American intelligence survey reveals that the Bavarian administration is largely in the hands of those who controlled it under Hitler. Overall figures show that 20,682 of the 49,445 *Beamten* belonged to the Nazi Party or its affiliates. A total of 14,443 of these were dismissed and later reinstated in the service, while only 5,780 new members were admitted to this privileged class. At the beginning of this year, the Bavarian Minister of Culture announced that almost all the 11,000 teachers who were removed for political reasons have been reappointed. This group represents roughly 60 per cent of the teaching staff employed by the Ministry. 60 per cent of the 15,000 employees in the Finance Ministry are former Nazis, 77 per cent of the 1,918 in the Food Ministry and 81 per cent of the 924 judges, magistrates and prosecutors in the Ministry of Justice. With its extraordinary loyalty to the state as such and to the emoluments derived therefrom, the *Beamten* class made the transition from the Weimar Republic to the Third Reich without difficulty, and would probably tolerate another such transition with a minimum of protest.

There are 6,947 *Bürgermeisters* of Bavarian communities with less than 10,000 inhabitants. Of these, 1,589, or 22.9 per cent of the total have been elected to office despite in-

crimination under the denazification laws. Moreover, the pensioning of officials who served Hitler's Reich appears to be the rule rather than the exception. A good many former senior Nazis, too black to be reinstated even under present conditions, still draw good pensions from the state. In a typical instance, the former police inspector for Defence District XIII, Major-General of the Police and former SS-*Standartenführer* Paul Will, who lives in Nuremberg, received 1,162.67 Reichsmarks per month from the Ansbach district of the state government when he was pensioned off. After currency reform his pension was "reduced" to 1,024 Deutsche Marks.

Loritz the Demagogue

Bavaria has also provided a personality who, by the very fierceness of his individuality, lies outside the various groups who were studied in a previous article* and whose forceful appeal and fantastic gifts for demagogic oratory mark him as a potential national figure—Alfred Loritz, head of the Economic Reconstruction Party, which elected 12 members to the Bonn Parliament. The fact that, like Otto Strasser, Loritz has a record of opposition to Hitler, does not make him any less of a right-wing nationalist. His hysterical and ululating appeal to the "wonderful German people" in all their trials and tribulations and his wild constitutional ideas, which include government by a cabinet of appointed experts, could one day well find him a successor to the political heirs of those he claims he killed by planting the *Bürgerbräukeller* bomb in Munich in November, 1939. To see Loritz gestulating and swooping behind the battery of microphone shafts like an emaciated gibbon is one of the sights of the Bonn Parliament; and to all the oratorical tricks that Hitler ever had, he adds a mordant sense of humour, whose shafts have more than once turned Chancellor Konrad Adenauer pale with fury. Both Loritz and Joseph Baumgartner of the Bavarian Party unashamedly based their recent national election programme on contempt for the established democratic parties and on appeals to the refugee and former Nazi elements.

But it is in Austria that the sudden strength of organised right-wing radicalism in a sterile political situation has been most vividly shown. With Social Democrat opposition canalised into a coalition with the People's Party, right wing malcontents have been quick to seize the opportunity to bite the hands which have re-enfranchised them over the last four years. Four hundred and fifty thousand Nazis have recovered their civil rights. In the recent national elections the "Union of Independents," formed only six months earlier, obtained 450,000 votes. Yet three major groups of independents presented themselves at the polls. Josef Dobretsberger's association of enlightened liberals obtained a few thousand votes in the whole country, and the "Fourth Party" was almost completely disregarded.

The two government parties have made much of the existence of an action group known as "Organisation Spinne" (Spider) which maintains close liaison with Bavarian Nazi groups for the purpose of bringing about a second *Anschluss* with Germany. Dr Canaval, editor of the *Salzburger Nachrichten*, who has set himself up as a private scourge of the Union of Independents which are led by Herbert Kraus and Viktor Reimann, delights in producing reams of typewritten evidence that three former SS *Obersturmführer*, Erich Kernmeyer, Wilhelm Höttl, and Karl Schachermeyer, are the leading spirits in this conspiracy, which he alleges is financed out of former Gestapo treasure chests still lying hidden in the caves of the Salzkammergut.

Broadly speaking, the professional officer class in Germany has, with a few exceptions, remained aloof from the network of intrigue which surrounds these nationalistic strivings. Major-General Remer, the commander of the Berlin garrison

* see *The Economist*, December 10, 1949, p. 1301.

unit which foiled the July 20th revolt, has appeared on political platforms, but is at the moment in eclipse, and General Natzmer and Field Marshal von Manteuffel were at one time identified with some of the earlier and abortive von Ostau groups. Elaborate "welfare" organisations ensure that former officers keep in touch, but their interest is far more the purely professional one of waiting to see whether the needs of western European defence will result in the setting up in western Germany of some counterpart to the Soviet sponsored "People's Police" in the east. However, each nationalist group has a few officer members who are popularly supposed to be carrying out liaison functions.

It is a witches' brew that the Bonn Government is called upon to watch. While firm policies and continuing economic prosperity will do much to keep this subterranean menace in check, any faltering in recovery might lead to a sudden crystallisation of the new race of "have-nots" into a potent single organisation whose attack on German democracy would be deadly.

Titoists in Norway

[FROM OUR OSLO CORRESPONDENT]

WHEN a national congress of Communists took place in Norway in February the Danish Communist leader Aksel Larsen was present as a guest. When the meetings were at an end he rose and said he had the impression that there were two Norwegian Communist parties—not one. Thus, when the leaders of the party, Emil Lövlén and the ex-member of Storting, Strand Johansen, suddenly in October declared that there existed a "party-hostile centre within the party" it was not a surprise. But it certainly was a surprise that the minority represented by Johansen and Lövlén had the power to declare the general secretary, Peder Furubotn and his group, as "Titoists" and expel them from the party. Anybody with any pretence to knowledge of developments in Communist circles would have expected Peder Furubotn and his group to receive authority from Moscow to expel the other group. As it is, complete chaos exists within the party—but support for the Titoists is growing.

With Peder Furubotn has gone the vice-chairman of the party, Roald Halvorsen, the director of the Communist publishing house, Tom Rønnow, the chief editor of the Communist periodical *Vår Vei*, Haavard Langseth and several others. This group retained some support from the Communists in Trondheim, Namsos, and at Mo in Nordland. Opposing them are Lövlén, Johansen, and the majority of Communists in Oslo, Skien and Bergen. The chief editor of the Communist daily paper *Friheten*, Jørgen Vogt, also sides with Lövlén.

Immediately after he was declared a "Titoist," Furubotn "went underground." It was several days before he reappeared. Rumour said he was in Moscow. This is improbable, but it is probable that he visited Sweden in an effort to obtain allies among leading Swedish Communists and the representatives of the Cominform there. Strand Johansen, who had been very active during "the purge" suffered a nervous breakdown and is now in hospital.

It is very hard to find the real reasons for this split and it will take some time before the final results emerge. It is likely, however, that personal controversies played a great role. Obviously it is very hard to take a defeat like the one the Communists suffered in the October elections without considerable quarrelling among the leaders of the defeated party. There is some speculation about the possibility of the Communists who have been thrown out by Lövlén and Strand Johansen becoming members of the Labour party. This happened to several Norwegian Communists when they suffered such a severe set-back during the years 1924-1930.

One of the Communists at that time was Fredrik Monsen, who later became a Labour member and eventually president of the Storting. This time, however, it is most unlikely that Labour will receive any Communists. Not only are they regarded as professional trouble makers, but also Labour today has candidates enough for leading jobs.

Quarrels Among the Defeated

There is, in fact, little doubt that the October elections must have been the time when the fuse was lit which has now caused the explosion. The personality of Furubotn also accounts for a great deal. During his prewar years as leader of the Communists, Furubotn showed only a few of the qualities of a political leader. He was a typical "Marxist theologian," with his head full of Marxist theory. From the very start different sections of the Communist Party struggled against each other. One of these sections was the so-called *Mot Dag* group under the leadership of Erling Falk, who translated "Das Kapital" into Norwegian. Furubotn succeeded in 1929 in throwing out Falk and the *Mot Dag* group as "counter-revolutionaries and place hunters."

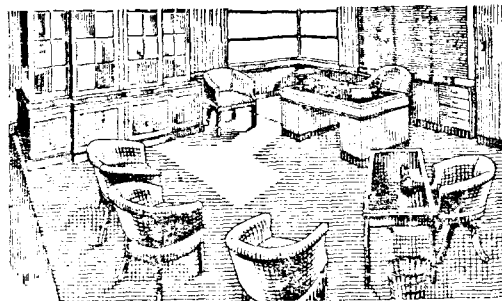
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About 1930, there was a new development. Furubotn was called to Moscow and stayed in Soviet Russia until 1938. He then settled in Bergen and lived in comparative retirement until the war came. He then became very active in the underground, and, in 1941, was again made general secretary of the *Norges Kommunistiske Parti*. He organised his own partisan movement and often took the initiative contrary to the will of the Home Front leaders. After the war, without giving any reasons, he gave up his job as general secretary, but under pressure from the Party he agreed to carry on. At the second national congress of Communists in February this year he was absent and his opponents got him removed from the Central Committee of the party. However, his adherents got the majority in the national committee which appoints the members of the central committee, and he was thus able to retain his position. Since that meeting he has carried on the activity which his opponents, Lövlén and Strand Johansen, have called "Trotskyist Titoistic Bourgeois-national."

During the occupation years, Furubotn did, in fact, regard himself as a "Norwegian Tito"—a name which the Swedish Communists gave him, but which has little relevance to his performances, and since then he appears to have suffered from megalomania.

Nevertheless, well-informed observers consider Furubotn to be entirely loyal to Moscow. Moreover, he is still the leader of the secret organisation which Moscow uses in Norway for gaining information and for making trouble. It should also be noted that when people in other countries who were apparently in the same position, expressed any sympathy for Tito they were immediately attacked by Moscow. But Moscow has not to this day uttered one word against Furubotn. The whole matter is left open. It is beyond doubt that Lövlén and Strand Johansen were authorised by Moscow to start a purge in Norway. But Moscow still does not attack Furubotn openly. This caution may be because Furubotn knows so much about the secret Communist organisation. Be that as it may there is no doubt that the purge in Norway is a hard blow to Communist influence in industry. Their vote at the elections fell from 170,000 to 101,000. If elections took place now they would probably lose at least another 40,000 votes.

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THE BUSINESS WORLD

New Weapons Against Pests

OVER a million acres of land in Britain were sprayed last season to protect crops from damage by weeds and pests. This acreage is perhaps four or five times the area sprayed before the war. It indicates the growing interest and belief in chemical methods of pest control, methods which have been increased in efficiency and reduced in cost by the development of several new materials. Most of the materials now used are complicated preparations not heard of in agriculture before the war. That they have succeeded, so far, in earning the confidence of farmers and fruit growers in so short a time is an argument in favour of their effectiveness.

These new chemicals are of several kinds and are applied for a number of distinct purposes. For example, the selective weedkillers destroy only certain classes of plants; hence they can be sprayed on certain growing crops to kill particular weeds. There are two distinct types of such selective weedkillers. One class consists of "di-nitro" compounds which kill the plant at the point where it puts on new growth; if the growing crop is shielded by its own leaf formation, the weeds take the full effect of the spray and the crop grows on unharmed. Such "di-nitro" sprays can be used on cereal crops, grassland, peas, flax and lucerne. The second class of weedkiller, based on the new knowledge of hormones, kills by stimulating growth to an unnatural extent. These preparations are absorbed into the root system of plants. Cereals and grasses are not affected by them, but weeds (and indeed crops other than grass or cereals) undergo a biological explosion and perish. The application of both kinds of weedkillers needs careful control to avoid damage to crops. Again, the balance between the application of weedkillers and the application of fertilisers requires further research.

Insecticides are simpler to apply and more direct in their effects. Selective weedkillers are new; but there are many familiar insecticides which, with few exceptions, will destroy or control most insect pests. Applied in the form of sprays, these insecticides remain effective for a comparatively short time. Sun, wind or rain may remove the droplets from the plant or trees; the active chemical itself may have only a short life; and some of the worst pests breed fast. Good pest control, therefore, has always meant frequent spraying, which is costly and may put the control of insect pests beyond the reach of backward or unprosperous growers. Research has added several new insecticides, more persistent in their effects, to the older preparations. Two of them, DDT and certain preparations based on phosphorus, kill on contact, and a third type makes the plant itself poisonous. DDT is not a universal killer. It destroys several species previously immune but not, among others, the red spider mite; for this reason DDT created a red spider infestation in its first trials simply because it killed the natural enemies of the mite. Most of the phosphorous insecticides, particularly parathion, kill a very wide range of

insect pests. Another class, also based on phosphorus, is known as "systemic" insecticides; these preparations are absorbed into the plant system through the surface of the leaves and render the plant poisonous to any sap-sucking insect for as long as four weeks. Such "systemic" compounds have several advantages. It is not necessary to cover the plant with spray, since the whole of it, and not merely the part touched, becomes poisonous. Rain will not wash them away. And since the natural enemies of the sap-sucking pests are left unharmed, they are able to destroy any of the pests which may have survived a non-lethal dose to lay the foundations for an immune species. Naturally, systemic insecticides can only be used to protect those crops which are attacked by sap-sucking pests, but many of these pests belong to species which, because of their rapid breeding, are particularly hard to control.

Some of these new preparations are not without their dangers, and it is entirely proper that the public health authorities should watch their use and results very closely. Phosphorus insecticides (particularly parathion), "di-nitro" compounds and systemic insecticides would be lethal if carelessly handled. Protective clothing and air-conditioned tractor cabs are among the necessary precautions. Even so, the first two groups have caused chemical poisoning in Britain and in the United States. A wider risk lies in infecting the crop. Manufacturers warn the grower that no crop must be harvested within 30 days of treatment with parathion or six weeks with systemic insecticides. These precautions should give a wide safety margin to protect the consumer; but as the regulations stand, it is the responsibility of the grower to see that they are respected.

Even this does not complete the account of new insecticides. Recently, two new insecticides have been developed to kill pests which had previously been invulnerable. One is benzene hexachloride, already used for destroying locusts, which can be applied as a cereal seed dressing to kill wireworms if they attack the seed. The other is a soil fumigant which kills the root-knot eelworm; this pest is not found in Britain (at least outside glass-houses where it gives great trouble to tomato growers) but it does tremendous damage to crops in tropical countries.

The techniques of these new weedkillers and insecticides have been worked out more quickly than their economics. There is room for a good deal of argument about costs and returns. The costs vary according to the material and the way it is applied; the return, in higher yields, is easier to demonstrate than to measure. Many farmers still doubt whether the results obtained cover the cost of using these materials. Apart from the

cost of the chemicals themselves (which may be quite low), their application to the crop is costly. In a case of serious infestation, spraying may make all the difference between failure and a fair crop. But the average farmer is hard to convince, particularly in the many marginal cases where the damage to be expected from pests is not likely to exceed the average cost of spraying.

Fruit growers are easier to persuade. Some of them spray six or more times a year with different sprays for different pests. It should be possible to reduce this number, and, with the advent of the newer products, winter washes may conceivably become unnecessary. In some cases two treatments could be combined, DDT being sprayed with a red spider insecticide and with some fungicides. (This is not all gain. Growers have found that having killed the apple blossom weevil, they have to pay high wages to have the blossom thinned. The weevils did this for nothing though they could not be relied on to leave the right number of fruits.) Again, the greater persistence of the new insecticides should warrant fewer applications a season. DDT spray remains active for a week or so compared with a day for nicotine treatment. A systemic insecticide has been applied experimentally for control of aphid on hops, and the results suggest that only two sprays will be needed compared with six at present.

*

Spraying costs vary from 15s. an acre when the farmer does his own work of simple weed control, to 63s. charged by some contractors, usually for more difficult operations. Pest Control Ltd, the biggest contractors in Britain, make an average charge of 43s. an acre. Charges can rise as high as £7 an acre for difficult work among high or densely planted crops. But since some strawberry growers spend up to £60 an acre on cultivation—mainly hand hoeing to keep down weeds which harbour pests—the economy of reducing the number of sprays or of replacing hand labour by the mechanical application of chemicals is self-evident.

A less valuable crop offers no such straightforward evidence of saving in costs; this is usually true of field crops where the balance between the cost of application and extra yield is difficult to weigh. Farmers who produce average crops without spraying their corn, their beet, or their brassicas ask where the gain lies. Yet even if there is no apparent advantage, the farmer may overlook the risk of storing up trouble for himself if he grows, year after year, the crop which gives him the maximum return. Pests and weeds thrive on inattention, because their ideal breeding conditions are annually reproduced. That is an argument for crop rotation, by which the farmer can limit the conditions which favour major infestations of weeds and soil pests. The rotation of sugar beet with other crops is compulsory to prevent infestation by eelworm, but the rule was not introduced until the pest had already devastated the best beet-growing regions in Europe.

The negative advantages of treatment—the damage which would have been done had the treatment not been carried out—are often impossible to assess. A much-quoted figure says that ten per cent of the world's food crops are destroyed annually by insects, but its statistical basis is obscure. The value of spraying tends to be based on the price of the crop in a year of severe infestation—

a scarcity price. But the guide which farmers want would be based on prices in a bumper year; and on this footing, a direct calculation might often show that the treatment would not pay. Weedkiller sprayed on a poor field of infested corn may increase the yield by 150 per cent; on a good field it may not increase it at all, though it would keep the land clean without great labour. The average farmer asks whether spraying will produce 2 cwt of wheat or 1½ cwt of barley per acre to cover its cost. Many farmers evidently believe that spraying is worth while—or are doing well enough not to look too closely at the cost and return. Although the new selective weedkillers have only been on the British market since the war, between five and ten per cent of the total cereal acreage and about one per cent of the permanent pasture in Britain was sprayed with them this year. One manufacturer estimates that within ten years each of the figures will rise to 40 per cent. This, if nothing else, is a mark of the enthusiasm with which these new discoveries are being developed commercially.

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Already, however, the prospect of some eventual fall in farm prices and profits is affecting the course of experiment. The cost of chemicals is relatively small in most uses, though it may sometimes amount to half of the total; but they are applied in weak solutions which entail much handling of water. One weedkiller, for instance, is at present sprayed at the rate of 3 pints of chemical in 100 gallons of water to each acre; the carrier might be reduced to 10 or 15 gallons if special equipment were used. Experiments suggest that an oil carrier, instead of water as at present, may be satisfactory and economical. This is encouraging to the petroleum companies who find a good market in oil-based winter washes, a market which they might lose if winter spraying were superseded. Low-volume spraying holds out the possibility of saving time and labour on water-carting, often under difficult conditions.

Low-volume spraying may also be important to firms with an eye on pest control contracts in tropical and sub-tropical regions. Spraying from the air is the only reasonably economic method for such large areas, where the crops are often too dense for tractors and wheeled sprayers to pass between the rows. Anything which reduces the weight of the spray applied from the air is an advantage. Fixed-wing aircraft are not wholly suitable for this work; helicopters are more satisfactory, and would be ideal if they were fully reliable. The initial cost of a helicopter is at present very high—£20,000, compared with a tenth of that sum for simple small aircraft; and some recent experiments suggested that helicopters cost 21s. to cover an acre compared with 12s. for a fixed-wing aircraft. Nevertheless, the experts in this field are convinced that helicopters are the only possible machines for general aerial spraying, and most of the big chemical companies are co-operating in development tests. Pest Control Limited, which uses helicopters as part of its normal contracting equipment, makes the same charge for spraying by helicopter as for spraying by tractor, and has, indeed, found that on occasions the helicopter has proved far cheaper than a land vehicle. Under tropical conditions, the technical advantages of the helicopter are obvious. It is being used in Africa against cotton pests, and it is hoped to use it against the mealey

bug which is spreading disease in the cocoa groves. The economic future of aerial spraying, however, has still to be proved.

The materials and techniques are still in their infancy, and at present the available business would hardly support a number of aerial spray contractors trying to pay their way simply by contracting without any ancillary interest in chemical manufacture. The potential field in less developed areas where insect damage cannot be checked in any other way is enormous, but it is being wisely tackled on a modest scale by small field trials. The truth is that, in many areas of this kind, it

Brewery Share Outlook

AFTER their collapse early in the year, when they first felt the effects of falling beer consumption and the sting of interim dividend cuts, brewery shares have remained friendless throughout most of 1949. Prices have drifted steadily lower until yields of less than 6 per cent on good brewery shares have become the exception. The dry summer gave a fillip to consumption, but shareholders approached the dividend season with no great expectations. The best that can be said of recent brewery company reports is that they are no worse than was to be expected. At any rate, dividends have generally been maintained and profits, though lower, have not revealed any sensational falls. Among the batch of companies whose trading periods cover the twelve months to the end of September, whose results are analysed in the accompanying table, only three have paid lower ordinary dividends for the year. Two other companies have announced a lower percentage rate of distribution, but in each case this is the counterpart of an increase in capital resulting from a bonus issue. Another company has simply omitted its jubilee bonus of 1947-8.

There can obviously be no serious complaint about recent dividends. But what of profits and earnings? Aggregate trading profits of the nineteen companies analysed showed a fall of 15 per cent, but this average result conceals wide differences in the experience of individual companies and of particular districts in the country. In comparison, total beer consumption during the same 12 months fell by 3½ per cent, from 28,800,000 bulk barrels to 27,743,000 bulk barrels. Although this falling trend of consumption has justified a cautious view about brewing profits, it is significant that the producers of nationally-advertised bottled beers have stood up best to falling demand.

The performance of Arthur Guinness is a good example. The trading profit of the parent company in 1948-9 declined by only 1½ per cent. An increase in export sales has helped last year's results, and home market sales have been maintained although costs have risen. Arthur Guinness has clearly benefited from the increasing public preference for bottled and higher gravity beers. Indeed, Guinness seems to have been better placed in this respect than another concern with a national market—Ind Coope and Allsopp, whose trading profit (adjusted to a yearly basis) would seem to have fallen by as much as 29 per cent. Bass Ratcliff and Grettton, a third company in this group of brewers

would be a waste of money and energy to apply these new methods of pesticide until cultivation is improved, simply because these areas would be rapidly re-infested.

The conclusion, therefore, is that these new methods of pest and weed control are promising rather than fully proved. In horticulture and market gardening, where the crop is valuable and vulnerable, the economic advantages are clearer than in grassland or arable cultivation. There has been enough money in the farmer's pocket to give the new techniques a good start in the past four years. What has now to be done is to prove their worth as a regular ingredient of good farming practice.

*

The results of companies in the Midlands have been patchy. Here again there is no very ready explanation. In terms, say, of the distribution of employment over the area during the period, but there have evidently been differences in turnover among the various companies, and an uneven impact of the general rise in costs. Mitchells and Butlers, and Ansells, both centred on Birmingham (which has certainly not lacked prosperity) have done poorly. Wolverhampton and Dudley, mainly operating farther afield, has been more fortunate and its sales of draught ale were a record. From the sample of results in the table, it is clear that country brewers in the west of England have had a poor year; both Usher's Wiltshire and Stroud Brewery reveal a decline in trading profit well exceeding the average for the country as a whole. Results farther south have again belied the prophets. The south of England might have been expected to feel the full force of falling consumption. Certainly in centres such as Watford, Norwich and Luton profits have held up very well. For London, the only available company for this period is Wenlock Brewery whose trading profit is 21½ per cent lower. The chairman considers this result to be "a true reflection of the past year's trade in

London." This experience is matched by that of a much larger London brewery, Watney Coombe Reid, whose trading profit for the year to June last fell by nearly 24 per cent. This company, of course, enjoyed less than three months of the "penny off the pint" which the Chancellor conceded last April, and its experience last year was that the falling off in trade was much more marked in the southern half of the country. Other companies south of the Thames, in "the Strong country" and on the south coast have reported that sales dropped appreciably.

*

Fortunately for brewery shareholders the impact of the fall in trading profit on net profits and equity earnings has been greatly softened. The average decline in net profit of the nineteen companies in the table was 12 per cent, compared with a fall of 15 per cent in their trading profits. The reason is not far to seek. Provisions for taxation on the year's profit have been substantially reduced. This result of lower taxation is not magical, nor does it represent a real alleviation of the heavy burden of taxation; to some extent, it reflects credit taken for initial allowances on capital expenditure, which in future years may have to be made good from taxed profits. The chairman of Wenlock Brewery remarks that "in 1938 when our gross profit was less than it is now, our net profit was almost fifty per cent greater." Expenditure on deferred repairs by this group of companies has been largely financed from provisions, which has relieved the charge falling upon revenue. To this extent, the past year's profits figures have not had to carry such a heavy burden as would otherwise be the case. But there are some companies whose recent results have been particularly affected by heavy expenditure for repairs and maintenance charged to revenue without benefit of a compensating transfer from provisions. A

few companies, such as Strong and Co. of Romsey, give a separate statement in the accounts of total expenditure on repairs and the amount financed from provisions. Rather more than half the total of £127,577 spent by this company has been financed by calling on earlier provisions. Thus the impact of expenditure on repairs has varied quite widely between particular companies. This is a point of some importance for the future. Permits to proceed with repairs have been more readily obtainable, and expenditure on deferred repairs and ordinary maintenance appears to have been speeded up in the past year. Further, the time limit for obtaining EPT refunds on expenditure from provisions for deferred repairs has been extended into 1952, but some companies have already spent their full provisions under this head and have taken full credit for tax refunds. The conclusion for the future is that, since there are still substantial arrears of repairs, a higher proportion of the work will fall to be charged in coming years to current revenue. This fact, coupled with the high cost of repairs, may indeed act as a deterrent to new outlays, and the recent cuts in the building programme will also have their effect in holding up projected schemes. But at the very least, the cost of rehabilitation in future is likely to put an effective ceiling on brewing dividends, and at the worst, it might make future reductions in dividends more severe than they would otherwise be.

*

Of the many influences which restricted the level of profits last year two were particularly onerous. First, the reduction of 2s. per barrel in the beer duty in the April Budget was far from being an unmixed blessing to the brewers for they were saddled at the same time with an obligation to find an additional 3s. per barrel towards the total reduction of 24s. per barrel. It is diffi-

cult to say how far the reduction of a penny a pint stimulated sales in the summer months, but it can hardly have gone very far—certainly not so far as to relieve the brewers of any part of the extra 3s. a barrel.

The second factor which has contributed to increased costs is the Catering Wages Act, which was effective throughout the whole of the past year. Its incidence has varied according to the type of trade, but some estimates put the increase in wages costs for beer distribution and hotel and catering business as high as 50 per cent. Some of the most onerous orders under the Act were amended as from June 1, 1949, but its provisions are still a heavy burden and are likely to remain so until further revisions are made. The enquiry into the operation of the Act, for which Mr Isaacs, the Minister of Labour, has recently asked "as a matter of urgency," may eventually lead to some improvement.

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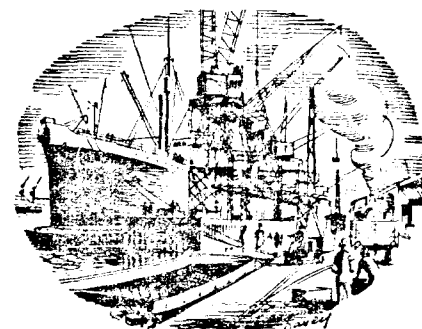
Reserves remain traditionally strong in the brewing industry, but some of the most secure companies must have been looking hard at their depleted cash balances at September 30th. Inflated costs of raw materials, the expense involved in modernisation and extensions, the cost of new properties, the conversion of limited licences to full licences, amalgamation schemes and other increases, in particular in wages bills and power charges, have all contributed to the drain on liquid funds. Brewery companies are perhaps better furnished with cash than the general run of industrial companies at the present time, but they are likely to heed every pound to meet the backlog of repairs and plant replacement.

BREWERY EARNINGS AND SHARE PRICES
(Years to September 30th)

Company, Area and Share Denomination	Trading Profit			Taxation		Net Profit			Ordinary Capital				High-Low 1948-9	Latest Price	Gross Yield (Per cent)
	1947-8	1948-9	Change	1947-8	1948-9	1947-8	1948-9	Change	Earned	Paid	Earned	Paid			
	£000's	£000's	Percent	£000's	£000's	£000's	£000's	Percent	Percent	Percent	Percent	Percent			£ s. d.
National :															
Beas, Ratcliff, Gretton, £1	1,754	1,677	- 5	815	809	725	665	- 8	29.4	25.4	24.4	10 1/2-6 1/2	136/-	6 8 9	
Arthur Guinness, £1	4,751	4,668	- 1 1/2	2,684	2,501	2,046	2,073	+ 1 1/2	48.0	29	48.6	29	7 1/2-6 1/2	131/-	4 7 11
Ind, Coope & Allsopp, 5s (b)	2,785	1,984	- 29	1,036	453	735	628	- 14 1/2	64.9	30	59.2	30	37.0-22.0	22/9	6 11 10
London and Home Counties :															
Benskin's (Watford), £1	658	599	- 10 1/2	334	284	284	278	- 2	54.6	25 1/2	49.3	20	5 1/2-3 1/2	70/7 1/2	5 13 4
Wenlock (London), £1	208	163	- 21 1/2	82	67	72	55	- 24 1/2	21.0	12 1/2	15.0	12 1/2	98.0-68.9	67.5x1	6 15 2
Southern :															
Brickwood (Portsmouth), £1	791	630	- 20 1/2	302	210	293	214	- 27	62.3	25	45.2	20	5 1/2-5 1/2	69/-	6 13 4
J. W. Green & Co. (Luton), £1	319	332	+ 4	132	124	115	99	- 14 1/2	50.9	20	35.3	20	89.0-64.5	53.0	5 17 8
Strong & Co. (Romsey), 5s. Def.	575	452	- 21 1/2	235	155	286	228	- 20 1/2	37.8	85	33.0	85	99.0-57.0	61/10 1/2	6 17 4
Western :															
Usher's (Wiltshire), £1	429	342	- 20 1/2	152	100	153	104	- 23 1/2	77.5	17 1/2	55.5	17 1/2	86.6-53.6	58/9x1	5 19 2
Stroud, £1	233	181	- 22 1/2	104	93	65	78	- 12 1/2	46.7	25	55.5	25	5 1/2-3 1/2	74/6	6 14 2
Midlands :															
Ansell's (Birmingham), £1	1,872	1,497	- 20	900	712	653	521	- 18	56.1	22 1/2	23.8	17 1/2	72.6-52.6	56/6	6 0 4
Mitchells & Butlers (Birmingham), £1	1,855	1,441	- 19	841	675	756	528	- 30	46.6	23	30.3	21	34-3	74/6	5 12 9
Wolverhampton & Dudley, £1	624	590	- 5 1/2	348	289	230	255	+ 11	41.6	20	29.4	15 1/2	65.0-46.0	52/6	5 14 3
North Eastern :															
Bentley's (Yorkshire), 5s.	304	220	- 27 1/2	149	107	124	94	- 24	67.4	22 1/2	50.4	22 1/2	25.3-14.6	16/-	7 0 7
J. W. Cameron (W. Hartlepool), 5s.	291	220	- 24 1/2	124	71	110	103	- 6 1/2	17.3	10 1/2	12.6	10 1/2	12.6-6.6	6/3	7 15 6
Joshua Tetley (Leeds), £1	710	584	- 18	316	241	271	209	- 23	50.5	16	32.1	16 1/2	76.6-51.0	54/-	5 15 6
North Western :															
Birkenhead Brewery, £1	222	207	- 6 1/2	101	85	84	82	- 2 1/2	32.7	20	39.6	20	85.0-55.0	61/3	6 10 7
Higson's (Liverpool), 5s.	493	308	- 38	271	170	231	125	- 45	87.3	30	49.3	25	32.6-16.0	17/-	7 1 1
Matthew Brown (Blackburn), £1	548	470	- 14	286	192	181	175	- 34	69.2	20	66.5	20	84.0-47.6	58/9x1	6 15 2

(a) Tax free. (b) Year to August 31, 1949. (c) On capital as increased by bonus issue. (d) Interim of 5 per cent on £2 m. capital; final of 12 per cent on £3 m. capital (as increased by bonus issue). (e) On increased capital. (f) Including public bonus of 5 per cent.

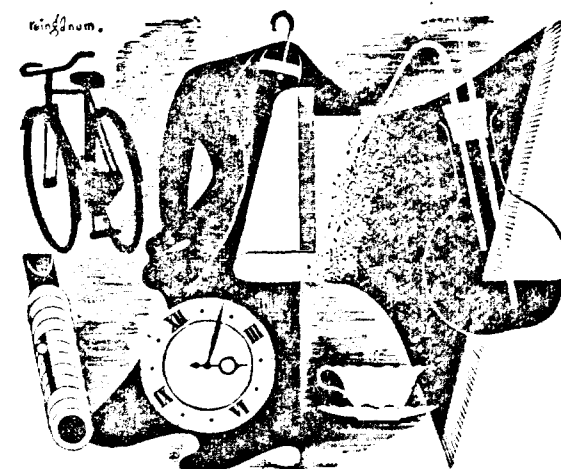
Recent dividend announcements have, at least temporarily, reprieved brewery shares in the eyes of their holders. But the narrower earnings cover for current dividend rates has certainly not escaped attention. There is general agreement that unless beer consumption is at least maintained even the profit levels of the past year will be impossible to hold. The element of overhead costs would rise steeply, per pint or per bottle, if a further drop in consumption were to take place. The chairman of Watney Coombe Reid, after summing up all the factors affecting demand, concluded that for his company the expectation of lower profits was inevitable. This expectation is likely to be shared by the majority of brewery companies during the current year. For the first ten months of 1949, output did not quite reach 22 million bulk barrels; for the corresponding period of 1948, output was almost 23 1/2 million bulk barrels. The October figures were the poorest, for that month, since 1940. It is hardly surprising therefore that brewery shares should be yielding as much as 6 per cent if their dividends are well covered, and 7 per cent or more in cases which may admit of doubt. When social habits changed, and beer drinking for its own sake disappeared in favour of the moderate pleasure of the glass, combined with food and social meeting, the brewery industry successfully made the transition, and to its own profit. Now it is faced with stiffer problems, for whatever it can do to attract custom will involve it in considerable expenditures and will hold out no greater expectation than the maintenance of its profits. It might not be wise to conclude too soon that brewery shares have permanently lost their old investment status. But at present they are mild and bitter, not strong ale.



For Export

At the quay-side, the import-export procedure is reaching its final stages, but the earlier steps were equally important. Markets had to be found, references exchanged, restrictions complied with, payment arranged and documentation completed. At each of these steps the services of the Westminster Bank can usefully be employed. To help those who are engaged in foreign trade, the Bank has issued a booklet which may be obtained without charge at any branch. Ask for *The Foreign Business Service of the Westminster Bank*.

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Business Notes

Spending and Saving

Reports from retail trade and from other recipients of Christmas spending sit ill beside the Chancellor's pleas for restraint and his hopes of a more effective disinflation. It is too soon, however, to form any reliable judgment about the extent of the Christmas trade, and it would certainly be unwise to regard such evidence of it as is yet available as a measure of the extent of inflation present in the national economy. The statistical evidence of Christmas trade is, indeed, susceptible of different interpretations. Much has been made, for example, of the fact that encashments of National Savings in the week to December 17th reached £23.6 million—a new high level. Disquieting though the trend of savings certainly is, it ought to be noted that these encashments were not a great deal larger than the £22 million for the similar week of 1948. Since new savings subscriptions were again below their 1948 level, the week's dis-saving amounted to nearly £10½ million compared with just over £8 million. This deterioration is not, however, greater than that experienced in previous weeks and cannot, therefore, fairly be regarded as proof of a sudden spending spree.

Similarly, the Christmas demands for additional currency did not differ markedly from those of 1948. Unfortunately, no precise comparison between the two years is possible, because in neither period has the Bank return disclosed the full extent of the Christmas demands, and this year's pre-Christmas return was made up three clear business days before the holiday. An approximate allowance for these differences does, however, suggest that the seasonal outflow of notes this year was probably a little less than in 1948. Measured from the low point reached in October, the note circulation in 1948 rose by £65.6 million to a peak of £1,296.4 million (shown in the Bank return dated two days before the holiday); the corresponding movement this year has been an increase of £63.2 million to a peak of £1,321.9 million (shown in the return dated one day after the holiday).

If allowance is made for the increase in prices during the year, neither the savings figures nor the movements of currency suggest any extreme level of seasonal activity. The official index of retail prices shows an increase of virtually 4 per cent over the year, while wholesale food prices have risen by 16.5 per cent and those of industrial raw materials by just over 4 per cent. By contrast, the active note circulation expanded by less than 2 per cent. In the absence of actual figures of retail trade, it seems that evidence of inflation in the consumption trades should be sought not so much in the volume of expenditure as in the means of its financing. It now seems evident that the full fiscal year, 1949/50, will show an appreciable deficit on National Savings. The cumulative figures for the period to mid-December showed net dis-saving of £67.7 million, in contrast with only £15.3 million in the similar period of 1948. It is fair to point out, however, that last year holders of small savings securities benefited from a substantial repayment of Defence Bonds at maturity. Such repayments, as distinct from encashments before maturity, are not included in the statistics published by the National Savings Committee. If they are brought into the reckoning, it will be found that the difference between the aggregate dis-saving through National Savings media this year and last has been almost negligible.

Bevan Plays King Canute

Another chapter was added last week to the foolish tale of the lending arrangements of the Public Works Loans Board, when the Government issued an admonitory circular to the various local-authority borrowers. Owing to the fall in gilt-edged values, the yields obtainable on Government

securities have, as *The Economist* has repeatedly pointed out, long been much above the rates charged by the PWLB on its loans; yet the Government obstinately refuses to revise its terms. The absurdity of this policy was neatly demonstrated a few weeks ago when, as a consequence of the post-devaluation collapse in gilt-edged, the concealed subsidy to local authorities reached its maximum at the very moment at which the Government was announcing that cuts in the housing programme were to play a major part in its programme of "consequential measures." The margins between gilt-edged yields and PWLB lending rates have narrowed a little since mid-November but they are still very wide. In its recent operation, the British Treasury had to offer 2½ per cent for five years in order to convert the maturing Exchequer bonds; yet it will lend to local authorities, via the PWLB, for the same period at ½ per cent less. On longer dated loans, the disparity is, of course, still greater. PWLB loans of 15 years or more cost only 3 per cent, yet 3½ per cent can be earned by investors in the 23-year British Electricity Stock and 3½ per cent (flat) by those who care to buy "Daltons" (with a life of 25 years or more).

There is a good deal of evidence to show that these un-economic lending rates are encouraging extravagance on the part of local authorities; but even if it could be demonstrated that physical control is strong enough to prevent the subsidy from stimulating the actual volume of physical investment that is set in motion, these arrangements would still be undesirable. Finance officers of the authorities concerned have naturally taken the view that they would be failing in their duty to those whom they serve if they did not borrow in anticipation of future needs—for, by so doing, they can make a useful "turn" by reinvesting the proceeds in the gilt-edged market—a procedure which, incidentally, has much the same monetary effect as does the direct intervention of the Government broker when supporting the market.

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Having provided such inducements to borrowers from the PWLB, the Government now seems surprised to find that they are having their natural effect. But, instead of taking the obvious step by removing the real source of the trouble, the Minister of Health is falling back upon mere exhortation. A plaintive circular from Mr Bevan last week gave the following warning:—

In recent months there has been a marked increase in the volume of loans drawn from this source. Such an increase is not warranted by the volume of capital expenditure which has been authorised.

The advantages of borrowing from the Board will be readily apparent to local authorities. But it is incumbent upon each local authority to ensure that, by the fullest use of other available resources, no greater proportion of their sanctioned loans than is essential is drawn from the Board, that loans are not taken up earlier than is necessary, and that any advance under a loan sanction is limited to an instalment of the full amount immediately necessary. The Government confidently look to all local authorities for full co-operation in this matter.

In order to satisfy themselves that this arrangement is understood, the Board will, when applications are made to them for advances under sanctions, take such steps by questionnaire to the local authority as may seem appropriate.

It will be interesting to see the effect of these Canute-like tactics. To judge from the weekly Exchequer return, loans to local authorities have totalled £90 million in the past 12 weeks, an increase of 50 per cent on the total for the similar period last year. For the financial year to date, new loans aggregate £222 million, or £44 million more than last year and only £12 million less than the estimate for the full financial year.

Changes in "Counterpart" Funds

Among the various tenuous rumours which have been circulating recently to the effect that the United States authorities have been toying with new financial arrangements that would give relief to Britain and/or the sterling area as a whole has been a suggestion that the ECA "counterpart" fund might in some way be made the vehicle for action of this kind. Given the fact—repeatedly emphasised and explained in these columns when the initial ECA accounting arrangements were being hammered out—that in Britain the counterpart fund is only a book-keeping device in the internal accounts of the British Government for giving formal documentation of Britain's proper usage of the aid according to the principles laid down by ECA, it was never possible to conceive how it could be employed in the manner rumour seemed to be contemplating. It is now clear that these reports were very wide of the mark. All that is in question is a shifting of ECA's preferences as to the disposition of the fund between the several uses to which it may be put under American law.

Originally, ECA preferred that Britain should use the funds for debt redemption; the British Treasury accordingly arranged for a specifically segregated portion of the national debt (the special Treasury interest-free Notes which are held by the Bank of England as the literal counterpart of the funds outstanding at any time on the Treasury Special Account at the Bank) which is redeemed as and when the ECA authorities sanction releases from the Special Account. Now, however, it appears that ECA is taking the view that an ability to point to a pile of cancelled interest-free Notes is not a very satisfying demonstration to Congress (which it must soon approach for a new appropriation) of the real fruitfulness and good usage of ERP dollars. It thinks it expedient to have more positive evidence available, and apparently would like to see instead the receipted bills for a newly-erected rolling mill or power station.

Such real investment, of course, proceeds quite regardless of the procedural forms of ECA; and, as people have recently had good reason to appreciate, its extent depends very much upon whether the Government's disinflationary policy is sufficient to provide a current surplus (automatically used for debt redemption) of "public" savings which will make good the deficiency in private savings. No matter how the use of ECA funds is documented, the real measure of Britain's compliance with the true aims and spirit of ECA is the adequacy of its disinflationary support both for the dollar export drive and for necessary industrial investment. The changing preferences of ECA on the point of procedure therefore involve only internal Government book-keeping, and have no practical significance for Britain—except, of course, in that ECA's judgment in these matters may influence the eventual vote in Congress. This assertion requires one important qualification, also made here when the original accounting was devised. If ECA, or Congress, wanted to see as "counterpart" the receipt for a rolling-mill (or any other investment) which is not already in Britain's investment programme as lately pruned, the addition would impose a new inflationary strain upon Britain's economy, and would therefore have vital practical effects quite opposite to those which ECA really has at heart.

Industry

Power Programme Makes Slow Progress

Until the last day of the year efforts have continued to bring new electricity generating plant into service. The total addition to generating capacity achieved in 1949 cannot, therefore, be known for a few days yet. That it will fall well below the official programme is, however, beyond question. This has come to be an accepted thing. In 1948, when it was officially forecast that 1,100,000 kilowatts of

new plant would be commissioned, the amount achieved was only 566,000. The "Economic Survey" for 1949, in reporting this melancholy result, forecast that about 1,000,000 kW of new plant would be brought into service in 1949. This forecast appeared no more than an aspiration at the time it was made. It was reduced to 875,000 kW in May, and if all has gone well in the last few days the new plant actually commissioned during the year may amount to 700,000 kW; more probably, it will be a little less. Peak demand has probably increased by rather more than the amount of new plant installed, and the gap between peak capacity and peak demand has not been reduced.

This must clearly present the planners with a problem for 1950. Are they to bow to experience, and cut their forecasts? Or are they to persist in estimating on an ambitious scale? The dilemma has arisen before, and it cannot be hastily concluded that the forecasts were at fault; the performance may have been below what could reasonably be expected. What are the difficulties that have frustrated performance? The answer to this question was obscured for a time by the failure to co-ordinate the building of power stations with the manufacture of the generator sets themselves; in the result, turbo-alternator sets had to be stored for lack of buildings in which to install them. Since the actual building and civil engineering work on power stations employ only a hundredth of the national labour force in the building and civil engineering industries, it is hard to believe that this was unavoidable. Although perhaps a dozen major turbo-alternator sets are still waiting in store in various parts of the country, the building and civil engineering difficulties have now been so far overcome that it is apparent that they are not the essential bottleneck.

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The place of honour is now held by the fabrication of steam-raising and steam-distributing plant: water-tube boilers, high-pressure piping, and valves. Boiler drums themselves, whether forged or fusion-welded, are in adequate supply. No great shortage of tubes is perceptible, and such a shortage, if it appeared, could easily be overcome. It is in the manipulation, processing, and finishing of the tubes for assembly into boilers that the difficulty now appears to lie. Order books in the trade appear to have become inflated, and other demands are competing successfully against the power programme. The boiler-making firms have had, from the British Electricity Authority alone, orders amounting to more than £100 million for delivery in the three years ending in 1952; but these orders are being completed at the rate of only about £12 or £13 million a year. The further bottlenecks in high-pressure piping and high-pressure valves can, perhaps, be connected with the progress that has been made in supplying plant of this kind for oil refining, oil development, and chemical plants. But the question is clearly one of priorities and of organisation. The power plants which are projected can be built if their requirements are given precedence over other demands. But it has to be realised that these "other demands" include the demands of dollar-saving and exports. The decision is a serious one. If it is not to go in favour of the power plants, it will be best not to make cheerful forecasts of generating capacity next winter.

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The Oil Refineries

The past few months have seen some material progress in expanding British oil refining capacity. This is no more than the first-fruit of the home refining programme; the units which are to give full flexibility and enable a full range of products to be turned out are still to come.

At the Anglo-Iranian plant at Llandarcy the main crude distillation unit, with a capacity of 2,000,000 tons a year, was completed in September. This refinery—which, two or

three years ago, was able to handle only 360,000 tons a year—has now a throughput of 2,500,000 tons, to be expanded to 3,000,000 tons when the project is complete. But the distance still to go is greater than these figures would suggest; many units have still to be added to make Llandarcy a complete modern refinery, and the work will take until 1953. Marshall aid to the extent of more than \$7,000,000 was appropriated for Llandarcy in September. The Grangemouth refinery of the same company, which handled about 360,000 tons of oil in 1947, has been enabled to double its output, largely by improvised methods, so that it is now handling about 700,000 tons a year. New distillation units and a cracking plant to produce premier-grade spirit are to be added; the capacity will have risen by 1953 to 1,500,000 tons a year, but it will also have gained in flexibility, economy, and variety of product. The appropriation of Marshall funds to the extent of \$6,500,000, which was announced in November for Grangemouth, is to finance, not the refinery itself, but the petroleum chemicals plant which will adjoin the refinery, and which will use refinery products for chemical synthesis.

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The Shell refinery for Middle East crude at Stanlow started production at the end of November, some weeks ahead of the scheduled time; the distillation unit now working, which has a throughput of 1,000,000 tons of crude oil a year, represents about a third of the projected bulk capacity. It makes possible substantial economies in the provision of feedstock to the Shell chemical plant which has been in operation since the summer at the same site. The Shell-haven refinery on the Thames is not so advanced, but elaborate engineering work is in progress.

The project of the Anglo-American Oil Company to build a refinery at Fawley which will be the largest in Europe has not (as has been suggested) been upset by the recent decision of the British Government to require the American companies to take "sterling" oil. Indeed, the Fawley project was designed largely to meet the necessity of cutting dollar oil imports. It is the interim period, before the refinery is completed, that is facing the company with difficulties in its British trade. The work so far done, in the few months since the decision to proceed with the Fawley scheme was finally announced, includes the grading and levelling of the huge site, the laying of the railway spur and sidings, and most of the construction of a housing camp for the large labour force which will be employed. The foundations for some units of the plant have been started. Test piles are being drilled for the jetty which is to be built in Southampton Water to provide four berths for tankers of between 26,000 and 37,000 tons each.

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Reorganising the Northern Coalfields

The report that the scattered and various coalfields of the Northern division are to be reorganised into two divisions had not been confirmed by the National Coal Board as this issue of *The Economist* went to press. Its trade union implications are discussed on page 1457. Technical and administrative arguments to support such a step have been apparent for long enough. The division covers Northumberland, Durham, and Cumberland—too large an area to form a natural administrative unit, divided by the Pennines, and comprising coalfields on the east and west coasts. The figures of output, employment, and financial results show it to be, after South Wales, the problem division of the National Coal Board.

Measured by the number of mineworkers employed (about 158,000, out of a national total of 708,000) the division is the largest in the Coal Board's organisation. The next largest, the North Eastern (the Yorkshire coalfield) has about 138,000 workers. Before the war the coalfields of Durham,

Northumberland, and Cumberland together had a larger output than Yorkshire. But the relationship has now changed; the total saleable output of the Northern division in 1948 was less than in the North Eastern division. The attendance record of the Northern division is better than anywhere in the country, but good attendance is not enough to

NORTHERN DIVISION OF THE NATIONAL COAL BOARD IN 1948

Area	Saleable Output	Cost Per Ton Saleable	Loss (Profit) Per Ton Saleable	Loss (Profit) on Colliery Operations
	Tons	s. d.	s. d.	£
North-East Durham	3,771,677	50 11-3	3 11-4	395,159
Mid-East "	5,228,566	51 1-6	3 1-0	806,152
South-East "	3,635,059	47 7-7	8 7-7	132,433
South-West "	3,875,354	54 3-1	6 2-1	1,195,975
Mid-West "	3,592,102	54 10-6	8 1-6	1,122,399
North-West "	5,503,888	53 8-6	4 0-5	1,111,400
South Northumberland	3,937,232	49 9-6	4 3-0	645,788
Central "	4,551,646	45 5-8	2 8	53,376
North "	3,742,239	47 3-3	7 3	114,274
Cumberland	1,092,438	66 4-2	13 6-4	678,326
TOTAL—NORTHERN DIVISION	31,650,241	51 0-7	3 4-7	6,422,415

offset the poor output per man-shift, which is lower than anywhere in Britain except South Wales; OMS for all workers in the Northern division in 1948 was 0.95 tons, compared with 1.11 tons for the whole country. It had recovered to 1.04 tons by November this year, but this was less than the average for the same region in 1938—while the national OMS in November, 1.21 tons, was higher than the national average in 1938.

These facts, together with the figures of operating results of the ten areas in the Northern division which are given in the accompanying table, merely reflect the intractable technical difficulties which beset the full exploitation of the coal reserves in this region. An administrative regrouping will not remove the difficulties, but it may facilitate the essential task of reorganising the collieries themselves. And it will be in line with a general tendency towards greater decentralisation in the affairs of the National Coal Board.

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Still Larger Tankers

The two tankers of 31,000 tons deadweight which have been ordered from Vickers-Armstrongs, Limited, Barrow-in-Furness, by a Greek shipowner with interests in New York and Panama, will provide employment in the shipyard for about 2½ years. These vessels have other claims to distinction, for they are the largest tankers so far ordered in the world, and indicate that the limit of size for tankers has not yet been reached. Before the war the standard size for economic ocean-going tankers was about 12,000 tons deadweight, and this is still the most common size in the British and Dutch fleets. British companies at the end of the war placed orders for vessels of 16,000 tons and later 21,000 tons. Norwegian owners are now taking delivery of tankers up to 24,000 tons deadweight, and a few 28,000 tonners have so far been the largest on order in Great Britain. Several tankers of up to 30,000 tons deadweight are under construction in the United States, as well as two in France, but none of these equals the dimensions (625 feet length between perpendiculars and 86 feet beam) of the new vessels ordered from Barrow. These, like the majority of the largest tankers, will be single-screw turbine steamships, with a normal shaft horsepower of 12,500, giving a trial speed of about 16 knots. The two French ships, however, will be powered by diesel engines of 13,600 h.p., giving 15 knots speed. The more normal 12,000-tons British ship has diesel engines of 3,100 h.p. and 12 knots speed.

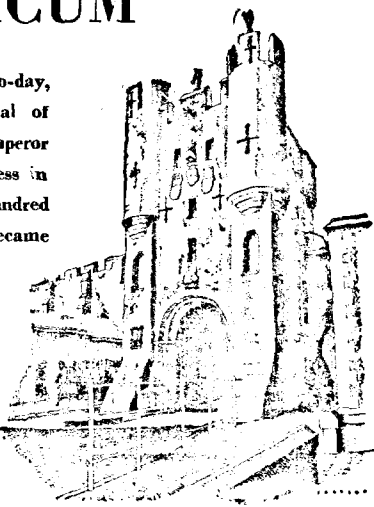
There is a close relationship between the size and the speed of tankers; the faster they are the bigger they must be. It seems, therefore, that the desire for speed is dictating the

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Condensed Balance Sheet as at 31st October, 1949.

SHARE CAPITAL & STOCK—		Authorised £	Issued £	FIXED ASSETS—		£	£
Preference Stock	...	108,963	108,963	Land, Buildings, Plant, Machinery etc.:			
Ordinary Shares & Stock	...	5,059,621	3,949,563	Valuation at 31st October 1935	...	3,216,580	
		£5,168,584	4,058,526	Additions at Cost, less Sales	...	3,996,429	
Capital Reserves	...		110,135			7,213,009	
Revenue Reserves	...		4,399,588	Less: Provision for Depreciation...		3,200,000	
Profit & Loss Account	...		438,603			4,013,009	
			9,006,852				
3½% First Mortgage Debenture Stock (with Interest to date)	...		1,943,528	ASSOCIATED COMPANY—			
CURRENT LIABILITIES & PROVISIONS—				Shares therein at Cost	...	425,000	
Sundry Creditors	...	361,487		Advances	...	435	
Provision for Deferred Repairs	...	100,000				425,435	
Provision for Taxation	...	1,744,934		CURRENT ASSETS—			
Provision for Past Service Pensions & Annuities	...	110,847		Stocks on Hand	...	3,144,875	
Provision for Proposed Dividends (net)	...	164,418		Debtors	...	944,367	
			2,481,686	Investments	...	1,190,001	
			£13,432,066	Tax Reserve Certificates	...	1,600,000	
				Cash at Bankers	...	2,114,379	
						8,993,622	
						£13,432,066	

increasing size of new tankers. Fast vessels have a special value in wartime, being less vulnerable to submarine attack; on the other hand they present larger targets and greater cargo risks, and they are limited in their range of ports. There are still many adherents of the theory that smaller and slower tankers are the most economical form of oil transport by sea, provided that there is a sufficient number of units to keep the flow of seaborne oil steady in the marine "pipeline" between oilfields and markets.

Outlook for Car Production Costs

It has begun to appear that the motor manufacturers are finding some difficulty in keeping their prices steady in the face of the rising cost of materials. The Ford Motor Company raised its prices (that of the Anglia by £15) at the beginning of December. This was the first increase by Ford for nearly two years; the reason given was "rising costs." Two weeks later the Standard Motor Company announced that £50 was being added to the Vanguard on the home market. Sir John Black said the step was necessary to meet the rising price of materials, the cost of additions and improvements to the design, and the lack of marginal profit on export sales. Export prices remain unchanged.

Since the beginning of the year the prices of steel (including "extras" charged for testing, guarantees, heat treatment and other processing), zinc, rubber and tyres have risen. They have added about £10 to the cost of a £300 car and the industry is threatened with a further 10s. a ton on steel if the proposed increase of one-sixth in railway freight charges is approved. Moreover, the full effect of devaluation on the cost of imported raw materials has not yet been fully felt. The big exporters have also another burden, the maintenance of assembly plants in several of their chief markets. With any volume of sales—and these must be large to justify the erection of a plant at all—the system is less economic than the dispatch of fully assembled cars from the parent factory. There is nothing to show how much these plants add to direct costs, because manufacturers are prepared to accept losses in some markets, balancing their accounts with higher profits in the home market and in any export market which will stand a profitable price. But in Eire, to quote one example, the basic cost of a car shipped from Britain and assembled there is £50 more than the same car ex-works in Britain.

That prices have remained as steady as they have has been due largely to economies in other directions. An increased volume of production has absorbed some of the excess capacity in the industry and reduced overheads. The one or two per cent increase in the coming steel allocations for the first quarter will carry this relief a little further. The price reductions of speciality cars (Allard, Healey, Frazer-Nash, Daimler and Jowett) have been made possible by an increase in orders sufficient to give a substantial production flow. Jowett, in particular, reduced its ex-works price in the autumn from £738 to £695 and offered the same car with a less elaborate finish for £595. The industry expects that a steady increase in production should absorb any further increases in the cost of materials in 1950.

Exports in November—28,000 cars and 9,000 commercial vehicles—were the highest for the year. Sales on this scale owed a good deal to the easier shipping position—a factor marked by the shipping of more than 11,000 vehicles to Australia, the most congested route. The effects of devaluation were reflected in the dispatch during November of 1,600 cars to Belgium, 1,400 to the United States, and 4,250 to Canada.

Safety in Industry

The loss of manpower through industrial accidents continues on a disquieting scale. The report of the Chief

Inspector of Factories for 1948 estimates that the loss to industry through accidents—not including cases which caused death or permanent disablement—was equivalent to 25,000 workers. Though the total number of accidents (201,086) was slightly less than in 1947 (203,236) the number of fatal accidents rose slightly. No very encouraging conclusions can yet be drawn about postwar trends, and the report strikes a somewhat pessimistic note.

Many of the accidents—perhaps more than half—could have been prevented; workers were careless or took unnecessary risks. In building the fatal accident rate from falls was one in 17; this—described as "indeed alarming" in the report—is attributed partly to the commando training in risk-taking and partly to a false idea that to take precautions is soft. In the same way, workers are reluctant to buy safety boots and shoes, preferring "more elegant" footwear, and the inducement of freedom from coupons no longer operates. There was the usual crop of hair entanglement accidents because of unsuitable hair styles, but though there is evidence of some "sky-larking" among juveniles, their high accident rate is attributed mainly to lack of proper supervision. Progress in organising safety measures is not so rapid as it might be, partly because of the prevalent idea that attention to safety detracts from production.

A more encouraging feature of the report is the steady progress made with welfare and feeding facilities and the introduction of lighting and colour improvements in factories. The figures on industrial health, too, are fairly satisfactory. Good progress has been made with the campaign against byssinosis (a dust disease) in the cotton industry, and for the second year since 1899 no fatal case of anthrax was reported.

Aircraft Operating Costs

The Society of British Aircraft Constructors has been working out in the past year a standard method of calculating the direct operating costs of aircraft; the results of its work have now been accepted by the society's members, who include all the British airframe and engine manufacturers and most manufacturers of components. An operator who wants to work out the direct hourly cost of flying a particular aircraft over a given distance has been able to get figures of cost and performance from the manufacturer. But these only cover such factors as the price of the aircraft, speed, payload and fuel consumption. The operator then has to apply, by his own rule-of-thumb methods, the other factors which affect direct costs—the annual rate of utilisation, the costs of spares and maintenance, insurance and landing dues—all expressed as cost per flying hour. To find out, for example, the cost per hour for obsolescence of the airframe and for carrying spares, an operator makes the following calculation:—

Cost of airframe + cost of spares — residual value at obsolescence
Obsolescence period × utilisation per annum

The society estimates that spares are carried to the value of 10 per cent of the price of the airframe; that the residual value of airframe and spares at obsolescence is 20 per cent of their original price; that the obsolescence period is eight years and that the aircraft is flown 3,000 hours a year. Assuming that the first cost of the airframe as given by the manufacturer is £80,000, this gives:

$$\frac{£(80,000 + (0.1 \times 80,000)) \times 0.80}{8 \times 3,000} = £2.93 \text{ per hour}$$

The SBAC standard figures have the great advantage of having been drawn up by the manufacturers' representatives in close co-operation with operators, including the charter companies. The Air Transport Association in the United States performed a similar task for its members (the airline operators), but the assumptions underlying those standards were never fully accepted by the American aircraft industry,

which had no part in drawing them up. Agreement is important because most airline operators select their aircraft on the basis of operating costs.

The Society of British Aircraft Constructors is aware that the standard figures cannot apply in every case, and it is therefore suggested that manufacturers, where they dissent, may give their own suggested alternative figures. Disagreement over engine maintenance is not improbable; not all engine manufacturers approve of the standard figures given. The new formulae, since they have been reached on the basis of experience with piston-engined aircraft, will not apply with the same accuracy to aircraft with gas turbines, but it is hardly yet possible to devise standards that would apply to this type of engine.

Finance and Trade

Non-Transferable Sterling

A further restriction in the freedom with which transferable sterling can be used has followed recent negotiations between British and Dutch Government officials in London. The opportunity was taken at this meeting to bring home to the Dutch representatives the dissatisfaction and resentment with which Dutch use of transferable sterling facilities was viewed in official circles in London. Dutch traders have been among the more resourceful users of transferable sterling in the conduct of their entrepot and third party operations and they have been very prominent operators in the free market in cheap sterling. Many complaints have in the past been made to the Dutch authorities on this score, but without avail until this latest occasion when evidently arguments of rather more convincing character must have been used by the British representatives. The result has been to extend to Dutch transferable accounts the restrictions which have already been publicly applied to Egyptian,

Spanish and Czech transferable accounts. These limit the use of sterling in such accounts to direct commercial operations with the other party in the transfer, or to third party transactions which must in each case receive the consent of the Bank of England.

If the practice of restricting transferable sterling in this manner gains ground, transferable sterling will before long have lost all its reality. The transferable account system will be dismantled, and for all practical purposes the use of sterling between non-sterling countries will be restricted to bilateral operations. This is a retrograde step and reflects the persistent attitude of the British monetary authorities, who seek to maintain the efficacy of exchange control by plugging the successive leaks which appear in that control rather than by more fundamental methods of making sterling a currency so strong, so deserving of confidence, that leaks will no longer occur. In the short run this purely defensive restrictionist policy will appear to pay dividends, and already a considerable hardening in the rate for transferable sterling, which over the past fortnight has risen from \$2.40 to \$2.52, reflects the new barriers which are being placed in the way of its use and the diminution in its potential supply. Taking the longer view, however, it can hardly be claimed that this move is calculated to improve that confidence in sterling which is the prime condition of recreating its position as a truly international medium of exchange.

The recent decision to make all payments out of Chinese sterling accounts subject to the permission of the Bank of England is yet another straw showing the direction of the wind. In this case, however, other considerations may have weighed in the decision. On the threshold of recognition of the new regime in China the true ownership of much of the existing Chinese sterling may be called into question and special care must, therefore, be exercised in authorising all transactions in these accounts.

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Expanding industrial development creates trade opportunities and an ever-widening field for employment. Informative "Blue Booklets" describing the Australian economy are published by the Bank of New South Wales and may be obtained, free, from your Bankers or direct from—

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Not so funny for Mr. Nash!

Mr. Nash's sudden transformation from a dignified business man to a sprawling figure of waving arms and legs struck some passers-by as funny. But



when he was helped to an ambulance with an injured back and head, Mr. Nash could hardly be blamed if he did not share the joke. He was unable to work for many months, while expenses mounted. Yet he was able to convalesce with an easy mind, for under his "General" Personal Accident Policy he received £10 a week until he was fit.

Peace of mind costs very little

£4 a year covers you for £10 a week accident benefit. Are you wise to face the risk—and all that it means to your dependants—without this cover? It's worth while finding out more about this and other benefits of the "General's" Personal Accident Policies—just send the coupon.

Please send me full particulars of "General" Personal Accident Policies.
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FAMOUS FOR ALL CLASSES OF INSURANCE

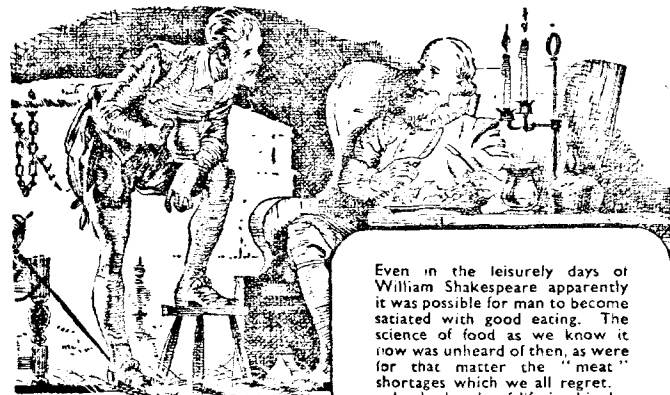
Undeclared Dollar Holdings

An interesting initiative has been taken by the British Treasury in starting an action before the American courts to compel an American bank to hand over to the British Government dollars deposited with that bank by a British resident. The account in question has been left undisturbed in the American bank for many years. The dollars should have been handed over under the Exchange Control regulations during the war, and the depositor is still under an obligation to sell them to the Government under the Exchange Control Act. For reasons which have not yet emerged, the authorities in this country, though they are fully aware of the identity of the depositor, have chosen not to proceed against her direct, but to seek the authority of the American courts to compel the depository bank in New York to hand over the dollars. This attempted extension of the principle of extradition to contraventions of Exchange Control regulations is a novel and significant development. Minor precedents for it have been set in the arrangements made between certain monetary authorities to exchange information about exchange control infringements by their respective nationals, even though this has meant breaking the traditional pledge of secrecy between the banker and his customer. A new chapter will, however, have been opened if the force of exchange control measures introduced in one country can acquire the backing of sanctions applied in another.

* * *

Agreement with Yugoslavia

It is probably unfair to suggest that the successful conclusion of a Trade Agreement with Yugoslavia—like the abrupt ending of the trade talks with Hungary—represents one more intrusion of political influence into the field where economic considerations formerly held the undisputed right



*Doth not the appetite
alter? A man loves
the meat in his youth
that he cannot endure
in his age*

Shakespeare



Peptalac
THE PREDIGESTED MILK DIET

4517

A COW & GATE PRODUCT

Even in the leisurely days of William Shakespeare apparently it was possible for man to become satiated with good eating. The science of food as we know it now was unheard of then, as were for that matter the "meat" shortages which we all regret.

In the bustle of life in this day and age a man need no longer suffer if time, or years, will not permit him to assimilate his food, or if he lacks that "pep" which only a generous protein intake supplies.

He can get adequate and enjoyable nourishment from a cup of PEPTALAC, the predigested milk and wheat food drink.

PEPTALAC is an ideal source of protein for the busy man—and his family too. It imposes no strain on the digestion and can occasion no regret.

Made in an instant by the mere addition of hot water—"The milk is in it!" Get a tin today and enjoy "the pep" that only PEPTALAC can supply.

of arbitrament; nevertheless the impression must remain that the balance between economic advantage and disadvantage to Britain is very finely struck in the new agreement.

Briefly, it is provided that Yugoslavia will pay out the £4,000,000 odd of compensation still outstanding for British property nationalised in Yugoslavia over the course of the next seven years; on the other hand Britain is to lend approximately twice that sum (£8,000,000) to Yugoslavia over the course of the next six. Having thus paid for past pork out of money loaned for new pigs, Marshal Tito has consented to fling open the door for mutually advantageous Anglo-Yugoslavian trade which is expected to amount to the considerable figure of £100 million over the next five years (and which will apparently be partly financed by short-term British credit guarantees). British exports to Yugoslavia in this period are scheduled to include £30 million of capital equipment, £32 million of raw wool and wool and cotton yarns, over £5,000,000 of crude oil and petroleum products, small quantities of dyestuffs and rubber products and a varying quantity of miscellaneous goods. In return Yugoslavia promises to send to Britain some £58 million of hardwoods and softwoods, about £14 million of maize, £7,500,000 of non-ferrous metals (lead, copper, chromium and zinc) and various other goods, mostly "inessential" foodstuffs, such as prunes and tinned fish. Britain is at present purchasing some of the goods cited in this list (including non-ferrous metals) from dollar sources and it is in this dollar-saving that the main potential virtue of the new agreement lies.

Past experience suggests, however, that it would be unwise to measure the volume of Anglo-Yugoslavian trade in the next quinquennium until the trade begins to flow. The 1948 Anglo-Yugoslav Trade Agreement, which expired on September 30th of this year, provided for £15 million of trade each way; reference to the trade returns reveals that British imports from Yugoslavia in fact amounted to just over £10 million and British exports to Yugoslavia to just under £3,500,000 in the twelve months concerned.

* * *

Sterling Rationed in Brazil

Brazil has decided to treat sterling as a hard currency and to apply to it the rationing system which has been in force for dollars and other "arbitrable" currencies since last March. The latest "Fortnightly Review" of the Bank of London and South America reveals that henceforth Brazilian commercial banks must pass on to the Central Bank all sterling purchased from exporters and other sellers. This sterling will then be distributed by the Central Bank among would-be purchasers according to a pre-arranged system of priorities. Goods of the first priority (which are exempt from the rule under which closure of exchange will not be authorised until 45 days after the application for exchange is registered) include agricultural machinery, fuel, scarce metals and pharmaceutical products not manufactured in Brazil. Other goods at present exempt from import licences (together with insurance settlements) are given second priority, sterling, required for most financial remittances third priority, that required for transfer abroad by transport and communications concerns (together with a few oddments such as travelling expenses), fourth priority and importers of inessential goods are apparently to be left to pick up any crumbs of sterling that remain. The present Brazilian Government is very anxious to encourage foreign (and particularly American) investment in the country; this anxiety no doubt accounts for the welcome fact that neither in this new rationing system nor in the Brazilian schedule of differential exchange rates are financial remittances given the role of Cinderella, which they are forced to play in so many other Latin American republics at the present time.

Apart from this one bright feature, however, the news of the new Brazilian import restrictions must be regarded as unmitigatedly depressing. In prewar years, whenever the price of coffee was booming, Brazilian trade statistics tended

to show an export surplus with the United States and an import surplus with the United Kingdom. In 1948 there was some sign that this prewar pattern of trade might be restored. In that year Brazil had a small visible surplus of some \$16 million with the United States, and a small visible deficit of some £2,500,000 with the United Kingdom. Although Brazil's dollar surplus on merchandise account was insufficient to pay off its accumulated dollar debts, the re-appearance of a dollar surplus in visible trade was heartening. Unfortunately, however, this surplus was not repeated in the first half of 1949 (although the visible deficit of just under \$5,000,000 was still appreciably less than that in the first half of 1948); simultaneously Brazil's visible deficit with the United Kingdom widened to nearly £10 million in the half year. Sterling devaluation, which has made many British industrial goods competitive with United States goods in southern Latin America, must have had the effect of making this visible deficit wider still. Although Brazil is believed to hold sterling balances to the value of some £35 million, about £16 million of these must be earmarked for payments now due on formerly British-owned railways and railway stores. So long as exact bilateral balancing of accounts between each country remains in fashion, therefore, some tightening up of controls on Brazilian imports from the sterling area was probably inevitable. The pity of it is that it has been Britain, following in the footsteps of Dr Schacht, who has been chiefly responsible for spreading the gospel of bilaterally balanced accounts in Latin America.

* * *

Intra-European Payments for November

The Bank for International Settlements has recently completed its compensation of intra-European payments for the month of November. For Great Britain the most striking feature of this operation is the fact that for the second month in succession no settlements in gold or dollars should have been made under payments agreements with other OEEC countries. Neither did the United Kingdom have to exercise any drawing rights under the intra-European payments scheme, or make use of the Belgian credit in order to complete compensation of payments during November. These developments reveal the undoubted improvement which has occurred since devaluation in the balance-of-payments between the sterling area on the one hand and Belgium, western Germany and Switzerland on the other. This improvement has, however, been matched by a deterioration in the balance of payments with the other OEEC countries.

The details of the latest compensation of intra-European payments also throw some light on this reverse side of the medal. Drawing rights granted by the United Kingdom were exercised during November by Austria (£423,000), Greece (£782,000), and Turkey (£395,000). On the other hand France had up to the end of November failed to use any part of its bilateral drawing rights equivalent to \$81 million on the UK or of the \$12 million carried forward from the preceding payments year. When the drawing rights for the current I.E.P.S. year were arranged it was estimated that France would run a deficit equivalent to \$120 million with the sterling area. Of this, \$81 million was to be covered by new bilateral drawing rights, \$12 million by the carry-forward from the previous year, and the balance of \$27 million by the use of multilateral drawing rights established in France's favour. In fact the experience so far shows that France has run a surplus and not a deficit with the sterling area.

Apart from other general considerations the complete miscarriage of the estimates of the balances of payments between member countries demands a fundamental review of the intra-European payments scheme. This will be one of the first tasks to which OEEC will have to bend its energies in the weeks to come. A mass of ammunition is already piling up for this new operation. Up to date no less than seventeen separate schemes have been forwarded to OEEC, and now that private organisations have joined in the

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JAMES MUIR

President

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Vice-President

General Manager

Condensed Annual Statement as on 30th November, 1949

ASSETS

Cash, Cheques and Balances with other Banks.....	\$432,912,987
Government and other Public Securities not exceeding market value.....	1,058,661,626
Other Securities not exceeding market value	116,817,042
Call Loans	69,097,830
Other Loans and Discounts	584,168,936
Liabilities of Customers under Letters of Credit	51,790,695
Other Assets.....	21,536,238
	\$2,334,985,354

LIABILITIES

Capital, Reserve and Undivided Profits	83,792,238
Notes in Circulation	3,703,730
Deposits	2,192,140,579
Letters of Credit outstanding.....	51,790,695
Other Liabilities	3,558,112
	\$2,334,985,354

Over 660 Branches in Canada,

62 Branches Abroad, including:

LONDON, NEW YORK, HAVANA, BUENOS AIRES, RIO DE JANEIRO, SAO PAULO, MONTEVIDEO, LIMA, BOGOTA, CARACAS, BELIZE, NASSAU, also in PUERTO RICO, DOMINICAN REPUBLIC, HAITI, BARBADOS, DOMINICA, JAMAICA, ST. KITTS, TRINIDAD, MONTserrat, ANTIGUA, GRENADA, BRITISH GUIANA.

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B. Strath, <i>Manager.</i>	L. R. Newman, <i>Manager.</i>
R. P. Elliott, <i>Asst. Manager.</i>	A. P. Harvey, <i>Asst. Manager.</i>

fray there is no knowing how high the number of possible starters will become.

* * *

Currency Inflation in West Africa

The latest report of the West African Currency Board reveals that in the twelve months to mid-1949 the value of currency issued by the Board against payment in London amounted to £20,131,000, or nearly three and a half times the amount required in the preceding year (£5,985,000) and two and a half times the previous record issue (£7,945,000 in 1946-1947). As a result of the year's operations, which involved shipment of notes to the coast by every available means—including specially chartered aeroplanes—the total value of notes and coin in circulation in West Africa rose from £47.8 million to £67.7 million. Most of this rise was accounted for by an increase of some £14½ million in the note issue; coins in circulation rose by only £5,500,000 so that the ratio of coins to notes dropped from 66:34 to 55:45.

This rapid rise in the note issue provides a sorry commentary on the results of the attempt to control inflation in West Africa through the control of off-farm prices by produce marketing boards. Nigeria and the Gold Coast have long been archetypes of what the Americans call "export economies"; their monetary circulations are liable to vary enormously from year to year as the prices of cocoa and palm oil rise or fall (bringing violent swings in export or import surpluses with them). Whenever an export surplus is allowed to generate an expansion in monetary circulation in a community of this sort, inflation takes the native economy by the ears; as soon as pound notes arrive in the villages in sufficient numbers, they become the recognised unit of account for quite small transactions with illogical rapidity and internal prices seem to bound up with the express purpose of allowing them to become so. If a fall in the world price of cocoa sets in and brings with it a drain of pound notes from the villages, these internal prices are likely to stick at their inflated levels for some time and thus give rise to much misery (and to a revival of the old curse of peasant indebtedness).

The situation will in fact be aggravated in any future slump because the new (September, 1949) regulations for the West African Colonial Currency Board still postulate, in effect, that any deficit in a colony's balance of payments must be matched by an exactly equivalent drain from the colony's internal note circulation; there is no provision for an internal fiduciary issue to absorb part of the blow. Several schemes have been mooted—and in fact tried out—for cushioning the cruel impact of worldwide cyclical forces on these native economies. The marketing board system for maintaining stable off-farm prices through slump and boom was one such scheme; this has now degenerated in most cases into a system for holding back as much of the crop's proceeds as is politically possible in time of boom in order to pay some sort of a subsidy in time of slump. Other more direct systems of quantitative monetary control have been tried out under American supervision in export economies in northern Latin America (where not all of them have yet gone on the rocks); a scheme of the same sort—also with American parentage—is now being worked out to replace the former colonial currency board system in Ceylon. No doubt research on the proper technique for monetary control in colonial economies has a long way to go yet, but the present British system of control, which has now allowed monetary circulation in West Africa to increase by over 40 per cent in a single year, certainly seems to be in need of some fairly immediate strengthening.

* * *

National Income Estimates

The official annual estimates of the national income have notorious limitations, and it is not to be expected that quarterly estimates, compiled unofficially, provide more than an impressionistic study of a moving picture. But to sketch

the main outlines themselves is an enterprising task on which the Oxford Institute of Statistics is to be congratulated. The latest estimates, which appear in the December Bulletin, bring the record up to the end of the September quarter. The money value of the net national income (that is, after providing for depreciation) is put at an annual rate of £10,470 million for the third quarter, compared with £10,370 million for the second and £10,050 million for the first quarter. These figures have, of course, been corrected for seasonal factors; when they are corrected also for price movements, the third quarter shows not an increase but a very slight decrease in the real national income. It is not necessary to make any serious point about this check, for, as the bulletin shows, the June quarter showed a remarkable expansion in production.

Other tables in the article throw some interesting preliminary light on the trend of the balance of payments—subject, inevitably, to any delay, in the period before devaluation, in payments for British exports. The net export deficit was, according to these figures, running at the same annual rate (£130 million) in the third quarter as in the second but when correction for seasonal variation is applied, the annual rates appear as follows:

1st Quarter—£55 million surplus
2nd Quarter—£35 million deficit
3rd Quarter—£55 million deficit

In "overall" terms, these figures tend to support the impression that the balance of payments for the full year will show a deficit, but not of an intolerable size.

But perhaps the most significant table is a new analysis of personal income, which shows movements in personal savings in relation to total personal incomes. The table is reproduced below:

AGGREGATE PERSONAL INCOME £ mn.—At Current Prices, seasonally corrected								
	1948				1949			
	I	II	III	IV	I	II	III	
Consumption.....	7,330	8,005	8,015	8,070	8,010	8,310	8,415	
Direct taxes.....	1,315	1,270	1,415	1,470	1,480	1,515	1,580	
Savings:— (Residual figures)	(145)	(210)	(245)	(305)	(395)	(225)	(220)	
Aggregate personal income.....	9,360	9,485	9,675	9,845	9,885	10,050	10,215	

Source: Institute of Statistics, Oxford, Bulletin Vol. II, No. 12

The first quarter of 1949 showed a considerable increase in savings. As the Bulletin points out, industrial expansion was slowing down; exports continued to rise and Government expenditure to increase, but there was little increase in consumption and savings expanded. But when exports levelled off in the middle of the year, consumption increased much more rapidly than personal incomes, and personal savings again fell to a level at which they became "barely adequate to cover death duties, implying substantial dis-saving by sections of the public to balance institutional forms of saving." These figures are certainly in step with general economic observation during the changing phases of the Government's economic and financial policy. The time for "consequential measures" was before, not after, devaluation.

Shorter Note

Coal output from the mines last week was 4,076,300 tons; an opencast output of 225,300 tons brought the total for the week to 4,301,600. The cumulative total for the first 51 weeks of 1949 is 212,475,700 tons; of this total 200,141,400—nearly 6,000,000 tons more than in the same period of 1948—is deep-mined output, which therefore seemed likely to reach the lower of the *Economic Survey* targets for the year (202 million tons) in the three full working days which remained to complete the year. Opencast output for the year will fall somewhat short of expectation.

COMPANY MEETINGS

BANK OF MONTREAL

INCREASED BUSINESS

The one hundred and thirty-second annual general meeting of the Bank of Montreal was held on December 5th in Montreal.

Mr B. C. Gardner, M.C. (the president), in the course of his address, said: The past year has seen some far-reaching changes in the Canadian business climate. For many, these changes have brought pressing problems, especially with respect to conditions and prospects in export markets. Indeed, the complexities of the international situation, climaxed by the currency devaluations of mid-September, have overshadowed the entire Canadian economic scene, heavily re-emphasising our independence on conditions beyond our own borders. Nevertheless, as far as domestic developments are concerned, the course of events has had a good many healthy and reassuring aspects.

The most noteworthy feature of the Canadian business trend during the year has been its relative stability as compared with the course of developments in the United States. The divergence of trend thus far might be interpreted in terms of the traditional time lag. In my opinion, however, the explanation goes somewhat deeper. In Canada, as in the United States, there have been cyclical forces operating on the down side. But in Canada, in large part offsetting these recessive influences we have a vigorous programme of industrial expansion based not so much on the outlook for business next year or the year after as on an appraisal of this country's magnificent long-term potentialities. It may not be too much to suggest that Canada is currently undergoing a phase of dynamic growth which, relatively speaking, is not unlike that experienced by the United States in the years following World War I.

DOLLAR PROBLEM

Overall, we do not live beyond our means on international account; our exports, visible and invisible, are still somewhat more than sufficient to pay for our imports of goods and services. But without convertibility of sterling into United States dollars we have to cope with the dual problem of earning an adequate supply of United States currency, while at the same time maintaining our exports to sterling area and other markets from which our imports are relatively small.

The devaluations of mid-September must be regarded as a long stride toward realism. Before many months have passed, some of the new rates may prove to be over-valued; some may be under-valued. And to the extent that such dislocations occur, the result will inevitably be to prolong reliance on restriction and bilateralism and to delay the return of convertibility. I suggest, therefore, that it may well be time to ask whether the ends of expansion of trade would not now be better served by permitting a range of variation in exchange rates, cushioned perhaps by a stabilisation fund designed to prevent violent short-term fluctuations.

Mr Gordon R. Ball, general manager, said *inter alia*: Net profits for the year, after appropriation to contingency reserve and after provision for depreciation of premises and equipment and for Dominion and Provincial taxes, amount to \$5,816,570. After providing \$3,600,000 for dividends and extra distribution equivalent to \$1.00 per share, a balance of \$2,216,570 is left to be carried forward to profit and loss account.

Our total assets at the year-end amounted to \$2,140 million, an increase of \$148 million during the year. This is a record high level of resources at the end of any fiscal year of this bank. Total deposits reached a figure of \$2,019 million.

The report and accounts were adopted.

AMALGAMATED TOBACCO CORPORATION, LIMITED

STEADY PROGRESS

The third ordinary general meeting of the Amalgamated Tobacco Corporation, Limited, was held on December 29th in London, the Right Hon. Lord Llewellyn, P.C., C.B.E., M.C., T.D. (chairman) presiding.

The following is an extract from his circulated statement:

It is very gratifying to report another satisfactory year. Our gross trading profit for the year to May 31, 1949, amounted to £287,153, and net trading profit to £194,319, and as these figures were not inflated by fortuitous profits arising from increases in tobacco duty, as were the profits for the preceding two years, they show an improved result on actual trading.

Steady progress is indicated by the figures for trading profit for the past three years. That net profits have not shown an equally marked improvement is due to the greatly increased interest charges we have had to bear in financing the crushing increases in duty imposed on tobacco, which it should be noted have involved manufacturers in additional interest burdens without any corresponding increase in their profit margins. We have been able to achieve these satisfactory results by developing and expanding our business wherever opportunity could be found, and by resolutely overcoming difficulties as they arose.

In my statement last year I told you that I had every confidence that we would maintain and even improve upon our past record, that our profits were running satisfactorily, that we had satisfactory stocks, and that our current production and sales were higher than the previous year's average. I am pleased that the results have fully justified my statement and I am even more pleased to be able to say that I can repeat that statement as a comment upon our current year's operations up to date.

SOUTH AFRICA

You will observe that our profits include for the first time the item "Dividends received, £9,263." This item represents the dividend to March 31st last on our holding of Preference shares in the South African company. At the first annual general meeting of that company the chairman was able to report a small profit on the first year's working sufficient to warrant the payment of the Preference dividend, although no payment of dividend was made on the Ordinary capital. That result cannot be regarded as unsatisfactory in view of the fact that the South African company had to start, so to speak, from scratch and to build its business from the ground up in a highly competitive market.

We have every hope that the South African company will make steady progress and show improved results as it becomes more firmly established, and we trust that in the years to come we shall receive many, and more substantial, dividends from it. Our managing director is in South Africa at the present time using his unrivalled knowledge firmly to establish that company.

We have signed contracts for the purchase of the majority shareholdings in Walkers Tobacco Company Limited, and a similar offer is being made to all other shareholders for the acquisition of their shares, which we hope will be accepted. With Walkers, we enter the pipe and cut tobacco trade, and are sure this new association will prove of increasing value to us as time goes by.

The report was adopted.

TENNAMARAM PALM OIL

The twenty-sixth annual ordinary general meeting of Tennamaram Palm Oil Company, Limited, was held on December 21st in London, Mr J. Bligh Orr (the chairman) presiding.

The following is an extract from his circulated statement:—

Taxation has again taken a heavy toll of profits, which, nevertheless, show an increase over last year of £11,633. The directors recommend a final dividend of 4 per cent. on the 6 per cent. Participating Preference and Ordinary shares, making 12 per cent. for the year on both classes.

The whole oil palm output was sold to the Government, as in the previous year. The price fixed over the calendar year 1949 was £82 per ton f.o.b., duty on buyers' account. For 1950, the Government have agreed to again buy the whole output, but at the reduced price of £74 per ton, duty on sellers' account. Palm kernels continue to be sold at varying, but on the whole satisfactory, prices.

From the foregoing it is clear that there will be some falling off in our profits for the current year. Every endeavour is being made to reduce production costs but, until the replanting programme is completed, estate expenditure is bound to remain high.

The estate is reported to be in an excellent state of cultivation. Regular manuring of all fields at yearly intervals has now become part of the general routine. Good progress is being made with the replanting programme. All buildings are reported to be in good condition. The labour position remains much as it was 12 months ago, barely adequate.

The report was adopted.

The directors have declared an interim dividend of 4 per cent. on both classes of shares for the year ending June 30, 1950.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

BURDENS ON ENTERPRISE

The annual general meeting of The Birmingham Small Arms Company, Limited, was held on December 22nd, at Birmingham.

Sir Bernard D. F. Docker, K.B.E. (chairman of the company), in the course of his speech, said: The trading profit for the year ended July 31, 1949, is £1,438,294 (as against £1,146,383 in the previous year). The gross dividend represents 1.3 per cent. of the turnover while, after deduction of tax, it represents only .7 per cent. Wages and salaries on the other hand come to over 35 per cent.

The burden of regulations which governments of various countries, certainly not least our own, have placed upon the back of commercial enterprise in these days is a serious hindrance. We regard the nationalisation of steel as industrial and political madness.

The B.S.A. tool group has continued to make satisfactory progress. A feature of the year has been the increase in export sales. The production and sale of motor cycles and cycles has again been a record. We have had a considerable amount of trade in sporting rifles, particularly in the dollar markets.

There is a considerable demand for Daimler cars among discerning people in this country, and were it not for government restrictions we could increase our home market to the great advantage of our overseas and dollar-earning trade. I believe there is no justification whatever for the imposition of a double purchase tax on industries that must have, by their very nature, the highest degree of technical skill and craftsmanship. The double-deck and single-deck bus chassis continue in steady demand both at home and overseas, but some governments have placed restrictions on imports.

The report was adopted.

HUMBER, LIMITED**A SUCCESSFUL YEAR**

The forty-first ordinary general meeting of Humber, Limited, was held on December 22nd at Coventry.

Sir William Rootes, K.B.E., the chairman, in the course of his speech, said: The trading results of Humber, Limited, and its subsidiaries for the year ended July 31, 1949, amounted to £864,458, and after deducting depreciation, debenture interest, auditors' remuneration and taxation, there remains a net profit of £380,520. While the net profit shows an increase of £121,888 over the previous year, your directors have decided to recommend that the deferred ordinary stock dividend remains as hitherto. There is, therefore, available a total of £325,000 to be ploughed back into the business, by the addition of £200,000 to reserve for price fluctuations in stock and additional ton amortisation, and by transferring £125,000 to general reserve.

With these additional reserves the capital and revenue reserves of the company and its subsidiaries now stand at over £2,300,000. Current assets appear in the consolidated balance sheet at £6,577,983 and by comparison with current liabilities and provisions at £4,105,455 show a satisfactory surplus liquid position.

SHORTAGE OF SHEET STEEL

Your company's premises and plant are in sound productive condition. Unfortunately they are not being utilised to full capacity owing particularly to shortage of sheet steel. In saying this I cast no reflection on the steel manufacturing industry for that has done and is still doing its best to assist us; I have no doubt that as and when the additional capacity the steel manufacturers are creating at great cost comes into production, our problems will be greatly alleviated.

In the meantime your company is in a difficult position, and is still not working to much more than two-thirds of its capacity.

The question, therefore, that arises is: Should we not purchase more sheet steel from abroad? If this could be achieved your company's increased production could all be allocated to the overseas markets. At present both cars and commercial vehicles are having to be strictly rationed.

EXPORT PROBLEM

Export is not an easy problem, particularly in the magnitude in which it has to be faced today, but I am sure you will agree that the automobile industry as a whole has done a magnificent job and its total contribution to the country's overseas trade is quite remarkable. Nevertheless, much more can be done and we are fortunate in having, through Rootes, Limited, who handle your company's exports, a world organisation and enthusiastic and loyal team of workers in all the principal trading countries of the world.

There are, unfortunately, restrictions through quotas, licences and financial regulations that make business in certain territories sometimes unprofitable and uncertain. It must, therefore, be one of the major tasks of whatever Government is in power energetically to move towards the establishment of less restriction in world trade.

You will appreciate the frustration sometimes caused in your plants through not working to full capacity and generally by reasons of our not having a sufficiently free hand to work and achieve the objects for which we aim. Moreover, we are prevented from attaining that rhythm and tempo so necessary if we are to lower our costs and be in a position to meet the intense competition which will face us throughout the world, particularly from the Continent of Europe.

The report was adopted.

HECTOR WHALING, LIMITED**PROFIT ESTIMATE EXCEEDED**

The twenty-first ordinary general meeting of Hector Whaling Limited, was held on December 29th in London, Mr R. de B. Trouton, the chairman, presiding.

The following are extracts from his circulated review—

As a result of the preferred share issue in February last the capital and surplus have been increased by slightly over £1,000,000 as compared with a year ago. About half of this £1,000,000 has been invested in the three ships formerly owned by United Whalers, Limited, enabling that company to meet the cost of its new whalecatchers. The remainder has been invested in Hector Tankers, Limited, to enable it to meet part of the cost of the tanker "Biscoe" and in shares in, and loans to, Hector Whaling South Africa (Pty.), Limited, which company has taken over our interest in the South African shipyards. The increase of £314,791 in the item for shares in subsidiary companies consists of £250,000 in Hector Tankers, Limited, £48,000 in Hector Products, Limited, £10,000 in Hector Whaling South Africa (Pty.), Limited, and £6,791 in purchasing further United Whalers, Limited, shares. We own the entire issued and paid-up capital of these three new companies and over 99.8 per cent of the ordinary share capital of United Whalers, Limited.

The estimate of profits contained in our prospectus of January 27, 1949, was satisfactorily exceeded. Your directors decided to appropriate £50,000 of the excess in raising this year's depreciation charge to £505,000, so as to write off at one stroke certain capital expenditure which has proved to be in excess of our estimates.

Last season "Balaena" made 197,000 barrels (almost 33,000 tons) of whale oil and sperm oil. Not only was this her record production but it was the best result of any whaling expedition last year. Moreover, "Balaena's" total oil production for the three-year period in which she has operated has exceeded that of any other expedition, while her total production of by-products has far exceeded that of any competitor.

We have sold all our whale oil production for the coming season at £80 per ton and have also made a forward sale of all our meat meal production.

THE CURRENT YEAR

We anticipate that some curtailment in the length of the season will take place as there is a substantial increase in whale catchers to be used by our competitors who have built many powerful catchers and have about doubled the number of corvettes in use for towing whales. Two years ago United Whalers, Limited, introduced the first two corvettes to the whaling industry, but this season the industry will be using more than twenty for towing.

We have always emphasised the speculative nature of the whaling industry. We are confident that you appreciate this and realise that virtually no conservation of resources, however drastic, can, in a trade such as this, ensure the maintenance of dividends at a steady level. This being so, your directors feel that, having made ample allowance on account of depreciation and having made adequate allocations to reserves, it is our duty to the shareholders to make as generous a dividend distribution as the profits of the year in question permit. But I must again stress the fact that, though we have been favoured with three successful years, we must be prepared to face our share of misfortune and bad years, and I can assure you that it requires a very great element of ill fortune or of bad weather to affect seriously the trading position of a company such as this.

The report was adopted.

BANGRIN TIN DREDGING

The twenty-ninth annual general meeting of Bangrin Tin Dredging Company, Limited, was held on December 22nd in London.

The following are extracts from the statement by the chairman (Mr Kenneth O. Hunter) circulated with the report:

The total output of tin ore for the year was 306.82 tons as against 106.76 tons obtained in 1947 when No. 2 Dredge alone was operating for some six months. Both dredges operated 95 per cent. of the possible working hours, and the ground worked amounted to 1,412,309 cubic yards with an average yield of .49 lb. of tin ore per cubic yard.

In the course of my remarks last year on the accounts at December 31, 1947, I expressed the hope that it might be possible to pay a small dividend when the results of the year 1948 became known. Unfortunately such hope has not been justified by events, but, as some compensation, your directors feel able to declare an interim dividend of 3 per cent., less income tax, in respect of the earnings of the current year.

No. 1 Dredge gave rather disappointing returns until September, when output rose satisfactorily. No. 2 was idle for nearly four months owing to an exceptionally severe drought resulting in a scarcity of water. The results obtained were variable but, on the whole, satisfactory. No. 3 gave very good returns for the first half of the year, but then began to fall off. Stockholders no doubt realise that, when dredging a large area which contains uneven values, returns are bound to fluctuate in this manner. In March last an unusually severe electric storm damaged some of the dynamos in the power house and caused several days loss of dredging time.

The report was adopted.

SIAMESE TIN SYNDICATE

The forty-second annual general meeting of Siamese Tin Syndicate, Limited, was held on December 22nd in London.

The following are extracts from the statement by the chairman (Mr Kenneth O. Hunter) circulated with the report:

The mine working account reflects the results obtained from operations at our Ngow, Koe Kien and Peek mining areas. Four dredges were worked, of which three operated throughout the year, and one, Ngow No. 2 dredge, started on February 12th. The rehabilitation of Ngow No. 3 dredge was still uncompleted at the end of 1948. The total output of tin ore obtained by the four dredges during the year was 920.92 tons and the ground worked amounted to 4,520,700 cubic yards, showing an average yield of .46 lb. of tin ore per cubic yard.

After making provision for amortisation and depreciation of properties, plant and equipment and paying the very heavy charge of £94,656 to the Siamese Government by way of export duty, we were left with a mining profit of £119,931 for the year compared with £28,617 for 1947, when three dredges only were working for periods of considerably less than a full year.

As regards the current year an interim dividend of 5 per cent. has been declared. You have been kept regularly informed of our production, which up to the end of October amounted to 1,015 tons and 133 tons at Kota Bahru. These bare figures may seem encouraging, and, indeed, up to a point, they are, but you will no doubt realise that, except under favourable conditions, dredges nowadays do not always work continuously at a profit; in fact, there have been periods this year when Ngow No. 1 was operating at a loss.

The report was adopted.

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